MORGUARD REAL ESTATE INVESTMENT TRUST

SECOND QUARTER RESULTS 2018

MANAGEMENT'S DISCUSSION AND
ANALYSIS AND CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

Q2

Morguard

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PART I

BASIS OF PRESENTATION

Financial data included in this Management's Discussion and Analysis ("MD&A") for the three and six months ended June 30, 2018, includes material information up to August 1, 2018. Except as outlined below, financial data provided has been prepared in accordance with International Financial Reporting Standards ("IFRS") IAS 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB").

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

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

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

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

The following management's discussion and analysis are intended to provide readers with an assessment of the performance of the Trust over the past three months, as well as its financial position and future prospects. This discussion should be read in conjunction with the condensed consolidated financial statements and accompanying notes for the three months and six months ended June 30, 2018. Historical results, including trends that might appear, should not be taken as indicative of future operations or results. All dollar references, unless otherwise stated, are in thousands of Canadian dollars, except per unit amounts.

Part X provides additional analysis of selected financial information from the Trust's condensed consolidated financial statements including the impact of the Trust's equity-accounted investments.

FORWARD-LOOKING DISCLAIMER

Certain information in this MD&A may constitute forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Trust's business results of operations. Forward-looking statements use the words "believe," "expect," "anticipate," "may," "should," "intend," "estimate" and other similar terms that do not relate to historical matters. Such forward-looking statements involve known and unknown risks and uncertainties and other factors that may cause the actual results to differ materially from those indicated. Such factors include, but are not limited to, general economic conditions, the availability of new competitive supply of commercial real estate that may become available either through construction or sublease, the Trust's ability to maintain occupancy and to lease or re-lease space on a timely basis at current or anticipated rates, tenant bankruptcies, financial difficulties and defaults, changes in interest rates, changes in operating costs, the Trust's ability to obtain adequate insurance coverage at a reasonable cost and the availability of financing. The Trust believes that the expectations reflected in forward-looking statements are based on reasonable assumptions; however, the Trust can give no assurance that actual results will be consistent with these forward-looking statements. Except as required by applicable law, the Trust disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. Readers should be cautioned not to place undue reliance on the forward-looking statements.

FINANCIAL MEASURES

The Trust uses supplemental measures such as net operating income ("NOI"), net operating income – same assets ("NOI – same assets"), funds from operations ("FFO"), adjusted funds from operations ("AFFO") and adjusted cash flow from operations ("ACFO") to manage its financial performance. These measures are not defined by IFRS and therefore should not be construed as substitutes for net income or cash flows from operating activities calculated in accordance with IFRS. Furthermore, the Trust's method of calculating these supplemental measures may differ from other issuers' methods and, accordingly, may not be comparable to measures reported by other issuers.

NET OPERATING INCOME

NOI is an additional GAAP measure and is defined by the Trust as revenue from real estate properties less property operating expenses, property taxes and property management fees. Net operating income is used as a key indicator of performance as it represents a measure over which management has control.

NET OPERATING INCOME – SAME ASSETS

NOI – same assets is a non-GAAP measure used by the Trust to assess period over period performance of those properties that are stabilized and owned by the Trust continuously for the current and comparable reporting period. The Trust believes it is useful to provide an analysis of NOI – same assets, which eliminates non-recurring and non-cash items. NOI – same assets represents NOI from properties that have been adjusted for: (i) acquisitions; (ii) dispositions; and (iii) area either held for, or under development . NOI – same assets also excludes the impact of straight-line rents, lease cancellation fees and other non-recurring items.

FUNDS FROM OPERATIONS

FFO is a non-GAAP measure that is widely accepted as a supplemental measure of financial performance for real estate entities. The Trust presents FFO in accordance with the Real Property Association of Canada ("REALpac") white paper on funds from operations and adjusted funds from operations for IFRS issued February 2018. In accordance with such white paper, the Trust defines FFO as net income adjusted for fair value changes on real estate properties and gains/(losses) on the sale of real estate properties. It does not represent amounts available for capital programs, debt service obligations, commitments or uncertainties. FFO should not be interpreted as an indicator of cash generated from operating activities and is not indicative of cash available to fund operating expenditures or for the payment of cash distributions. FFO is simply one measure of operating performance.

ADJUSTED FUNDS FROM OPERATIONS

AFFO is a non-GAAP measure that was developed to be a recurring economic earnings measure for real estate entities. The Trust presents AFFO in accordance with the REALpac white paper on funds from operations and adjusted funds from operations for IFRS issued February 2018. In accordance with such white paper, the Trust defines AFFO as FFO adjusted for straight-line rent and productive capacity maintenance expenditures ("PCME"). AFFO should not be interpreted as an indicator or cash generated from operating activities as it does not consider changes in working capital.

ADJUSTED CASH FLOW FROM OPERATIONS

ACFO is a non-GAAP measure intended as a supplemental measure of sustainable economic cash flow for real estate entities. The Trust presents ACFO in accordance with the REALpac white paper on adjusted cash flow from operations for IFRS issued February 2018. In accordance with such white paper, the Trust defines ACFO as cash flow from operating activities as per the condensed consolidated financial statements adjusted by: (i) adding back the non-recurring change in non-cash operating assets and liabilities; (ii) deducting normalized PCME; (iii) adding back actual additions to tenant incentives and leasing commissions; (iv) deducting amortization of deferred financing costs; and (v) an adjustment for the portion relating to equity-accounted investment in each of the above adjustments.

SUMMARY OF SELECTED QUARTERLY INFORMATION

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

ADDITIONAL INFORMATION

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

REVIEW AND APPROVAL BY THE BOARD OF TRUSTEES

The Board of Trustees ("the Trustees"), upon the recommendation of its Audit Committee, approved the contents of this MD&A on August 1, 2018.

SUMMARY OF SELECTED QUARTERLY INFORMATION
TABLE 1

In thousands of dollars, except per-unit amounts	**Q2 2018**	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Revenue from real estate properties	**$68,029**	$69,245	$72,225	$67,526	$67,726	$71,277	$72,088	$67,919
Net operating income	**36,862**	37,646	41,628	37,354	38,001	40,042	42,676	38,217
Income before fair value gains/(losses) and net (loss)/ income from equity-accounted investments	**21,950**	22,761	26,854	22,435	23,246	25,065	26,703	23,400
Fair value gains/(losses) on real estate properties	**22,060**	(5,995)	(33,223)	(38,247)	28,248	11,997	(29,655)	(14,829)
Net (loss)/income from equity-accounted investments	**(579)**	845	(1,372)	594	892	817	(4,257)	957
Net income/(loss)	**43,431**	17,611	(7,741)	(15,218)	52,386	37,879	(7,209)	9,528
Funds from operations	**22,825**	23,550	27,618	23,274	24,033	25,841	27,466	24,182
Adjusted funds from operations [1, 6]	**16,359**	17,022	21,196	17,291	17,420	19,076	20,792	17,608
Amounts presented on a per unit basis								
Net income/(loss)								
Basic	**$0.72**	$0.29	($0.13)	($0.25)	$0.86	$0.63	($0.12)	$0.16
Diluted [2]	**$0.62**	$0.27	($0.07)	($0.25)	$0.75	$0.56	($0.07)	$0.16
Funds from operations								
Basic	**$0.37**	$0.39	$0.45	$0.39	$0.39	$0.43	$0.45	$0.40
Diluted [2]	**$0.36**	$0.37	$0.43	$0.36	$0.38	$0.40	$0.44	$0.39
Adjusted funds from operations [1, 6]								
Basic	**$0.27**	$0.28	$0.35	$0.29	$0.29	$0.31	$0.34	$0.29
Diluted [2]	**$0.27**	$0.27	$0.34	$0.27	$0.28	$0.31	$0.34	$0.29
Cash distributions per unit	**$0.24**	$0.24	$0.24	$0.24	$0.24	$0.24	$0.24	$0.24
Payout ratio – Adjusted funds from operations [1, 3]	**88.9 %**	85.7 %	68.6 %	82.8 %	82.8 %	77.4 %	70.6 %	82.8 %
Weighted average number of units as at quarter-end (in thousands)								
Basic	**60,703**	60,694	60,664	60,627	60,592	60,601	60,575	60,701
Diluted [2]	**69,281**	69,272	69,242	69,206	69,171	69,180	66,765	66,798
Balance sheets								
Total assets	**$2,978,658**	$2,932,734	$2,921,091	$2,947,475	$2,969,744	$2,919,780	$3,034,190	$2,912,594
Total liabilities	**$1,380,940**	$1,364,011	$1,355,500	$1,360,230	$1,353,243	$1,341,647	$1,479,007	$1,340,864
Total equity	**$1,597,718**	$1,568,723	$1,565,591	$1,587,245	$1,616,501	$1,578,133	$1,555,183	$1,571,730
Gross leasable area as at quarter-end (in thousands of square feet) [4]								
Retail	**4,539**	4,527	4,726	4,752	4,752	4,711	4,711	4,711
Office	**3,197**	3,196	3,198	3,198	3,202	3,202	3,201	3,201
Industrial	**534**	534	534	534	534	534	534	534
Total	**8,270**	8,257	8,458	8,484	8,488	8,447	8,446	8,446
Occupancy as at quarter-end (%) [4, 5]								
Retail	**95 %**	96 %	97 %	95 %	95 %	95 %	96 %	97 %
Office	**92 %**	93 %	93 %	93 %	94 %	96 %	97 %	95 %
Industrial	**95 %**	98 %	98 %	98 %	98 %	97 %	98 %	98 %
Total	**94 %**	95 %	95 %	94 %	95 %	96 %	96 %	96 %

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 (see part IV).
2. Includes the dilutive impact of the outstanding convertible debentures.
3. Cash distributions per unit as a percentage of adjusted funds from operations – basic.
4. Gross leasable area for income producing properties, excluding IPP held for development, and excluding equity-accounted investments.
5. Excludes properties held for sale and area under development.
6. The Trust uses normalized productive capacity maintenance expenditures to calculate adjusted funds from operations.

PART II

BUSINESS OVERVIEW AND STRATEGY

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

The Trust is an unincorporated "closed-end" trust, governed by the laws of the Province of Ontario, created and constituted pursuant to an amended and restated Declaration of Trust dated May 5, 2015 ("Declaration of Trust"). The Trust was formed on June 18, 1997, and began operations on October 14, 1997. The Trust units are publicly traded and listed on the Toronto Stock Exchange ("TSX") under the symbol MRT.UN.

Morguard Corporation ("Morguard") is the parent company of the Trust, owning 56% of the outstanding units as at June 30, 2018. Morguard is a real estate company that owns a diversified portfolio of multi-unit residential, retail, hotel, office and industrial properties in both Canada and the United States.

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

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

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

The Trust's long-term debt strategy involves the use of conventional property-specific secured mortgages or bonds, unsecured convertible debentures and secured floating-rate bank financing. The Trust currently targets a capital structure with an overall indebtedness ratio of not more than 50% of gross assets. Through its Declaration of Trust, the Trust has the ability to increase its overall indebtedness ratio to 60%.

SECOND QUARTER OVERVIEW

The Trust's net income and comprehensive income for the three months ended June 30, 2018, was $43.4 million versus $52.4 million for the three months ended June 30, 2017.

The decrease of $9.0 million is largely the result of fair value changes. Fair value gains for the three months ended June 30, 2018, were $22.1 million, versus an overall gain of $28.2 million for the three months ended June 30, 2017.

Income before fair value gains and net income from equity-accounted investment was $22.0 million for the three months ended June 30, 2018, compared to $23.2 million for the same period ended June 30, 2017. The decrease of $1.3 million is largely the result of a decrease in net operating income.

Net operating income was $36.9 million for the three months ended June 30, 2018, versus $38.0 million for the three months ended June 30, 2017.

The decrease in net operating income of $1.1 million is largely the result of increased vacancy and lower base rents in the Trust's office and retail portfolios. In the retail portfolio, increased vacancy, including the impact of vacancy tied to the Sears Canada Inc. ("Sears") space (approximately $0.4 million), and reduced rental rates were partially offset by increased revenue from the Trust's development program. Since January 1, 2017, 303,700 square feet of development activity became income producing. These projects contributed $1.4 million to revenue in the second quarter, an increase of $1.0 million from the second quarter of 2017.

The Trust's fully diluted FFO for the three months ended June 30, 2018, was $24.8 million ($0.36 per unit) versus $26.0 million ($0.38 per unit) for the same three months ended June 30, 2017. This represents a decrease of $1.2 million ($0.02 per unit). The decrease in FFO is largely attributed to the decrease in net operating income.

The Trust continues with its development program and expects an additional 197,500 square feet of new area under intensification and remerchandised area to become income producing by the end of 2018. The Trust has secured commitments on 79% of the remerchandised area and 57% of the area under intensification.

PORTFOLIO OVERVIEW

The risk and reliability characteristics of real estate asset classes are different, and delivering on the primary business goal requires a mix of assets that balance risk and rewards. As at June 30, 2018, the Trust owned a diversified real estate portfolio of 48 retail, office and industrial properties consisting of approximately 8.4 million square feet of gross leasable area ("GLA") located in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec. Included in this portfolio are two properties that the Trust has deemed as held for development. Excluded from this portfolio is one office property, consisting of 0.2 million square feet of GLA, located in the province of Alberta, which is accounted for using the equity method.

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

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

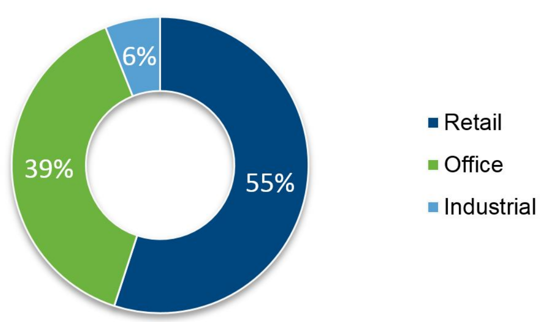
Industrial: The Trust has an interest in five industrial properties located in Ontario and Quebec.

PORTFOLIO COMPOSITION BY ASSET TYPE AND LOCATION
TABLE 2

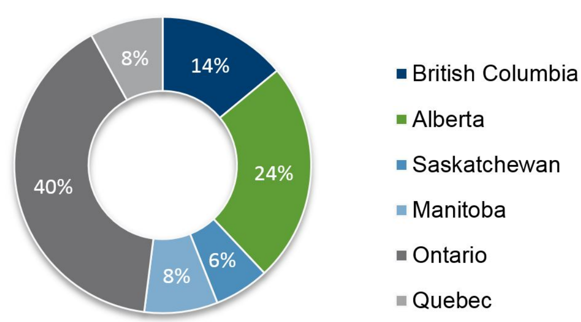
	Retail		Office		Industrial		Total	
Location	Number of Properties	GLA (000s)	Number of Properties	GLA (000s)	Number of Properties	GLA (000s)	Number of Properties	GLA (000s)
British Columbia	2	533	3	600	—	—	5	1,133
Alberta	5	849	9	1,169	—	—	14	2,018
Saskatchewan	1	490	—	—	—	—	1	490
Manitoba	3	672	—	—	—	—	3	672
Ontario	9	1,995	8	980	4	291	21	3,266
Quebec	—	—	1	448	1	243	2	691
	20	4,539	21	3,197	5	534	46	8,270
IPP held for development	1	67	1	43	—	—	2	110
Income producing properties	**21**	**4,606**	**22**	**3,240**	**5**	**534**	**48**	**8,380**
Properties held for sale/sold	—	—	—	—	—	—	—	—
Total real estate properties	**21**	**4,606**	**22**	**3,240**	**5**	**534**	**48**	**8,380**

GROSS LEASABLE AREA – INCOME PRODUCING PROPERTIES [1]

Asset Type Diversification



Geographic Diversification



1.Excluding IPP held for development

A summary of the changes in GLA for the previous eight quarters is provided in Part XII.

PART III

PROPERTY PERFORMANCE

NET OPERATING INCOME

NOI is used as a key indicator of performance as it represents a measure over which management has control.

NOI is an additional GAAP measure and is defined by the Trust as revenue from real estate properties less property operating expenses, property taxes and property management fees.

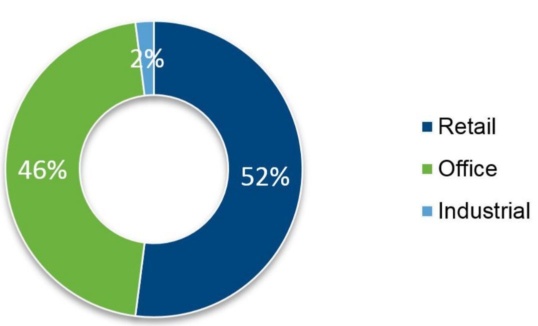
For the six months ended June 30, 2018, the Trust's retail and office portfolios accounted for 52% and 46% of NOI from income producing properties[1], respectively. The Trust's industrial portfolio accounts for only 2% of the Trust's NOI from income producing properties[1].

NET OPERATING INCOME BY ASSET TYPE AND LOCATION
TABLE 3

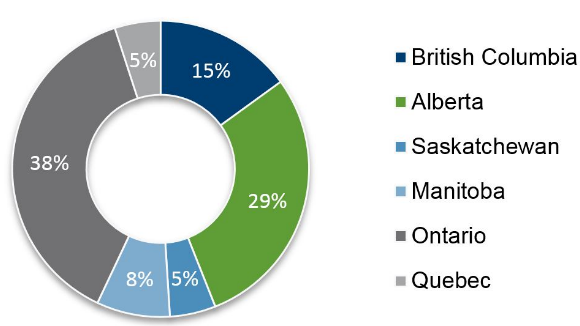
	Retail		Office		Industrial		Total	
Location	Number of Properties	NOI (000s)	Number of Properties	NOI (000s)	Number of Properties	NOI (000s)	Number of Properties	NOI (000s)
British Columbia	2	$4,360	3	$6,466	—	$—	5	$10,826
Alberta	5	5,333	9	16,404	—	—	14	21,737
Saskatchewan	1	3,954	—	—	—	—	1	3,954
Manitoba	3	6,091	—	—	—	—	3	6,091
Ontario	9	18,933	8	8,179	4	858	21	27,970
Quebec	—	—	1	3,326	1	687	2	4,013
	20	38,671	21	34,375	5	1,545	46	74,591
IPP held for development	1	(80)	1	37	—	(31)	2	(74)
Income producing properties	**21**	**38,591**	**22**	**34,412**	**5**	**1,514**	**48**	**74,517**
Properties held for sale/sold	—	—	—	(9)	—	—	—	(9)
Total real estate properties	**21**	**$38,591**	**22**	**$34,403**	**5**	**$1,514**	**48**	**$74,508**

NET OPERATING INCOME – INCOME PRODUCING PROPERTIES [1]

Asset Type Diversification



Geographic Diversification



1.Excluding IPP held for development

COMPARATIVE NET OPERATING INCOME BY ASSET TYPE
TABLE 4

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	Variance	%	**2018**	2017	Variance	%
Retail	**$18,958**	$19,337	($379)	(2.0%)	**$38,591**	$39,063	($472)	(1.2%)
Office	**17,196**	17,874	(678)	(3.8%)	**34,403**	37,390	(2,987)	(8.0%)
Industrial	**708**	790	(82)	(10.4%)	**1,514**	1,590	(76)	(4.8%)
Net operating income	**$36,862**	$38,001	($1,139)	(3.0%)	**$74,508**	$78,043	($3,535)	(4.5%)

NOI for the three months ended June 30, 2018 was $36.9 million versus $38.0 million for the same period ended 2017. The decrease of $1.1 million is largely related to the office portfolio where NOI is unfavourable by $0.7 million. This unfavourable variance is mainly the result of increased vacancy costs of $0.6 million. The retail portfolio NOI is unfavourable $0.4 million. Vacancy combined with lower rental rates reduced NOI by $1.0 million. However, the portfolio benefits from the positive results of the Trust's retail development, which contributed an additional $1.0 million during the quarter.

NOI for the six months ended June 30, 2018 was $74.5 million versus $78.0 million for the same period ended 2017. The decrease of $3.5 million is largely related to the office portfolio where NOI is unfavourable by $3.0 million. This unfavourable variance is mainly the result of increased vacancy costs of $1.6 million, coupled with $0.9 million in one-time lease cancellation fees received in 2017.

COMPARATIVE NET OPERATING INCOME – SAME ASSETS ANALYSIS
TABLE 5

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	Variance	%	**2018**	2017	Variance	%
Revenue from real estate properties	**$65,129**	$65,840	($711)	(1.1%)	**$131,488**	$134,543	($3,055)	(2.3%)
Property operating expenses	**15,944**	14,946	998	6.7%	**31,657**	30,453	1,204	4.0%
Property taxes	**11,839**	11,594	245	2.1%	**24,521**	24,204	317	1.3%
Property management fees	**2,147**	2,163	(16)	(0.7%)	**4,350**	4,444	(94)	(2.1%)
Net operating income – same assets	**$35,199**	$37,137	($1,938)	(5.2%)	**$70,960**	$75,442	($4,482)	(5.9%)

The components of net operating income – same assets are displayed in the table above. For comparability in this section, the NOI is focused on same assets which is a non-GAAP measure. Assets acquired, disposed of and developed over the comparable periods are removed, along with the impact of stepped rents, lease cancellation fees and area either held for, or under development and other non-recurring adjustments, collectively; the adjustments for same assets.

For the three months ended June 30, 2018, net operating income was $36.9 million, while net operating income – same assets was $35.2 million, a decrease of $1.7 million. For the three months ended June 30, 2017, net operating income was $38.0 million, while net operating income – same assets was $37.1 million, a decrease of $0.9 million. The decrease of $1.7 million and $0.9 million are the result of applying the adjustments for same assets to each of the respective three month periods.

For the six months ended June 30, 2018, net operating income was $74.5 million, while net operating income – same assets was $71.0 million, a decrease of $3.5 million. For the six months ended June 30, 2017, net operating income was $78.0 million, while net operating income – same assets was $75.4 million, a decrease of $2.6 million. The decrease of $3.5 million and $2.6 million are the result of applying the adjustments for same assets to each of the respective six month periods.

A full reconciliation of NOI per the condensed consolidated financial statements to NOI – same assets can be found in Part X, Table 58. A summary of the changes in GLA – real estate properties and GLA for area either held for, or under development, along with GLA for purposes of occupancy is provided in Part XII. Changes in GLA are presented in Part XII, for the current and previous seven quarters.

Property management fees are the direct result of the Trust's management agreement with MIL. The property management agreement permits property management fees to be charged, at variable rates, on revenue from real estate properties based on asset type. Fees average 3.2% of revenue from real estate properties. With few exceptions, these fees are recoverable from tenants.

COMPARATIVE NET OPERATING INCOME – SAME ASSETS BY ASSET TYPE
TABLE 6

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	Variance	%	**2018**	2017	Variance	%
Retail	**$17,768**	$18,914	($1,146)	(6.1%)	**$35,722**	$38,297	($2,575)	(6.7%)
Office	**16,694**	17,422	(728)	(4.2%)	**33,665**	35,545	(1,880)	(5.3%)
Industrial	**737**	801	(64)	(8.0%)	**1,573**	1,600	(27)	(1.7%)
Net operating income – same assets	**$35,199**	$37,137	($1,938)	(5.2%)	**$70,960**	$75,442	($4,482)	(5.9%)

COMPARATIVE NET OPERATING INCOME – SAME ASSETS BY ASSET TYPE FOR RETAIL PROPERTIES
TABLE 7

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	Variance	%	**2018**	2017	Variance	%
Enclosed regional centres	**$12,616**	$13,949	($1,333)	(9.6%)	**$25,373**	$28,355	($2,982)	(10.5%)
Community strip centres	**5,152**	4,965	187	3.8%	**10,349**	9,942	407	4.1%
Net operating income – same assets	**$17,768**	$18,914	($1,146)	(6.1%)	**$35,722**	$38,297	($2,575)	(6.7%)

The Trust's retail portfolio is diversified through the investment in enclosed regional centres and community strip centres.

ENCLOSED REGIONAL CENTRES OVERVIEW

At June 30, 2018, the Trust's enclosed regional centres portfolio totalled 3.3 million square feet of GLA, which comprises a 100% interest in six regional centres totalling 3.2 million square feet and a 50% interest in one additional centre totalling 0.1 million square feet.

In the enclosed regional centres overview, the Trust excludes area either held for, or under development when measuring net operating income – same assets and when tracking lease activity and current vacancy. This area is not generating NOI and is not available for occupancy while under development.

ENCLOSED REGIONAL CENTRES – NET OPERATING INCOME – SAME ASSETS
TABLE 8

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	Variance	%	**2018**	2017	Variance	%
Revenue from real estate properties	**$25,814**	$26,308	($494)	(1.9%)	**$51,608**	$53,417	($1,809)	(3.4%)
Property operating expenses	**6,951**	6,422	529	8.2%	**13,953**	12,986	967	7.4%
Property taxes	**5,383**	5,082	301	5.9%	**10,568**	10,337	231	2.2%
Property management fees	**864**	855	9	1.1%	**1,714**	1,739	(25)	(1.4%)
Net operating income – same assets	**$12,616**	$13,949	($1,333)	(9.6%)	**$25,373**	$28,355	($2,982)	(10.5%)

The Trust's enclosed regional centres net operating income – same assets for the three months ended June 30, 2018, was $12.6 million versus $13.9 million for the same period in 2017. This represents a decrease of 9.6%. This decrease was largely due to increased vacancy costs of $0.8 million, which includes the Sears space discussed below, coupled with decreases in basic rent of $0.5 million at various enclosed regional centres. Included in net operating income is the recovery of capital projects from prior years. For the three months ended June 30, 2018, this amount is $0.3 million higher than for the same period ended June 30, 2017. Recovery of these amounts can fluctuate quarter to quarter, as the ability to recover is largely dependent on the level of operating costs incurred during the period.

The Trust's enclosed regional centres net operating income – same assets for the six months ended June 30, 2018, was $25.4 million versus $28.4 million for the same period in 2017. This represents a decrease of 10.5%. This decrease was largely due to increased vacancy costs of $1.4 million, which includes the Sears space discussed below, coupled with decreases in basic rent of $1.2 million at various enclosed regional centres. Included in net operating income is the recovery of capital projects from prior years. For the six months ended June 30, 2018, this amount is $0.5 million higher than for the same period ended June 30, 2017. Recovery of these amounts can fluctuate quarter to quarter, as the ability to recover is largely dependent on the level of operating costs incurred during the period.

During the first quarter of 2018, the Trust decided that there was no opportunity to lease the former Sears space at Cambridge Centre and St. Laurent Centre, and as a result, decreased the total GLA relating to this space. This decision was limited to only the second floor space at St. Laurent Centre. The first floor space has been reclassified to area under development, along with the former Sears space at Pine Centre Mall (see Table 44 and Table 66). The impact of the removal of the Sears space at Cambridge Centre and St. Laurent Centre was a decrease in revenue of $0.3 million for the three months ended June 30, 2018, and $0.6 million for the six months ended June 30, 2018.

ENCLOSED REGIONAL CENTRES – LEASE PROFILE
TABLE 9

	SF	% of Portfolio	Weighted Average Contract Rent
(remainder of the year) 2018	340,636	12.2%	$23.09
2019	185,583	6.6%	38.04
2020	430,879	15.4%	30.05
2021	578,531	20.7%	13.17
2022	177,271	6.3%	45.80
Thereafter	921,819	32.9%	27.56
Current vacancy	164,545	5.9%	—
Total	**2,799,264**	**100.0%**	**$25.94**
Weighted average remaining lease term (years)			4.16

The Trust has the opportunity to increase rental rates on lease maturity where the current contract rent is less than the going market rate.

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

Lower weighted average contract rent for the year 2021 is the result of anchor tenant lease maturities.

The following table provides a quarterly summary of the remaining 2018 expiries net of committed renewals, along with the associated contract rents, for the Trust's enclosed regional centres.

ENCLOSED REGIONAL CENTRES – REMAINING 2018 EXPIRIES (NET OF COMMITTED RENEWALS)
TABLE 10

	Q3	Q4	Total Remaining 2018
GLA (SF)	277,541	63,095	**340,636**
Average contract rent per SF	$22.11	$26.65	**$23.09**

ENCLOSED REGIONAL CENTRES – 2018 LEASE ACTIVITY
TABLE 11

	Q2 2018	YTD 2018
Opening vacancy (SF)	140,945	123,964
Opening occupancy	95%	96%
EXPIRING LEASES:		
Square feet	90,124	206,960
Average contract rent per SF	$22.30	$24.76
EARLY TERMINATIONS:		
Square feet	29,495	292,217
Average contract rent per SF	$24.70	$5.33
RENEWALS:		
Square feet	59,749	137,419
Average contract rent per SF	$23.75	$22.92
Retention rate	66%	66%
NEW LEASING:		
Square feet	49,447	85,058
Average contract rent per SF	$16.79	$14.17
OTHER ADJUSTMENTS:		
Square feet	13,177	(236,119)
Ending vacancy (SF)	164,545	164,545
Ending occupancy	94%	94%

The table to the left provides a summary of the leasing activity for the three months and six months ended June 30, 2018.

For the three months ended June 30, 2018, of renewals completed, on a like for like basis, modest increases in weighted average rents were achieved. New leasing average contract rents are weighted by large blocks of unit space. Some of this space may have been included in opening vacancy where a benchmark average contract rent is not available.

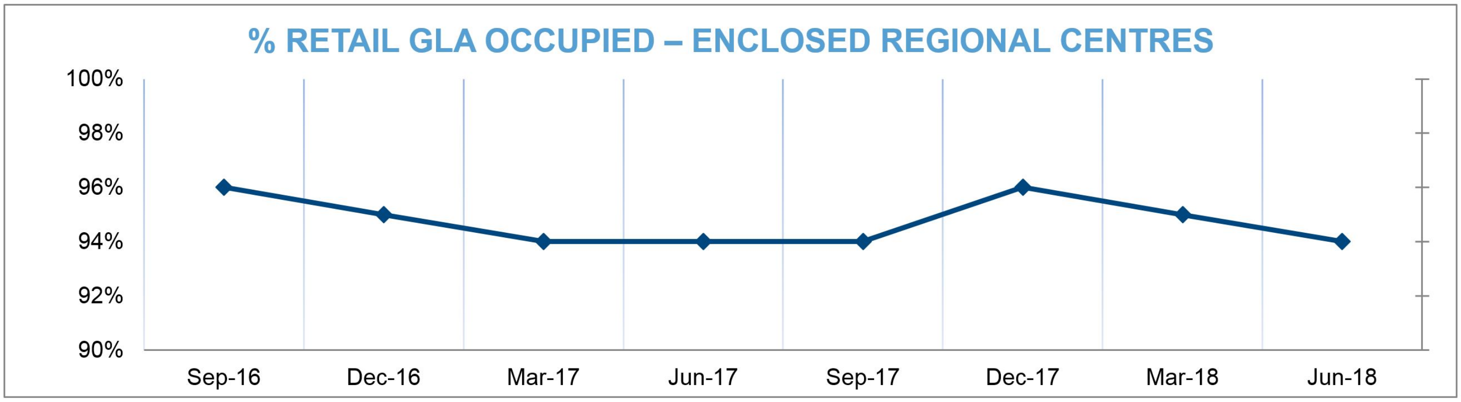
Particular reference should be made to year to date early terminations, where lease disclaimers were received for the Sears locations at St. Laurent Centre and Pine Centre Mall, accounting for essentially all of the GLA noted (see other adjustments).

Year to date Retention at 66% is slightly below the Trust's historical averages, yet is predominantly representative of vacancy due to temporary tenancy rollover, and does not reflect forward commitments and/or space earmarked for re-development.

At June 30, 2018, ending occupancy decreased by 2%, to 94% (compared to December 31, 2017, excluding area either held for, or under development).

ENCLOSED REGIONAL CENTRES – GLA OCCUPIED, PREVIOUS EIGHT QUARTERS TRENDING
TABLE 12

	2016		2017				2018	
In thousands of SF	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Enclosed regional centres GLA	2,994	2,994	2,994	3,131	3,229	3,036	2,786	2,799
GLA occupied	96%	95%	94%	94%	94%	96%	95%	94%



The enclosed regional centres square footage and quarterly occupancy for the past eight quarters are outlined in Table 12. As at June 30, 2018, the adjustments relating to area under development have increased occupancy from 80% to 94%.

COMMUNITY STRIP CENTRES OVERVIEW

At June 30, 2018, the Trust's community strip centres portfolio totalled 1.2 million square feet of GLA, excluding IPP held for development, comprising a 100% interest in 12 such properties totalling 1.1 million square feet, as well as a 50% interest in one additional property totalling 0.1 million square feet.

In the community strip centres overview, the Trust excludes area either held for, or under development when measuring net operating income – same assets and when tracking lease activity and current vacancy. This area was not generating NOI and is not available for occupancy while under development.

COMMUNITY STRIP CENTRES – NET OPERATING INCOME – SAME ASSETS
TABLE 13

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	Variance	%	**2018**	2017	Variance	%
Revenue from real estate properties	**$8,250**	$7,941	$309	3.9%	**$16,836**	$16,329	$507	3.1%
Property operating expenses	**1,182**	1,100	82	7.5%	**2,536**	2,694	(158)	(5.9%)
Property taxes	**1,614**	1,571	43	2.7%	**3,320**	3,063	257	8.4%
Property management fees	**302**	305	(3)	(1.0%)	**631**	630	1	0.2%
Net operating income – same assets	**$5,152**	$4,965	$187	3.8%	**$10,349**	$9,942	$407	4.1%

The Trust's community strip centres net operating income – same assets for the three months ended June 30, 2018, was $5.2 million versus $5.0 million for the same period in 2017. This represents an increase of 3.8%. This increase was largely due to modest increases in basic rent, coupled with decreased vacancy costs.

The Trust's community strip centres net operating income – same assets for the six months ended June 30, 2018, was $10.3 million versus $9.9 million for the same period in 2017. This represents an increase of 4.1%. This increase was largely due to modest increases in basic rent, coupled with decreased vacancy costs.

COMMUNITY STRIP CENTRES – LEASE PROFILE
TABLE 14

	SF	% of Portfolio	Weighted Average Contract Rent
(remainder of the year) 2018	67,838	5.4%	$26.84
2019	91,979	7.4%	21.58
2020	120,621	9.7%	21.57
2021	233,226	18.7%	12.42
2022	288,419	23.1%	14.21
Thereafter	422,654	33.9%	21.24
Current vacancy	21,941	1.8%	—
Total	**1,246,678**	**100.0%**	**$18.27**
Weighted average remaining lease term (years)			4.75

The Trust has the opportunity to increase rental rates on lease maturity where the current contract rent is less than the going market rate.

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

Lower weighted average contract rent for the years 2021 and 2022 is the result of anchor tenant lease maturities.

The following table provides a quarterly summary of the remaining 2018 expiries net of committed renewals, along with the associated contract rents, for the Trust's community strip centres.

COMMUNITY STRIP CENTRES – REMAINING 2018 EXPIRIES (NET OF COMMITTED RENEWALS)
TABLE 15

	Q3	Q4	Total Remaining 2018
GLA (SF)	46,729	21,109	**67,838**
Average contract rent per SF	$27.94	$24.43	**$26.84**

COMMUNITY STRIP CENTRES – 2018 LEASE ACTIVITY
TABLE 16

	Q2 2018	YTD 2018
Opening vacancy (SF)	19,150	22,131
Opening occupancy	98%	98%
EXPIRING LEASES:		
Square feet	95,908	100,054
Average contract rent per SF	$19.57	$20.03
EARLY TERMINATIONS:		
Square feet	4,091	4,091
Average contract rent per SF	$21.92	$21.92
RENEWALS:		
Square feet	94,633	98,760
Average contract rent per SF	$20.13	$20.59
Retention rate	99%	99%
NEW LEASING:		
Square feet	2,575	5,575
Average contract rent per SF	$22.65	$22.19
Ending vacancy (SF)	21,941	21,941
Ending occupancy	98%	98%

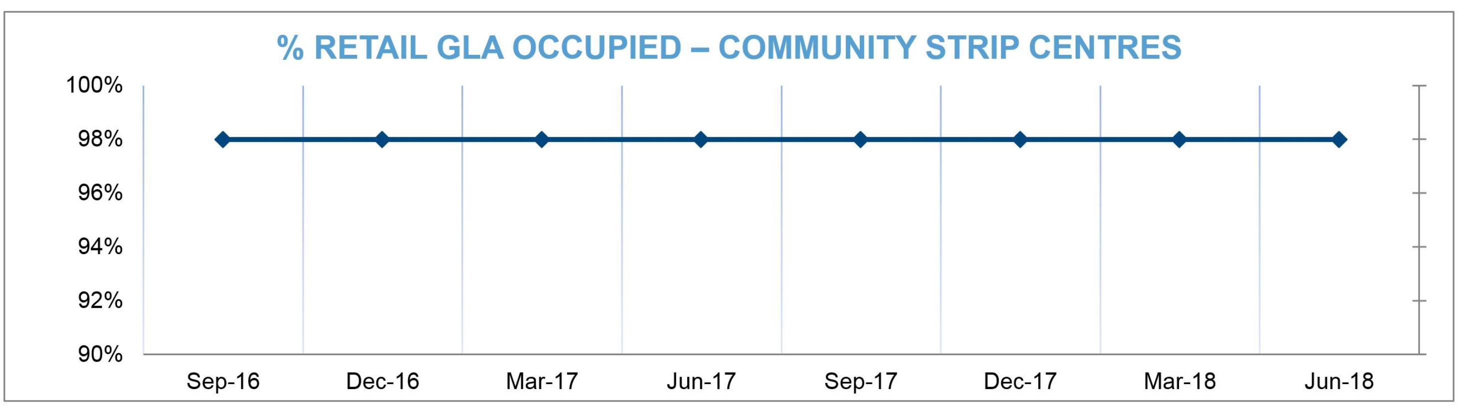
The table to the left provides a summary of the leasing activity for the three months and six months ended June 30, 2018.

For the three months and six months ended June 30, 2018, portfolio retention remains strong with modest growth in contract rents on renewal. Consistent with the prior quarter, no new GLA has been added. Construction continues on 10,000 square feet of additional pad and CRU space at Market Square (Table 44).

Ending occupancy remained stable at 98% (compared to December 31, 2017).

COMMUNITY STRIP CENTRES – GLA OCCUPIED, PREVIOUS EIGHT QUARTERS TRENDING
TABLE 17

	2016		2017				2018	
In thousands of SF	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Community strip centres GLA	1,220	1,220	1,216	1,216	1,241	1,247	1,248	1,247
GLA occupied	98%	98%	98%	98%	98%	98%	98%	98%



The community strip centres square footage and quarterly occupancy for the past eight quarters are outlined in Table 17.

COMPARATIVE NET OPERATING INCOME – SAME ASSETS BY ASSET TYPE FOR OFFICE PROPERTIES TABLE 18

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	Variance	%	**2018**	2017	Variance	%
Single-/dual-tenant buildings	**$12,970**	$13,363	($393)	(2.9%)	**$26,100**	$26,908	($808)	(3.0%)
Multi-tenant buildings	**3,724**	4,059	(335)	(8.3%)	**7,565**	8,637	(1,072)	(12.4%)
Net operating income – same assets	**$16,694**	$17,422	($728)	(4.2%)	**$33,665**	$35,545	($1,880)	(5.3%)

The Trust's office portfolio is diversified through investment in single-/dual-tenant buildings and multi-tenant buildings.

SINGLE-/DUAL-TENANT BUILDINGS OVERVIEW

At June 30, 2018, the Trust's single-/dual-tenant buildings portfolio totalled 2.2 million square feet of GLA, excluding IPP held for development, which comprises a 100% interest in eight properties totalling 1.5 million square feet and a 50% interest in three properties totalling 0.7 million square feet.

SINGLE-/DUAL-TENANT BUILDINGS – NET OPERATING INCOME – SAME ASSETS TABLE 19

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	Variance	%	**2018**	2017	Variance	%
Revenue from real estate properties	**$21,689**	$22,141	($452)	(2.0%)	**$44,048**	$45,155	($1,107)	(2.5%)
Property operating expenses	**4,708**	4,739	(31)	(0.7%)	**9,160**	9,223	(63)	(0.7%)
Property taxes	**3,336**	3,354	(18)	(0.5%)	**7,408**	7,620	(212)	(2.8%)
Property management fees	**675**	685	(10)	(1.5%)	**1,380**	1,404	(24)	(1.7%)
Net operating income – same assets	**$12,970**	$13,363	($393)	(2.9%)	**$26,100**	$26,908	($808)	(3.0%)

Single-/dual-tenant buildings net operating income – same assets decreased by 2.9% to $13.0 million for the three months ended June 30, 2018, from $13.4 million for the same period in 2017. This decrease was mainly due to decreases in basic rent, coupled with an increase in vacancy costs.

Single-/dual-tenant buildings net operating income – same assets decreased by 3% to $26.1 million for the six months ended June 30, 2018, from $26.9 million for the same period in 2017. This decrease was mainly due to an increase in vacancy costs of $0.6 million, largely attributable to the expiry of a federal government lease at Heritage Place, coupled with a decrease in basic rent at 7315 8th street.

SINGLE-/DUAL-TENANT BUILDINGS – LEASE PROFILE TABLE 20

	SF	% of Portfolio	Weighted Average Contract Rent
(remainder of the year) 2018	5,314	0.2%	$35.14
2019	67,102	3.0%	32.81
2020	25,124	1.1%	16.92
2021	291,986	13.3%	22.99
2022	144,676	6.6%	20.71
Thereafter	1,599,952	72.7%	24.14
Current vacancy	69,332	3.1%	—
Total	**2,203,486**	**100.0%**	**$23.95**

Weighted average remaining lease term (years)	6.64

The table to the left provides a summary of the lease maturities net of committed renewals over the next four years and thereafter, along with the associated contract rents at maturity. Current vacancy excludes area either held for, or under development.

Higher weighted average contract rent for the years 2018 and 2019 is the result of tenant maturities on a gross lease.

The following table provides a quarterly summary of the remaining 2018 expiries net of committed renewals, along with the associated contract rents, for the Trust's single-/dual-tenant buildings.

SINGLE-/DUAL-TENANT BUILDINGS – REMAINING 2018 EXPIRIES (NET OF COMMITTED RENEWALS) TABLE 21

	Q3	Q4	Total Remaining 2018
GLA (SF)	5,314	—	**5,314**
Average contract rent per SF	$35.14	$—	**$35.14**

SINGLE-/DUAL-TENANT BUILDINGS – 2018 LEASE ACTIVITY TABLE 22

	Q2 2018	YTD 2018
Opening vacancy (SF)	67,390	53,414
Opening occupancy	97%	98%
EXPIRING LEASES:		
Square feet	43,492	56,313
Average contract rent per SF	$40.11	$36.51
EARLY TERMINATIONS:		
Square feet	—	2,705
Average contract rent per SF	$—	$—
RENEWALS:		
Square feet	389	1,939
Average contract rent per SF	$—	$15.99
Retention rate	1%	3%
NEW LEASING:		
Square feet	41,161	41,161
Average contract rent per SF	$17.24	$17.24
Ending vacancy (SF)	69,332	69,332
Ending occupancy	97%	97%

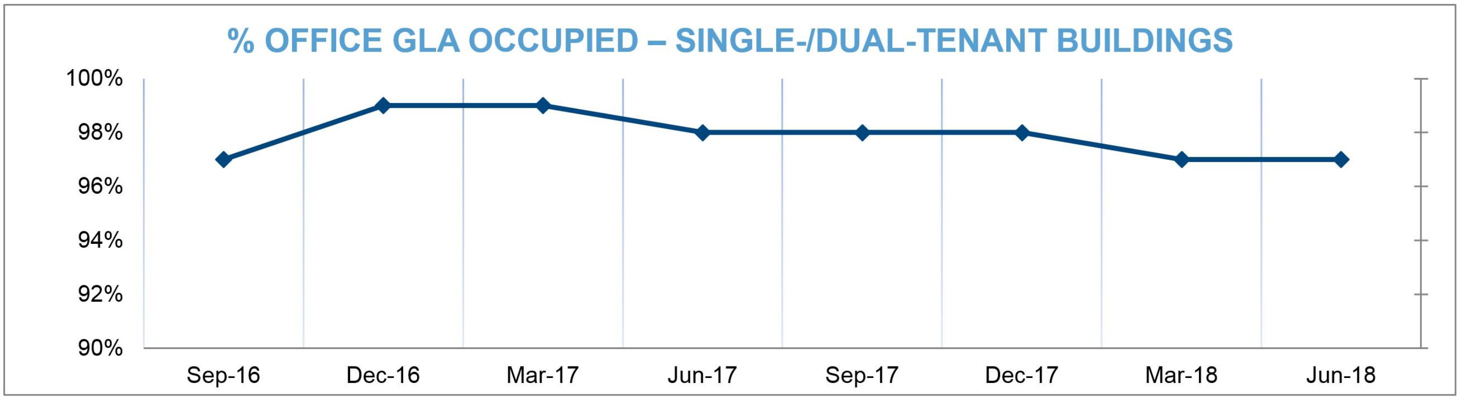
The table to the left provides a summary of the leasing activity for the three months and six months ended June 30, 2018.

Expiring leases include tenant maturities on a gross lease, versus a new deal on a net lease.

Ending occupancy decreased by 1% (compared to December 31, 2017) to 97%.

SINGLE-/DUAL-TENANT BUILDINGS – GLA OCCUPIED, PREVIOUS EIGHT QUARTERS TRENDING
TABLE 23

	2016		2017				2018	
In thousands of SF	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Single-/dual-tenant buildings GLA	2,207	2,207	2,207	2,207	2,205	2,205	2,203	2,203
GLA occupied	97%	99%	99%	98%	98%	98%	97%	97%



The single-/dual-tenant buildings square footage and quarterly occupancy for the past eight quarters are outlined in Table 23.

MULTI-TENANT BUILDINGS OVERVIEW

At June 30, 2018, the Trust's multi-tenant buildings portfolio totalled 1.0 million square feet of GLA, which comprises a 100% interest in six properties totalling 0.6 million square feet, a 50% interest in three properties totalling 0.3 million square feet and a 20% interest in one property totalling 0.1 million square feet.

MULTI-TENANT BUILDINGS – NET OPERATING INCOME – SAME ASSETS
TABLE 24

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	Variance	%	2018	2017	Variance	%
Revenue from real estate properties	**$8,082**	$8,189	($107)	(1.3%)	**$16,343**	$17,063	($720)	(4.2%)
Property operating expenses	**2,826**	2,499	327	13.1%	**5,504**	5,140	364	7.1%
Property taxes	**1,264**	1,349	(85)	(6.3%)	**2,722**	2,689	33	1.2%
Property management fees	**268**	282	(14)	(5.0%)	**552**	597	(45)	(7.5%)
Net operating income – same assets	**$3,724**	$4,059	($335)	(8.3%)	**$7,565**	$8,637	($1,072)	(12.4%)

Multi-tenant buildings net operating income – same assets decreased by 8.3% to $3.7 million for the three months ended June 30, 2018, from $4.1 million for the same period in 2017. The decrease was mainly due to increased vacancy costs at the Trust's Alberta properties.

Multi-tenant buildings net operating income – same assets decreased by 12.4% to $7.6 million for the six months ended June 30, 2018, from $8.6 million for the same period in 2017. The decrease was mainly due to increased vacancy costs at the Trust's Alberta properties.

MULTI-TENANT BUILDINGS – LEASE PROFILE
TABLE 25

	SF	% of Portfolio	Weighted Average Contract Rent
(remainder of the year) 2018	77,409	7.8%	$17.42
2019	106,270	10.7%	18.15
2020	121,731	12.2%	23.47
2021	76,311	7.7%	17.01
2022	70,369	7.1%	15.07
Thereafter	367,019	36.9%	21.33
Current vacancy	174,793	17.6%	—
Total	**993,902**	**100.0%**	**$19.93**

Weighted average remaining lease term (years)	3.55

The table to the left provides a summary of the lease maturities net of committed renewals over the next four years and thereafter, along with the associated contract rents at maturity.

The following table provides a quarterly summary of the remaining 2018 expiries net of committed renewals, along with the associated contract rents, for the Trust's multi-tenant buildings.

MULTI-TENANT BUILDINGS – REMAINING 2018 EXPIRIES (NET OF COMMITTED RENEWALS)
TABLE 26

	Q3	Q4	Total Remaining 2018
GLA (SF)	30,555	46,854	**77,409**
Average contract rent per SF	$18.04	$17.01	**$17.94**

MULTI-TENANT BUILDINGS – 2018 LEASE ACTIVITY
TABLE 27

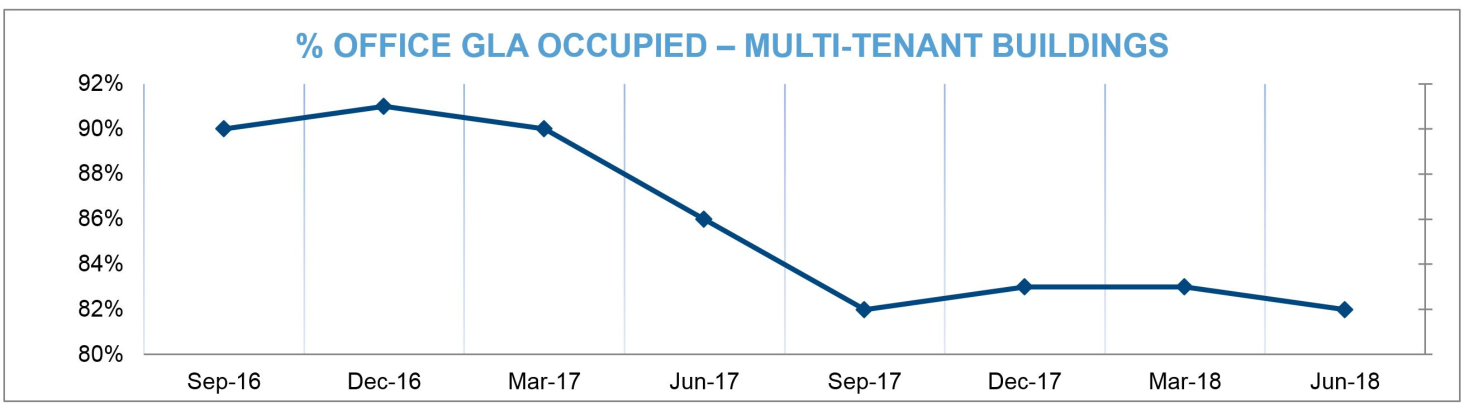
	Q2 2018	YTD 2018
Opening vacancy (SF)	165,580	167,369
Opening occupancy	83%	83%
EXPIRING LEASES:		
Square feet	34,398	77,995
Average contract rent per SF	$20.91	$18.61
EARLY TERMINATIONS:		
Square feet	7,911	8,155
Average contract rent per SF	$16.95	$17.01
RENEWALS:		
Square feet	21,990	48,013
Average contract rent per SF	$18.63	$16.80
Retention rate	64%	62%
NEW LEASING:		
Square feet	11,106	30,713
Average contract rent per SF	$17.13	$15.71
Ending vacancy (SF)	174,793	174,793
Ending occupancy	82%	82%

The table to the left provides a summary of the leasing activity for the three months and six months ended June 30, 2018.

Ending occupancy decreased by 1% (compared to December 31, 2017) to 82%.

MULTI-TENANT BUILDINGS – GLA OCCUPIED, PREVIOUS EIGHT QUARTERS TRENDING
TABLE 28

	2016		2017				2018	
In thousands of SF	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Multi-tenant buildings GLA	994	994	995	995	993	993	993	994
GLA occupied	90%	91%	90%	86%	82%	83%	83%	82%



The multi-tenant buildings square footage and quarterly occupancy for the past eight quarters are outlined in Table 28. Occupancy levels throughout the period gradually declined. The decrease in occupancy during the second and third quarters of 2017 is largely the result of lease expiries at certain of the Trust's Ottawa and Alberta properties.

INDUSTRIAL OVERVIEW

The Trust's industrial portfolio includes 100% interests in four industrial properties comprising 0.3 million square feet and a 50% interest in one industrial property comprising 0.2 million square feet.

INDUSTRIAL – NET OPERATING INCOME – SAME ASSETS
TABLE 29

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	Variance	%	**2018**	2017	Variance	%
Revenue from real estate properties	**$1,294**	$1,261	$33	2.6%	**$2,653**	$2,579	$74	2.9%
Property operating expenses	**277**	186	91	48.9%	**504**	410	94	22.9%
Property taxes	**242**	238	4	1.7%	**503**	495	8	1.6%
Property management fees	**38**	36	2	5.6%	**73**	74	(1)	(1.4%)
Net operating income – same assets	**$737**	$801	($64)	(8.0%)	**$1,573**	$1,600	($27)	(1.7%)

Industrial net operating income – same assets decreased by 8% to $0.7 million for the three months ended June 30, 2018, from $0.8 million for the same period in 2017. This decrease was largely due to a slight increase in vacancy costs.

Industrial net operating income – same assets remained stable at $1.6 million for the six months ended June 30, 2018, compared to the same period in 2017.

INDUSTRIAL – LEASE PROFILE
TABLE 30

	SF	% of Portfolio	Weighted Average Contract Rent
(remainder of the year) 2018	46,027	8.6%	$6.49
2019	13,082	2.4%	7.20
2020	4,595	0.9%	11.86
2021	66,783	12.5%	7.71
2022	153,861	28.8%	6.41
Thereafter	220,700	41.4%	6.05
Current vacancy	29,104	5.4%	—
Total	**534,152**	**100.0%**	**$6.50**
Weighted average remaining lease term (years)			4.02

The table to the left provides a summary of the lease maturities net of committed renewals, over the next four years and thereafter, along with the associated contract rents at maturity.

The following table provides a quarterly summary of the remaining 2018 expiries net of committed renewals, along with the associated contract rents, for the Trust's industrial portfolio.

INDUSTRIAL – REMAINING 2018 EXPIRIES (NET OF COMMITTED RENEWALS)
TABLE 31

	Q3	Q4	Total Remaining 2018
GLA (SF)	5,700	40,327	**46,027**
Average contract rent per SF	$9.54	$6.06	**$6.49**

INDUSTRIAL – 2018 LEASE ACTIVITY
TABLE 32

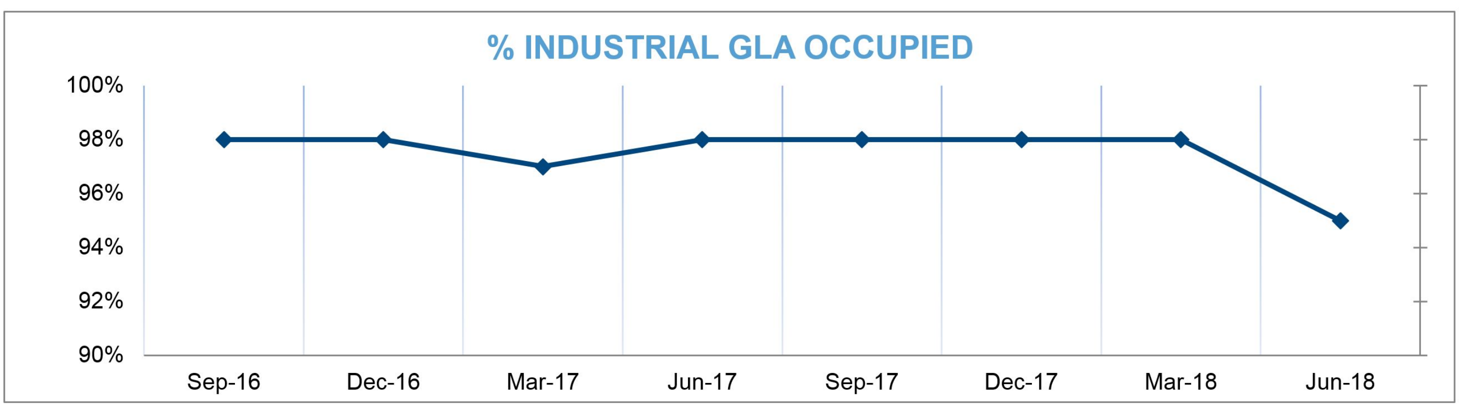
	Q2 2018	YTD 2018
Opening vacancy (SF)	9,374	10,549
Opening occupancy	98%	98%
EXPIRING LEASES:		
Square feet	22,236	35,705
Average contract rent per SF	$6.27	$6.30
EARLY TERMINATIONS:		
Square feet	19,730	19,730
Average contract rent per SF	$5.63	$5.63
RENEWALS:		
Square feet	22,236	35,705
Average contract rent per SF	$7.50	$7.09
Retention rate	100%	100%
NEW LEASING:		
Square feet	—	1,175
Average contract rent per SF	$—	$6.00
Ending vacancy (SF)	29,104	29,104
Ending occupancy	95%	95%

The table to the left provides a summary of the leasing activity for the three months and six months ended June 30, 2018.

Ending occupancy decreased by 3% (compared to December 31, 2017) to 95%.

INDUSTRIAL – GLA OCCUPIED, PREVIOUS EIGHT QUARTERS TRENDING
TABLE 33

	2016		2017				2018	
In thousands of SF	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Industrial GLA	534	534	534	534	534	534	534	534
GLA occupied	98%	98%	97%	98%	98%	98%	98%	95%



The industrial square footage and quarterly occupancy for the past eight quarters are outlined in Table 33.

PART IV

TRUST PERFORMANCE

NET INCOME
TABLE 34

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
Net operating income	**$36,862**	$38,001	**$74,508**	$78,043
Interest expense	**13,730**	13,639	**27,443**	27,442
General and administrative	**1,244**	1,133	**2,475**	2,349
Other income	**(62)**	(17)	**(121)**	(59)
Income before fair value gains and net (loss)/income from equity-accounted investments	**21,950**	23,246	**44,711**	48,311
Fair value gains on real estate properties	**22,060**	28,248	**16,065**	40,245
Net (loss)/income from equity-accounted investments	**(579)**	892	**266**	1,709
Net income	**$43,431**	$52,386	**$61,042**	$90,265

NET INCOME
Net income for the three months ended June 30, 2018 was $43.4 million versus $52.4 million for the same three months ended June 30, 2017. The variance of $9.0 million derives largely from unfavourable NOI of $1.1 million, unfavourable fair value gains on real estate properties of $6.2 million and unfavourable net loss from equity-accounted investments of $1.5 million. General and administrative expenses for the three months ended June 30, 2018 were $1.2 million versus $1.1 million for the same period ended June 30, 2017. Interest expense was largely unchanged for the three months ended June 30, 2018, versus the same period ended June 30, 2017.

Net income for the six months ended June 30, 2018 was $61.0 million versus $90.3 million for the same six months ended June 30, 2017. The variance of $29.2 million derives largely from unfavourable NOI of $3.5 million, unfavourable fair value gains on real estate properties of $24.2 million and unfavourable net income from equity-accounted investments of $1.4 million. General and administrative expenses for the six months ended June 30, 2018 were $2.5 million versus $2.3 million for the same period ended June 30, 2017. Interest expense was largely unchanged for the six months ended June 30, 2018, versus the same period ended June 30, 2017.

NET OPERATING INCOME
As outlined in Part III Table 4, NOI for the three months ended June 30, 2018 of $36.9 million was $1.1 million unfavourable to the same three months ended June 30, 2018. The decrease of $1.1 million is largely related to the office portfolio where NOI is unfavourable by $0.7 million. This unfavourable variance is mainly the result of increased vacancy costs of $0.6 million. The retail portfolio NOI is unfavourable $0.4 million. Vacancy combined with lower rental rates reduced NOI by $1.0 million. However, the portfolio benefits from the positive results of the Trust's retail development, which contributed an additional $1.0 million during the quarter.

NOI for the six months ended June 30, 2018 was $74.5 million versus $78.0 million for the same period ended 2017. The decrease of $3.5 million is largely related to the office portfolio where NOI is unfavourable by $3.0 million. This unfavourable variance is mainly the result of increased vacancy costs of $1.6 million, coupled with $0.9 million in one-time lease cancellation fees received in 2017.

INTEREST EXPENSE
Interest expense totalled $13.7 million for the three months ended June 30, 2018, compared to $13.6 million for the same period in 2017. This increase for the three months ended June 30, 2018, was mainly the result of increased interest on bank indebtedness of $0.5 million and on loan payable of $0.1 million. These increases were offset by scheduled mortgage amortizations of $0.4 million, coupled with the payout of a mortgage on one of the Trust's industrial properties, which resulted in reduced interest expense of $0.1 million.

Interest expense remained stable at $27.4 million for the six months ended June 30, 2018, compared to the same period in 2017. Changes in interest expense for the six months ended June 30, 2018, were offsetting, but included the following. Decreases as a result of scheduled mortgage amortizations of $0.7 million, coupled with the payout of a mortgage on one of the Trust's industrial properties, which resulted in reduced interest expense of $0.3 million. These decreases were offset by increased interest on bank indebtedness of $0.8 million and on loan payable of $0.2 million.

The following table outlines, by quarter, the Trust's weighted average rates on mortgages payable in 2018 and 2017.

WEIGHTED AVERAGE RATES – MORTGAGES PAYABLE
TABLE 35

	2018	2017
March 31	**4.1%**	4.1%
June 30	**4.1%**	4.1%
September 30		4.1%
December 31		4.1%

The Trust's weighted average interest rate on mortgages has remained stable at 4.1% since the start of 2017.

FAIR VALUE GAINS/(LOSSES) ON REAL ESTATE PROPERTIES RECOGNIZED IN NET INCOME

For the three months ended June 30, 2018, the Trust recorded fair value gains on real estate properties of $22.1 million, versus $28.2 million of fair value gains on real estate properties for the same period in 2017. For the six months ended June 30, 2018, the Trust recorded fair value gains on real estate properties of $16.1 million, versus $40.2 million of fair value gains on real estate properties for the same period in 2017.

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

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

FAIR VALUE GAINS/(LOSSES) ON REAL ESTATE PROPERTIES
TABLE 36

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Income producing properties	**$20,860**	$28,248	**$14,865**	$40,445
Properties under development	**—**	—	**—**	—
Held for development	**1,200**	—	**1,200**	(200)
Total fair value gains/(losses) on real estate properties	**$22,060**	$28,248	**$16,065**	$40,245

NET (LOSS)/INCOME FROM EQUITY-ACCOUNTED INVESTMENTS

For the three months ended June 30, 2018, the Trust incurred a loss from equity-accounted investments of $0.6 million compared to income of $0.9 million for the same three months ended June 30, 2017. The unfavourable variance of $1.5 million is largely the result of the recorded loss from fair value on the investment of $1.5 million in 2018, versus a gain of $0.1 million in 2017.

For the six months ended June 30, 2018, the Trust generated income from equity-accounted investments of $0.3 million compared to income of $1.7 million for the same six months ended June 30, 2017. The unfavourable variance of $1.4 million is largely the result of the recorded loss from fair value on the investment of $1.4 million in 2018, versus a gain of $0.1 million in 2017.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

The Trust presents FFO and AFFO in accordance with the Real Property Association of Canada ("REALpac") white paper on funds from operations and adjusted funds from operations for IFRS issued February 2018.

FFO is a non-GAAP measure that is widely accepted as a supplemental measure of financial performance for real estate entities. In accordance with such white paper, the Trust defines FFO as net income adjusted for fair value changes on real estate properties and gains/(losses) on the sale of real estate properties. It does not represent amounts available for capital programs, debt service obligations, commitments or uncertainties. FFO should not be interpreted as an indicator of cash generated from operating activities and is not indicative of cash available to fund operating expenditures or for the payment of cash distributions. FFO is simply one measure of operating performance.

AFFO is a non-GAAP measure that was developed to be a recurring economic earnings measure for real estate entities. In accordance with such white paper, the Trust defines AFFO as FFO adjusted for straight-line rent and productive capacity maintenance expenditures ("PCME"). AFFO should not be interpreted as an indicator or cash generated from operating activities as it does not consider changes in working capital.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS
TABLE 37

	Three Months Ended June 30,		Six Months Ended June 30,	
In thousands of dollars, except per unit amounts	2018	2017	2018	2017
Net income	**$43,431**	$52,386	**$61,042**	$90,265
Adjustments:				
Fair value gains on real estate properties [1]	**(20,606)**	(28,353)	**(14,667)**	(40,391)
Funds from operations – basic	**22,825**	24,033	**46,375**	49,874
Interest expense on convertible debentures	**1,963**	1,964	**3,905**	4,065
Funds from operations – diluted	**$24,788**	$25,997	**$50,280**	$53,939
Funds from operations	**$22,825**	$24,033	**$46,375**	$49,874
Adjustments:				
Amortized stepped rents [1]	**(216)**	(363)	**(494)**	(878)
Normalized PCME	**(6,250)**	(6,250)	**(12,500)**	(12,500)
Adjusted funds from operations – basic	**16,359**	17,420	**33,381**	36,496
Interest expense on convertible debentures	**1,963**	1,964	**3,905**	4,065
Adjusted funds from operations – diluted	**$18,322**	$19,384	**$37,286**	$40,561
FUNDS FROM OPERATIONS PER UNIT				
Basic	**$0.37**	$0.39	**$0.76**	$0.82
Diluted [2]	**$0.36**	$0.38	**$0.73**	$0.78
ADJUSTED FUNDS FROM OPERATIONS PER UNIT				
Basic	**$0.27**	$0.29	**$0.55**	$0.60
Diluted [2]	**$0.27**	$0.28	**$0.54**	$0.59
DISTRIBUTIONS				
Cash distributions per unit	**$0.24**	$0.24	**$0.48**	$0.48
Distributions paid as a percentage of AFFO per unit – basic	**88.9%**	82.8%	**87.3%**	80.0%
WEIGHTED AVERAGE UNITS OUTSTANDING (IN THOUSANDS)				
Basic	**60,703**	60,592	**60,699**	60,596
Diluted [2]	**69,281**	69,171	**69,277**	69,175

1. Includes respective adjustments included in net income from equity-accounted investments.
2. Includes the dilutive impact of convertible debentures.

PRODUCTIVE CAPACITY MAINTENANCE EXPENDITURES

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

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

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

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

Since actual capital expenditures can vary widely from one period to another, depending on a number of factors, management believes that normalized PCME are a more relevant input than actual PCME (Table 38) in assessing the Trust's distribution payout ratio and for determining an appropriate level of sustainable distributions over time. The factors affecting variations in actual PCME include, but are not limited to, lease expiry profile, tenant vacancies, age and location of the properties, general economic and market conditions, which impact the level of tenant bankruptcies and acquisitions and dispositions.

The following table provides a breakdown of actual PCME for the three months and six months ended June 30, 2018, and for the same period in 2017.

ACTUAL PRODUCTIVE CAPACITY MAINTENANCE EXPENDITURES
TABLE 38

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
Leasing commissions	**$541**	$1,049	**$906**	$2,239
Tenant allowances	**761**	312	**2,782**	817
Total leasing costs	**1,302**	1,361	**3,688**	3,056
Capital expenditures recoverable from tenants	**2,623**	2,115	**3,110**	3,467
Capital expenditures non-recoverable from tenants	**2**	13	**39**	16
Total capital expenditures	**2,625**	2,128	**3,149**	3,483
Total productive capacity maintenance expenditures	**3,927**	3,489	**6,837**	6,539
Discretionary capital expenditures	**283**	494	**516**	1,124
Total leasing costs and capital expenditures	**$4,210**	$3,983	**$7,353**	$7,663

Discretionary Capital Expenditures

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

The following table provides a comparison of normalized PCME to actual PCME for the three and six months ended June 30, 2018, and 2017, and for the past three years.

COMPARISON OF NORMALIZED PCME TO ACTUAL PCME
TABLE 39

	Three Months Ended June 30,		Six Months Ended June 30,		For the Years Ended,		
	2018	2017	**2018**	2017	2017	2016	2015
Normalized PCME	**$6,250**	$6,250	**$12,500**	$12,500	$25,000	$25,000	$25,000
Actual PCME	**3,927**	3,489	**6,837**	6,539	23,041	21,756	23,177
(Excess)/shortfall	**$2,323**	$2,761	**$5,663**	$5,961	$1,959	$3,244	$1,823

ADJUSTED CASH FLOW FROM OPERATIONS

The Trust presents ACFO in accordance with the REALpac white paper on adjusted cash flow from operations for IFRS issued February 2018.

ACFO is a non-GAAP measure intended as a supplemental measure of sustainable economic cash flow for real estate entities. In accordance with such white paper, the Trust defines ACFO as cash flow from operating activities as per the condensed consolidated financial statements adjusted by: (i) adding back the non-recurring change in non-cash operating assets and liabilities; (ii) deducting normalized PCME; (iii) adding back actual additions to tenant incentives and leasing commissions; (iv) deducting amortization of deferred financing costs; and (v) an adjustment for the portion relating to equity-accounted investment in each of the above adjustments.

Effective January 1, 2017, the Trust adopted REALpac's measure, ACFO. Prior period data has been prepared for comparison purposes.

ADJUSTED CASH FLOW FROM OPERATIONS
TABLE 40

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
Cash provided by operating activities	**$18,995**	$25,179	**$44,291**	$41,975
Adjustments:				
Adjustment to working capital changes for ACFO [1]	**3,688**	(2,385)	**4,495**	1,525
Normalized PCME	**(6,250)**	(6,250)	**(12,500)**	(12,500)
Actual additions to tenant incentives and leasing commissions	**551**	986	**917**	2,192
Amortization of deferred financing costs	**(412)**	(392)	**(823)**	(786)
ACFO from equity-accounted investment	**538**	496	**708**	414
Adjusted cash flow from operations – basic	**$17,110**	$17,634	**$37,088**	$32,820
Interest expense on convertible debentures	**1,963**	1,964	**3,905**	4,065
Adjusted cash flow from operations – diluted	**$19,073**	$19,598	**$40,993**	$36,885
Adjusted cash flow from operations – basic	**$17,110**	$17,634	**$37,088**	$32,820
Cash distributions	**9,581**	9,170	**24,060**	23,351
Excess adjusted cash flow from operations over cash distributions	**$7,529**	$8,464	**$13,028**	$9,469

1. See Table 41 – Adjustment to Working Capital Changes for ACFO

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

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

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

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

ADJUSTMENT TO WORKING CAPITAL CHANGES FOR ACFO
TABLE 41

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
Development accruals	**$592**	($7,125)	**$661**	($6,660)
Prepaid realty taxes and insurance	**1,414**	1,932	**5,065**	5,849
Interest payable and receivable	**2,180**	2,083	**94**	1,403
Environmental and property insurance claims	**(498)**	725	**(1,325)**	933
Transaction cost accruals relating to acquisitions and dispositions	**—**	—	**—**	—
Adjustment to working capital changes for ACFO	**$3,688**	($2,385)	**$4,495**	$1,525
Net change in non-cash operating assets and liabilities as per the financial statements	**(3,431)**	2,311	**(1,499)**	(4,942)
Net working capital changes included in ACFO	**$257**	($74)	**$2,996**	($3,417)

The following table provides a summary of distributions relative to cash flow from operating activities in the condensed consolidated financial statements:

DISTRIBUTIONS RELATIVE TO CASH FLOW FROM OPERATING ACTIVITIES
TABLE 42

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
Cash provided by operating activities	**$18,995**	$25,179	**$44,291**	$41,975
Cash distributions	**9,581**	9,170	**24,060**	23,351
Excess of cash from operating activities over cash distributions	**$9,414**	$16,009	**$20,231**	$18,624

DISTRIBUTIONS TO UNITHOLDERS

The Trust's primary business goal is to accumulate a Canadian portfolio of high-quality real estate assets and then deliver the benefits of such real estate ownership to unitholders. The primary benefit is a reliable and, over time, increasing cash distribution.

The Trust expects to distribute to its unitholders in each year an amount not less than the Trust's taxable income for the year, as calculated in accordance with the *Income Tax Act* (Canada) ("the Act"). The Trust's monthly distribution to unitholders in 2018 was $0.08 per unit, representing $0.96 per unit on an annualized basis.

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

PART V

REAL ESTATE OVERVIEW

The carrying value of the Trust's real estate properties remained unchanged at $2.9 billion at June 30, 2018 (December 31, 2017 – $2.9 billion).

Income producing properties were affected by additions from the Trust's capital investment programs (including PCME and completed development), which were offset by property dispositions and fair value losses.

REAL ESTATE PROPERTIES
TABLE 43

As at	June 30, 2018	December 31, 2017
Income producing properties	**$2,839,041**	$2,817,236
Properties under development	**39,836**	13,630
Held for development	**32,150**	30,950
Total real estate properties	**$2,911,027**	$2,861,816

PROPERTIES UNDER DEVELOPMENT

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

The following table details the Trust's development projects.

DEVELOPMENT PROJECTS
TABLE 44

	Portfolio	Est. GLA New	Est. GLA Under Develop-ment	Est. GLA Total	Est. Project Cost	In Progress	Completion Date	Comments
RETAIL								
Kingsbury Centre	Community strip centres	—	—	—	1,200	726	Q3 2018	Facade renovation
Market Square	Community strip centres	10,000	—	10,000	4,800	3,860	Q3 2018	Construction of new freestanding pad space
Pine Centre Mall	Enclosed regional centres	7,000	—	7,000	3,300	1,220	Q4 2018	Construction of new freestanding pad space
Shoppers Mall	Enclosed regional centres	—	46,500	46,500	10,800	5,555	Q4 2018	Anchor tenant remerchandising of remaining former Target space
Cambridge Centre	Enclosed regional centres	—	134,000	134,000	27,000	18,474	Q4 2018	Anchor tenant remerchandising of former Target space
The Centre	Enclosed regional centres	—	68,000	68,000	5,050	772	Q2 2019	Anchor tenant remerchandising of portion of former Target space
The Centre	Enclosed regional centres	30,000	—	30,000	9,800	829	Q2 2019	Construction of new freestanding pad space
Parkland Mall	Enclosed regional centres	—	56,500	56,500	10,500	4,546	Q2 2019	Anchor tenant remerchandising of former Safeway space
Pine Centre Mall	Enclosed regional centres	—	112,000	112,000	TBD	—	TBD	Anchor tenant remerchandising of former Sears space
St. Laurent Centre	Enclosed regional centres	—	76,000	76,000	TBD	—	TBD	Anchor tenant remerchandising of portion of former Sears space
		47,000	**493,000**	**540,000**	**72,450**	**35,982**		
OFFICE								
Heritage Place	Single-/dual-tenant buildings	—	—	—	$3,900	$2,034	Q4 2018	Lobby renovation and construction of LRT station entrance
Penn West Plaza	Single-/dual-tenant buildings	—	—	—	6,700	1,204	Q4 2018	Addition of Plus 15 connection to the enclosed pedestrian skywalk system
		—	**—**	**—**	**10,600**	**3,238**		
Development projects		**47,000**	**493,000**	**540,000**	**83,050**	**39,220**		
Other		—	—	—	616	616		Pre-development costs
Properties under development		**47,000**	**493,000**	**540,000**	**$83,666**	**$39,836**		

DEVELOPMENT PROJECTS – COMPLETED
TABLE 45

	Portfolio	GLA New	GLA Re-developed	GLA Total	GLA Adjust-ment[1]	GLA Income Producing	Date	Total Project Cost	Occupancy %[2]	Comments
RETAIL										
Parkland Mall	Enclosed regional centres	52,000	43,000	95,000	(7,500)	87,500	Q2 2017	$12,450	86.3%	Anchor tenant remerchandising of former Sears space for GoodLife Fitness Centres
Shoppers Mall	Enclosed regional centres	—	41,000	41,000	(3,500)	37,500	Q2 2017	7,227	90.1%	Anchor tenant remerchandising of former Safeway space for GoodLife Fitness Centres and Dollarama
The Centre	Enclosed regional centres	—	13,000	13,000	(1,000)	12,000	Q2 2017	1,251	100.0%	Anchor tenant remerchandising of portion of former Target space for GoodLife Fitness Centres
Airdrie Co-op	Community strip centres	5,000	—	5,000	—	5,000	Q3 2017	1,810	100.0%	Construction of new freestanding pad space for Co-op Liquor Store
Aurora Centre	Community strip centres	16,000	—	16,000	—	16,000	Q3 2017	4,934	100.0%	Construction of new freestanding pad space for PetSmart
Shoppers Mall	Enclosed regional centres	—	62,500	62,500	500	63,000	Q3 2017	6,689	100.0%	Anchor tenant remerchandising of portion of former Target space for Sobeys
Prairie Mall	Enclosed regional centres	—	56,000	56,000	(17,000)	39,000	Q3 2017	8,286	81.7%	Anchor tenant remerchandising of former Target space for Marshalls, Urban Planet, and Ardene
Woodbridge Square	Community strip centres	—	4,500	4,500	—	4,500	Q3 2017	769	65.0%	Remerchandising of former Party City space for new tenants
The Centre	Enclosed regional centres	—	20,000	20,000	—	20,000	Q4 2017	4,394	100.0%	Anchor tenant remerchandising of portion of former Target space for Ardene
Charleswood Centre	Community strip centres	6,200	—	6,200	—	6,200	Q4 2017	594	100.0%	Construction of new freestanding pad space for Boston Pizza
Shoppers Mall	Enclosed regional centres	13,000	—	13,000	—	13,000	Q2 2018	4,536	39.3%	Construction of new freestanding pad space for Cara brand restaurants
		92,200	**240,000**	**332,200**	**(28,500)**	**303,700**		**$52,940**		
Others								639		
		92,200	**240,000**	**332,200**	**(28,500)**	**303,700**		**$53,579**		

1. GLA adjustment due to reconfiguration caused by change in use.
2. Represents occupied GLA for development projects as a percentage of total GLA for development projects.

For the three months ended June 30, 2018, the projects completed since January 1, 2017, contributed $1.4 million in NOI.

For the six months ended June 30, 2018, the projects completed since January 1, 2017, contributed $2.8 million in NOI.

PART VI

LIQUIDITY AND CAPITAL RESOURCES

Cash flow generated from real estate operations represents the primary source of liquidity to service debt and to fund planned maintenance expenditures, tenant improvements and distributions to unitholders.

Cash flow from operations is dependent upon occupancy levels, rental rates achieved, collection of rents, efficiencies in operations and the cost to lease, as well as other factors.

CASH FLOWS

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

CHANGE IN CASH AND CASH EQUIVALENTS
TABLE 46

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
Cash provided by operating activities	**$18,995**	$25,179	**$44,291**	$41,975
Cash provided by/(used in) financing activities	**63**	(6,583)	**(11,631)**	(110,433)
Cash used in investing activities	**(21,580)**	(18,247)	**(31,959)**	(27,715)
Net change in cash and cash equivalents	**(2,522)**	349	**701**	(96,173)
Cash and cash equivalents, beginning of period	**17,975**	16,174	**14,752**	112,696
Cash and cash equivalents, end of period	**$15,453**	$16,523	**$15,453**	$16,523

DEBT STRATEGY

The Trust's long-term debt strategy involves the use of three forms of debt: conventional property-specific secured mortgages or bonds, unsecured convertible debentures and secured floating-rate bank financing.

The Trust is limited by its Declaration of Trust to an overall indebtedness ratio of 60% of the gross book value of the Trust's total assets determined in accordance with IFRS. The debt limitations are in relation to the assets of the Trust in aggregate. There are no individual property debt limitations or constraints imposed by the Declaration of Trust.

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

The Trust has a revolving loan agreement with Morguard that provides for borrowings or advances of up to $50.0 million. This loan agreement is meant to provide short-term financing and investing options. The promissory notes are interest-bearing at the lender's borrowing rate and are due on demand subject to available funds.

Loan Payable to Morguard: During the three months ended June 30, 2018, a gross amount of $42,500 was advanced from Morguard. During the six months ended June 30, 2018, a gross amount of $30,000 was repaid to Morguard, and a gross amount of $42,500 was advanced from Morguard. As at June 30, 2018, $47,500 remains payable to Morguard (December 31, 2017 – $35,000). For the three months ended June 30, 2018, the Trust incurred interest expense in the amount of $167 (2017 – $114) at an interest rate of 3.35% (2017 – 2.6%). For the six months ended June 30, 2018, the Trust incurred interest expense in the amount of $361 (2017 – $123) at an interest rate of 3.35% (2017 – 2.6%).

Loan Receivable from Morguard: During the three and six months ended June 30, 2018, there were no advances or repayments, and as at June 30, 2018, and December 31, 2017 there was no loan receivable from Morguard. For the three and six months ended June 30, 2018, the Trust did not earn interest income on loans receivable from Morguard (2017 – $nil and $28, respectively).

DEBT STRUCTURE
TABLE 47

As at	June 30, 2018	%	December 31, 2017	%
Conventional secured mortgages payable	**$1,068,391**	**81.3%**	$1,080,258	83.1%
Unsecured convertible debentures	**167,918**	**12.8%**	166,983	12.8%
Secured floating rate bank financing	**30,000**	**2.3%**	17,861	1.4%
Unsecured floating rate loan payable	**47,500**	**3.6%**	35,000	2.7%
	$1,313,809	**100.0%**	$1,300,102	100.0%

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

2016 CONVERTIBLE DEBENTURES

On December 30, 2016, the Trust issued a $175.0 million principal amount of 4.50% convertible unsecured subordinated debentures ("2016 Debentures"), maturing on December 31, 2021 ("the 2016 Debenture Maturity Date"). Interest is payable semi-annually, not in advance, on June 30 and December 31 of each year.

The 2016 Debentures, with the exception of the value assigned to the holders' conversion option, have been recorded as debt on the consolidated balance sheets. The following table summarizes the allocation of the principal amount and related issue costs of the 2016 Debentures at the date of original issue. The portion of issue costs attributable to the liability of $4,991 has been capitalized and amortized over the term to maturity, while the remaining amount of $139 has been charged to equity.

2016 CONVERTIBLE DEBENTURES
TABLE 48

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

Conversion Rights: Each 2016 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 2016 Debenture Maturity Date at a conversion price of $20.40 per unit, being a rate of approximately 49.0196 units per thousand principal amount of 2016 Debentures, subject to adjustment.

Redemption Rights: Each 2016 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 2016 Debentures are redeemable, in whole or in part, at par plus accrued and unpaid interest, at the Trust's sole option.

Repayment Options Payment on Redemption or Maturity: The Trust may satisfy the obligation to repay the principal amount of the 2016 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 2016 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 2016 Debenture Maturity Date, as applicable.

Interest Payment Election: The Trust may elect, subject to applicable regulatory approval, to issue and deliver units of the Trust to the Debenture Trustee in order to raise funds to pay interest on the 2016 Debentures, in which event the holders of the 2016 Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such units.

2012 CONVERTIBLE DEBENTURES

On December 9, 2016, the Trust announced that it would redeem all of its outstanding 2012 Debentures on January 9, 2017 ("the Redemption Date"). The redemption price was paid in cash and was $1,000 per debenture together with accrued and unpaid interest on the debentures up to, but not including, the Redemption Date. On January 6, 2017, $18 of the 2012 Debentures were converted into 731 units. The remaining $149,957 of the 2012 Debentures were redeemed on the Redemption Date.

MORTGAGES PAYABLE
TABLE 49

As at	June 30, 2018	December 31, 2017
Mortgages payable before financing costs	**$1,070,582**	$1,082,751
Deferred financing costs	**(2,191)**	(2,493)
Mortgages payable	**$1,068,391**	$1,080,258

DEBT MATURITY PROFILE

Management attempts to stagger the maturities of the Trust's fixed-rate debt with the general objective of achieving even annual maturities over a 10-year time horizon. The intention of this strategy is to reduce the Trust's exposure to interest rate fluctuations in any one period.

The following tables outline the aggregate principal repayment for mortgages payable and convertible debentures as at June 30, 2018, together with the weighted average contractual rate on debt maturing in the years indicated. Also highlighted are the Trust's primary sources of lending, by year of maturities, and the Trust's up-financing opportunity in relation to the fair value of encumbered properties relative to their respective maturing debt.

AGGREGATE MATURITIES
TABLE 50

Year	Mortgage Maturity Payments	Scheduled Principal Repayments	Total Mortgages Payable	Weighted Average Interest Rate	Debentures Payable	Weighted Average Interest Rate	Total Debt Maturities	Weighted Average Interest Rate
2018	$54,916	$16,936	$71,852	4.22%	$—	—%	$71,852	4.22%
2019	162,122	29,297	191,419	3.63%	—	—%	191,419	3.63%
2020	114,493	28,290	142,783	4.59%	—	—%	142,783	4.59%
2021	153,525	22,745	176,270	4.19%	175,000	4.50%	351,270	4.35%
2022	162,069	19,598	181,667	3.84%	—	—%	181,667	3.84%
Thereafter	282,481	24,110	306,591	4.09%	—	—%	306,591	4.09%
	$929,606	**$140,976**	**$1,070,582**	**4.05%**	**$175,000**	**4.50%**	**$1,245,582**	**4.12%**

The weighted average interest rate on mortgages maturing in 2018 is 4.22%, while the weighted average interest rate on total mortgages payable at June 30, 2018, is 4.05%. At June 30, 2018, the Trust's weighted average term to maturity for mortgages payable is 3.6 years.

PRINCIPAL MATURITIES BY TYPE OF LENDER, BY YEAR OF MATURITY
TABLE 51

Year	Banks	Insurance Industry	Pension Funds	Unsecured Debentures	Total
2018	$—	$54,916	$—	$—	$54,916
2019	129,640	32,482	—	—	162,122
2020	28,440	49,412	36,641	—	114,493
2021	65,098	81,085	7,342	175,000	328,525
2022	149,275	12,794	—	—	162,069
Thereafter	87,419	128,734	66,328	—	282,481
	$459,872	**$359,423**	**$110,311**	**$175,000**	**$1,104,606**

The Trust maintains strategic relationships with banks, insurance companies and pension funds to reduce its exposure to any one lending group.

The 2016 Debentures maturing in 2021 have certain redemption rights commencing January 2021 (see Table 48).

FAIR VALUE OF ENCUMBERED PROPERTIES RELATIVE TO MATURING DEBT
TABLE 52

Year	Mortgage Maturity Payments	Scheduled Principal Repayments	Total	Fair Value of Encumbered Assets	Leverage
2018	$54,916	$331	$55,247	$232,050	24%
2019	162,122	3,895	166,017	351,170	47%
2020	114,493	10,110	124,603	369,850	34%
2021	153,525	17,429	170,954	482,050	35%
2022	162,069	31,562	193,631	297,950	65%
Thereafter	282,481	77,649	360,130	734,330	49%
	$929,606	**$140,976**	**$1,070,582**	**$2,467,400**	**43%**

Given current real estate values, the Trust has an opportunity during 2018 to increase financing as debt matures and still maintain the targeted loan to value ratio of 50%.

DEBT AND LEVERAGE METRICS
TABLE 53

	For the six months ended 2018	For the twelve months ended 2017
Interest coverage ratio [1]	**2.60**	2.76
Debt service coverage ratio [2]	**1.57**	1.68
Debt ratio [3]	**44.1%**	44.5%
Weighted average rates on mortgages	**4.1%**	4.1%
Average term to maturity on mortgages (years)	**3.6**	4.1
Distributions as a percentage of adjusted funds from operations – basic	**87.3%**	77.4%
Unencumbered assets to unsecured debt	**153.8%**	157.0%
Unencumbered assets	**$342,200**	$329,748
Unsecured debt	**$222,500**	$210,000

1. Interest coverage defined as: Net income before taxes, amortization and fair value changes, divided by total interest expense at the Trust's share (including interest that has been capitalized).
2. Debt service coverage defined as: Net income before taxes, amortization and fair value changes, divided by total interest expense at the Trust's share (including interest that has been capitalized), and scheduled mortgage principal repayments.
3. Debt ratio defined as: Total indebtedness, divided by gross book value of total assets.

Modest improvements were shown in certain of the Trust's key ratios and leverage metrics for the six months ended June 30, 2018.

CREDIT FACILITIES

As at June 30, 2018, the Trust has secured floating rate bank financing availability totalling $70 million, which renews annually and is secured by fixed charges on specific properties owned by the Trust. The bank credit agreements include certain restrictive covenants and undertakings by the Trust. As at June 30, 2018, the Trust was in compliance with all covenants and undertakings. The Trust has a revolving unsecured loan agreement with Morguard that provides for borrowings or advances of up to $50 million.

CREDIT FACILITIES
TABLE 54

As at	June 30, 2018	December 31, 2017
Bank credit facilities and operating lines	**$70,000**	$70,000
Revolving loan agreement with Morguard	**50,000**	50,000
	120,000	120,000
Amounts drawn against credit facilities	**(78,809)**	(54,170)
	$41,191	$65,830

PART VII

RISKS AND UNCERTAINTIES

All real estate investments are subject to a degree of risk and uncertainty. Income producing property is affected by various factors, including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand particularly affect income property investments. Management attempts to manage these risks through geographic and asset class diversification. At June 30, 2018, the Trust held 48 properties in three assets classes (retail, office and industrial) and located in six provinces. The Trust is exposed to other risks as outlined below.

INTEREST RATE AND FINANCING RISK

The Trust is exposed to financial risks that arise from its indebtedness, including fluctuations in interest rates. Interest rate risk is managed by financing debt at fixed rates with maturities scheduled over a number of years. At June 30, 2018, 94.1% of the Trust's debt was at fixed rates.

As outlined in "Part VI – Liquidity and Capital Resources," the Trust has an ongoing requirement to access debt markets to refinance maturing debt as it comes due. There is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to the Trust or any terms at all.

The Declaration of Trust permits the Trust to incur indebtedness, provided that after giving effect to incurring or assuming any indebtedness the amount of all indebtedness of the Trust is not more than 60% of the gross book value of the Trust's total assets.

The following table provides the Trust's debt ratios compared to the borrowing limits established in the Declaration of Trust:

DEBT RATIOS
TABLE 55

As at	Borrowing Limits	June 30, 2018	December 31, 2017
Fixed-rate debt to gross book value of total assets	—%	**41.5%**	42.7%
Floating-rate debt to gross book value of total assets	15.0%	**2.6%**	1.8%
Total indebtedness to gross book value of total assets	**60.0%**	**44.1%**	44.5%

CREDIT RISK

Credit risk arises from the possibility that tenants may be unable to fulfil their lease commitments. Management mitigates this risk by ensuring that the Trust's tenant mix is diversified and by limiting the Trust's exposure to any one tenant.

LEASE ROLLOVER RISK

Lease rollover risk arises from the possibility that the Trust may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants upon lease expiry. Management attempts to stagger the lease expiry profile so that the Trust is not faced with disproportionate amounts of space expiring in any one year. Management further mitigates this risk by maintaining a diversified portfolio mix by both asset type and geography.

LEASE PROFILE
TABLE 56

	Retail			Office			Industrial		
	SF	% of Portfolio	Weighted Average Contract Rent	SF	% of Portfolio	Weighted Average Contract Rent	SF	% of Portfolio	Weighted Average Contract Rent
(remainder of the year) 2018	408,474	10.1%	$23.79	82,723	2.6%	$17.94	46,027	8.6%	$6.49
2019	277,562	6.9%	31.17	173,372	5.4%	23.83	13,082	2.4%	7.20
2020	551,500	13.6%	28.05	146,855	4.6%	22.35	4,595	0.9%	11.86
2021	811,757	20.1%	12.95	368,297	11.5%	21.76	66,783	12.5%	7.71
2022	465,690	11.5%	26.22	215,045	6.7%	18.86	153,861	28.8%	6.41
Thereafter	1,344,473	33.2%	25.54	1,966,971	61.6%	23.62	220,700	41.4%	6.05
Current vacancy	186,486	4.6%	—	244,125	7.6%	—	29,104	5.4%	—
	4,045,942	**100.0%**	**$23.39**	**3,197,388**	**100.0%**	**$22.84**	**534,152**	**100.0%**	**$6.50**

REMAINING 2018 EXPIRIES BY LOCATION (NET OF COMMITTED RENEWALS)
TABLE 57

	Retail		Office		Industrial		
Location	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent	Total
British Columbia	1,160	$37.00	1,257	$42.68	—	$—	2,417
Alberta	49,306	26.11	28,111	21.80	—	—	77,417
Saskatchewan	62,689	12.11	—	—	—	—	62,689
Manitoba	26,632	25.00	—	—	—	—	26,632
Ontario	268,687	25.57	53,355	15.17	46,027	6.49	368,069
	408,474	**$23.79**	**82,723**	**$17.94**	**46,027**	**$6.49**	**537,224**

ENVIRONMENTAL RISK

The Trust is subject to various federal, provincial and municipal laws relating to the environment. The Trust's ongoing environmental management program includes regular review of tenant business uses and inspections of properties to ensure compliance, as well as appropriate testing by qualified environmental consultants when required. A Phase I environmental site assessment is performed on properties considered for acquisition. The Trust mitigates the cost of remediation by carrying environmental insurance where available.

UNITHOLDER LIABILITY

The Declaration of Trust provides that no unitholder or annuitant under a plan of which a unitholder acts as trustee or carrier will be held to have any personal liability as such, and that no recourse may be had to the private property of any unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Trust. Only assets of the Trust are intended to be liable and subject to levy or execution.

The following provinces have legislation relating to unitholder liability protection: British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec. Certain of these statutes have not yet been judicially considered, and it is possible that reliance on such statutes by a unitholder could be successfully challenged on jurisdictional or other grounds. The Trustees will cause the operations of the Trust to be conducted, with the advice of counsel, in a manner and in such jurisdictions so as to avoid, as far as practicable, any material risk of liability to the unitholders for claims against the Trust. The Trustees will also cause the Trust to carry insurance, to the extent to which they determine to be possible and reasonable, for the benefit of unitholders and annuitants in such amounts as they consider adequate to cover non-contractual or non-excluded liability.

GENERAL UNINSURED LOSSES

The Trust has in place blanket comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as from wars or environmental contamination) that are either uninsurable or not insurable on an economically viable basis. The Trust also carries insurance for earthquake risks, where appropriate, subject to certain policy limits, deductibles and self-insurance arrangements, and will continue to carry such insurance if it is economical to do so. Should an insured or underinsured loss occur, the Trust could lose its investment in, and anticipated profits and cash flows from, one or more of its properties.

AVAILABILITY OF CASH FLOW

From time to time, because of items such as debt repayments and discretionary capital expenditures incurred to enhance the real estate portfolio, adjusted funds from operations may be less than the actual cash required by the Trust. In these situations, the Trust may use part of its debt capacity or reduce distributions in order to meet its obligations.

UNITS OUTSTANDING

Under the Declaration of Trust, the Trust is authorized to issue an unlimited number of units. Each unit represents an equal interest in the Trust together with all outstanding units. All units have equal voting rights at meetings held by the Trust. As at August 1, 2018, the Trust had 60,711,062 units outstanding (December 31, 2017 – 60,691,729). There have been no units repurchased for cancellation during 2018 as part of the Trust's participation in the normal course issuer bid.

UNITHOLDER TAXATION

The Trust is taxed as a "mutual fund trust" for income tax purposes. Under Part I of the Act, a Trust is not subject to income taxes to the extent that the income for tax purposes in a given year does not exceed the amount distributed to unitholders and deducted by the Trust for tax purposes. The Trustees intend to distribute or designate all taxable income directly earned by the Trust to unitholders of the Trust and to deduct such distributions and designations for income tax purposes. Accordingly, in prior years the Trust has not been required to record a provision for income taxes.

Legislation relating to the federal income taxation of a "specified investment flow-through" ("SIFT") trust or partnership was enacted in 2007. Under the SIFT rules, certain distributions attributable to a SIFT will not be deductible in computing the SIFT's taxable income, and the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. Distributions paid by a SIFT as returns of capital will not be subject to this tax. The SIFT tax regime did not apply to the Trust prior to 2011 due to transitional relief available to certain SIFTs that were publicly listed before November 1, 2006.

The SIFT tax does not apply to a trust that meets prescribed conditions relating to the nature of its income and investments ("the REIT exception"). The Trust has reviewed its status under the legislation and has determined that it is not subject to this tax as it met the REIT exception at December 31, 2017, and throughout the year. Accordingly, no net additional current income tax expense or future income tax assets or liabilities have been recorded in the June 30, 2018, condensed consolidated financial statements.

The REIT exception is applied annually. As such, it will not be possible to determine if the Trust will satisfy the conditions of the REIT exception for 2018 or any subsequent year until the end of the particular year.

PART VIII

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Trust's critical accounting policies are those that management believes are the most important in portraying the Trust's financial condition and results and that require the most subjective judgment and estimates on the part of management.

REAL ESTATE PROPERTIES

Real estate properties include retail, office and industrial properties held to earn rental income (income producing properties) and properties or land that are being constructed or developed for future use as income producing properties. Real estate properties are recorded at fair value, determined based on available market evidence, at the balance sheet date. The Trust determined the fair value of each real estate property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the applicable balance sheet date, less future cash outflow pertaining to the respective leases. The real estate properties are appraised using a number of approaches that typically include a discounted cash flow analysis, direct capitalization method and direct comparison approach. The discounted cash flow analysis is primarily based on 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 cash flows.

In applying the accounting policies to the real estate properties, judgment is required in determining whether certain costs are additions to the carrying amount of the property, in distinguishing between tenant incentives and tenant improvements, and, for properties under development, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development property. Judgment is also applied in determining the extent and frequency of independent appraisals.

REVENUE RECOGNITION

The computation of cost reimbursements from tenants for realty taxes, insurance and common area maintenance charges is complex and involves a number of judgments, including the interpretation of terms and other tenant lease provisions. Tenant leases are not consistent in dealing with such cost reimbursements, and variations in computations can exist. Adjustments are made throughout the year to these cost recovery revenues based upon the Trust's best estimate of the final amounts to be billed and collected.

LEASES

The Trust makes judgments in determining whether certain leases, in particular those leases with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases where the Trust is the lessee, are operating or finance leases. The Trust has determined that all of its tenant leases and long-term ground leases are operating leases.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Management reports on a quarterly basis the fair value of financial instruments. The fair value of financial instruments approximates amounts at which these instruments could be exchanged between knowledgeable and willing parties. The estimated fair value may differ in amount from that which could be realized on an immediate settlement of the instruments. Management estimates the fair value of mortgages payable by discounting the cash flows of these financial obligations using market rates as at June 30, 2018, for debts of similar terms. The fair value of the convertible debentures is based on their market trading price (TSX: MRT.DB).

PART IX

CONTROLS AND PROCEDURES CONCERNING FINANCIAL INFORMATION

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

The Trust's management has evaluated the effectiveness of the Trust's disclosure controls and procedures and, based on such evaluation, has concluded that their design is adequate and effective for the three and six months ended June 30, 2018. The Trust's management has also evaluated the effectiveness of the internal controls over financial reporting and has concluded that the design is effective for the three and six months ended June 30, 2018.

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

PART X

ANALYSIS OF SELECTED FINANCIAL INFORMATION

Part X provides the reader with analysis of the key performance measures used in this MD&A and additional detail of the Trusts' equity-accounted investments to arrive at a presentation of the Trust's ownership share.

RECONCILIATION OF NET OPERATING INCOME PER THE FINANCIAL STATEMENTS
TABLE 58

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	Variance	**2018**	2017	Variance
Net operating income/(loss)						
Retail	**$17,768**	$18,914	($1,146)	**$35,722**	$38,297	($2,575)
Office	**16,694**	17,422	(728)	**33,665**	35,545	(1,880)
Industrial	**737**	801	(64)	**1,573**	1,600	(27)
Net operating income – same assets	**35,199**	37,137	(1,938)	**70,960**	75,442	(4,482)
Real estate properties held for development	**(164)**	39	(203)	**(74)**	158	(232)
Real estate properties held for sale/sold	**5**	45	(40)	**(9)**	34	(43)
Net operating income before other adjustments	**35,040**	37,221	(2,181)	**70,877**	75,634	(4,757)
OTHER ADJUSTMENTS						
Stepped rents	**143**	365	(222)	**330**	869	(539)
Lease cancellation fees	**257**	—	257	**500**	922	(422)
Area under development	**1,422**	415	1,007	**2,801**	618	2,183
Net operating income per the financial statements	**36,862**	38,001	(1,139)	**74,508**	78,043	(3,535)
Equity-accounted investments	**1,132**	1,054	78	**2,181**	2,101	80
Net operating income from total real estate properties	**$37,994**	$39,055	($1,061)	**$76,689**	$80,144	($3,455)

NET (LOSS)/INCOME FROM EQUITY-ACCOUNTED INVESTMENTS
TABLE 59

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	Variance	**2018**	2017	Variance
Net operating income	**$1,132**	$1,054	$78	**$2,181**	$2,101	$80
Other expenses	**(257)**	(267)	10	**(517)**	(538)	21
Fair value (losses)/gains on real estate properties	**(1,454)**	105	(1,559)	**(1,398)**	146	(1,544)
	(1,711)	(162)	(1,549)	**(1,915)**	(392)	(1,523)
Net (loss)/income from equity-accounted investments	**($579)**	$892	($1,471)	**$266**	$1,709	($1,443)

REAL ESTATE PROPERTIES – AT THE TRUST'S OWNERSHIP SHARE
TABLE 60

As at June 30, 2018	Per Financial Statements	Equity-Accounted Investments	At the Trust's Ownership Share
Income producing properties	$2,839,041	$53,500	$2,892,541
Properties under development	39,836	—	39,836
Held for development	32,150	—	32,150
Total real estate properties	**$2,911,027**	**$53,500**	**$2,964,527**

As at December 31, 2017	Per Financial Statements	Equity-Accounted Investments	At the Trust's Ownership Share
Income producing properties	$2,817,236	$55,000	$2,872,236
Properties under development	13,630	—	13,630
Held for development	30,950	—	30,950
Total real estate properties	**$2,861,816**	**$55,000**	**$2,916,816**

LEASING COSTS AND CAPITAL EXPENDITURES – AT THE TRUST'S OWNERSHIP SHARE
TABLE 61

As at June 30, 2018	Per Financial Statements	Equity-Accounted Investments	At the Trust's Ownership Share
Income producing properties	$7,244	$109	$7,353
Properties under development	25,632	—	25,632
Held for development	—	—	—
Total leasing costs and capital expenditures	**$32,876**	**$109**	**$32,985**

As at December 31, 2017	Per Financial Statements	Equity-Accounted Investments	At the Trust's Ownership Share
Income producing properties	$24,752	$757	$25,509
Properties under development	40,999	—	40,999
Held for development	—	—	—
Total leasing costs and capital expenditures	**$65,751**	**$757**	**$66,508**

FAIR VALUE GAINS/(LOSSES) ON REAL ESTATE PROPERTIES – AT THE TRUST'S OWNERSHIP SHARE TABLE 62

For the three months ended June 30, 2018	Per Financial Statements	Equity-Accounted Investments	At the Trust's Ownership Share
Income producing properties	$20,860	($1,454)	$19,406
Properties under development	—	—	—
Held for development	1,200	—	1,200
Total fair value gains/(losses) on real estate properties	**$22,060**	**($1,454)**	**$20,606**

For the three months ended June 30, 2017	Per Financial Statements	Equity-Accounted Investments	At the Trust's Ownership Share
Income producing properties	$28,248	$105	$28,353
Properties under development	—	—	—
Held for development	—	—	—
Total fair value gains on real estate properties	**$28,248**	**$105**	**$28,353**

For the six months ended June 30, 2018	Per Financial Statements	Equity-Accounted Investments	At the Trust's Ownership Share
Income producing properties	$14,865	($1,398)	$13,467
Properties under development	—	—	—
Held for development	1,200	—	1,200
Total fair value gains/(losses) on real estate properties	**$16,065**	**($1,398)**	**$14,667**

For the six months ended June 30, 2017	Per Financial Statements	Equity-Accounted Investments	At the Trust's Ownership Share
Income producing properties	$40,445	$146	$40,591
Properties under development	—	—	—
Held for development	(200)	—	(200)
Total fair value gains/(losses) on real estate properties	**$40,245**	**$146**	**$40,391**

MORTGAGES PAYABLE – AT THE TRUST'S OWNERSHIP SHARE TABLE 63

As at June 30, 2018	Per Financial Statements	Equity-Accounted Investments	At the Trust's Ownership Share
Mortgages payable before financing costs	$1,070,582	$26,856	$1,097,438
Deferred financing costs	(2,191)	—	(2,191)
Mortgages payable	**$1,068,391**	**$26,856**	**$1,095,247**

As at December 31, 2017	Per Financial Statements	Equity-Accounted Investments	At the Trust's Ownership Share
Mortgages payable before financing costs	$1,082,751	$27,348	$1,110,099
Deferred financing costs	(2,493)	—	(2,493)
Mortgages payable	**$1,080,258**	**$27,348**	**$1,107,606**

CASH FLOWS – AT THE TRUST'S OWNERSHIP SHARE
TABLE 64

For the three months ended June 30, 2018	Per Financial Statements	Equity-Accounted Investments	At the Trust's Ownership Share
Cash provided by operating activities	$18,995	$440	$19,435
Cash provided by/(used in) financing activities	63	(247)	(184)
Cash used in investing activities	(21,580)	(59)	(21,639)
Net change in cash and cash equivalents	**(2,522)**	**134**	**(2,388)**
Cash and cash equivalents, beginning of period	17,975	385	18,360
Cash and cash equivalents, end of period	**$15,453**	**$519**	**$15,972**

For the three months ended June 30, 2017	Per Financial Statements	Equity-Accounted Investments	At the Trust's Ownership Share
Cash provided by operating activities	$25,179	$495	$25,674
Cash used in financing activities	(6,583)	(238)	(6,821)
Cash used in investing activities	(18,247)	—	(18,247)
Net change in cash and cash equivalents	**349**	**257**	**606**
Cash and cash equivalents, beginning of period	16,174	654	16,828
Cash and cash equivalents, end of period	**$16,523**	**$911**	**$17,434**

For the six months ended June 30, 2018	Per Financial Statements	Equity-Accounted Investments	At the Trust's Ownership Share
Cash provided by operating activities	$44,291	$614	$44,905
Cash used in financing activities	(11,631)	(492)	(12,123)
Cash used in investing activities	(31,959)	(109)	(32,068)
Net change in cash and cash equivalents	**701**	**13**	**714**
Cash and cash equivalents, beginning of period	14,752	506	15,258
Cash and cash equivalents, end of period	**$15,453**	**$519**	**$15,972**

For the six months ended June 30, 2017	Per Financial Statements	Equity-Accounted Investments	At the Trust's Ownership Share
Cash provided by operating activities	$41,975	$389	$42,364
Cash used in financing activities	(110,433)	(473)	(110,906)
Cash used in investing activities	(27,715)	(65)	(27,780)
Net change in cash and cash equivalents	**(96,173)**	**(149)**	**(96,322)**
Cash and cash equivalents, beginning of period	112,696	1,060	113,756
Cash and cash equivalents, end of period	**$16,523**	**$911**	**$17,434**

PART XI

SUMMARY OF QUARTERLY RESULTS

SUMMARY OF QUARTERLY RESULTS
TABLE 65
The following table provides a summary of quarterly operating results for the last eight quarters.

	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Revenue from real estate properties	**$68,029**	$69,245	$72,225	$67,526
Property operating expenses	**28,932**	29,305	28,172	27,958
Property management fees	**2,235**	2,294	2,425	2,214
Net operating income	**36,862**	37,646	41,628	37,354
Interest expense	**13,730**	13,713	13,774	13,871
General and administrative	**1,244**	1,231	1,083	1,085
Other income	**(62)**	(59)	(83)	(37)
Income before fair value gains/(losses) on real estate properties and net (loss)/income from equity-accounted investments	**21,950**	22,761	26,854	22,435
Fair value gains/(losses) on real estate properties	**22,060**	(5,995)	(33,223)	(38,247)
Net (loss)/income from equity-accounted investments	**(579)**	845	(1,372)	594
Net income/(loss)	**$43,431**	$17,611	($7,741)	($15,218)

	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Revenue from real estate properties	$67,726	$71,277	$72,088	$67,919
Property operating expenses	27,514	28,919	27,037	27,472
Property management fees	2,211	2,316	2,372	2,230
Net operating income	38,001	40,042	42,679	38,217
Interest expense	13,639	13,803	14,792	13,748
General and administrative	1,133	1,216	1,191	1,119
Other income	(17)	(42)	(7)	(50)
Income before fair value gains/(losses) on real estate properties and net income/(loss) from equity-accounted investments	23,246	25,065	26,703	23,400
Fair value gains/(losses) on real estate properties	28,248	11,997	(29,655)	(14,829)
Net income/(loss) from equity-accounted investments	892	817	(4,257)	957
Net income/(loss)	$52,386	$37,879	($7,209)	$9,528

PART XII

SUMMARY OF QUARTERLY GROSS LEASABLE AREA

RETAIL PROPERTIES

CHANGES IN GLA – ENCLOSED REGIONAL CENTRES, PREVIOUS EIGHT QUARTERS TABLE 66

	2016		2017				2018	
In thousands of SF	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
GLA – real estate properties – opening balance	3,490	3,490	3,490	3,490	3,530	3,510	3,479	3,279
Changes due to re-measurement	—	—	—	—	—	1	(1)	—
St. Laurent Centre – Everest College	—	—	—	—	—	(32)	—	—
Cambridge Centre – Sears	—	—	—	—	—	—	(138)	—
St. Laurent Centre – Sears (2nd Floor)	—	—	—	—	—	—	(61)	—
Changes due to development projects – completed [1]	—	—	—	40	(20)	—	—	13
GLA – real estate properties	**3,490**	**3,490**	**3,490**	**3,530**	**3,510**	**3,479**	**3,279**	**3,292**
Area under/held for development – opening balance	496	496	496	496	399	281	443	493
Cambridge Centre – Sears	—	—	—	—	—	138	(138)	—
Parkland Mall – Safeway	—	—	—	—	—	57	—	—
Cambridge Centre – various units	—	—	—	—	—	19	—	—
St. Laurent Centre – Everest College	—	—	—	—	—	(32)	—	—
St. Laurent Centre – Sears (1st Floor)	—	—	—	—	—	—	76	—
Pine Centre Mall – Sears	—	—	—	—	—	—	112	—
Changes due to development projects – completed [1]	—	—	—	(97)	(118)	(20)	—	—
Area under/held for development	**496**	**496**	**496**	**399**	**281**	**443**	**493**	**493**
GLA for purposes of occupancy	**2,994**	**2,994**	**2,994**	**3,131**	**3,229**	**3,036**	**2,786**	**2,799**

1. See Table 45 – Development Projects – Completed

CHANGES IN GLA – COMMUNITY STRIP CENTRES, PREVIOUS EIGHT QUARTERS TABLE 67

	2016		2017				2018	
In thousands of SF	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
GLA – real estate properties – opening balance	1,287	1,287	1,287	1,287	1,287	1,308	1,314	1,315
Changes due to re-measurement	—	—	—	—	—	—	1	(1)
Changes due to development projects – completed [1]	—	—	—	—	21	6	—	—
GLA – real estate properties	**1,287**	**1,287**	**1,287**	**1,287**	**1,308**	**1,314**	**1,315**	**1,314**
Area under/held for development – opening balance [2]	67	67	67	71	71	67	67	67
Woodbridge Square – Party City	—	—	4	—	(4)	—	—	—
Area under/held for development	**67**	**67**	**71**	**71**	**67**	**67**	**67**	**67**
GLA for purposes of occupancy	**1,220**	**1,220**	**1,216**	**1,216**	**1,241**	**1,247**	**1,248**	**1,247**

1. See Table 45 – Development Projects – Completed

2. Includes 67 SF of GLA held for development

OFFICE PROPERTIES

CHANGES IN GLA – SINGLE-/DUAL-TENANT BUILDINGS, PREVIOUS EIGHT QUARTERS TABLE 68

	2016		2017				2018	
In thousands of SF	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
GLA – real estate properties – opening balance	2,250	2,250	2,250	2,250	2,250	2,248	2,248	2,246
Changes due to re-measurement	—	—	—	—	(2)	—	(2)	—
GLA – real estate properties	**2,250**	**2,250**	**2,250**	**2,250**	**2,248**	**2,248**	**2,246**	**2,246**
Area under/held for development – opening balance [2]	43	43	43	43	43	43	43	43
Area under/held for development	**43**	**43**	**43**	**43**	**43**	**43**	**43**	**43**
GLA for purposes of occupancy	**2,207**	**2,207**	**2,207**	**2,207**	**2,205**	**2,205**	**2,203**	**2,203**

1. See Table 45 – Development Projects – Completed

2. Includes 43 SF of GLA held for development

CHANGES IN GLA – MULTI-TENANT BUILDINGS, PREVIOUS EIGHT QUARTERS TABLE 69

	2016		2017				2018	
In thousands of SF	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
GLA – real estate properties – opening balance	989	994	994	995	995	993	993	993
Changes due to re-measurement	—	—	1	—	(2)	—	—	1
Changes due to development projects – completed [1]	5	—	—	—	—	—	—	—
GLA – real estate properties	**994**	**994**	**995**	**995**	**993**	**993**	**993**	**994**

1. See Table 45 – Development Projects – Completed

INDUSTRIAL PROPERTIES

CHANGES IN GLA – INDUSTRIAL PROPERTIES, PREVIOUS EIGHT QUARTERS TABLE 70

	2016		2017				2018	
In thousands of SF	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
GLA – real estate properties	**534**	**534**	**534**	**534**	**534**	**534**	**534**	**534**

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BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	June 30, 2018	December 31, 2017
ASSETS			
Non-current assets			
Real estate properties	4	**$2,911,027**	$2,861,816
Equity-accounted investment	5	**26,358**	27,080
		2,937,385	2,888,896
Current assets			
Amounts receivable		**15,353**	16,601
Prepaid expenses and other		**10,467**	842
Cash and cash equivalents		**15,453**	14,752
		41,273	32,195
Total assets		**$2,978,658**	$2,921,091
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Mortgages payable	7	**$836,489**	$990,959
Convertible debentures	8	**167,918**	166,983
Accounts payable and accrued liabilities		**3,861**	3,728
		1,008,268	1,161,670
Current liabilities			
Mortgages payable	7	**231,902**	89,299
Accounts payable and accrued liabilities		**63,270**	51,670
Loan payable	12(b)	**47,500**	35,000
Bank indebtedness	9	**30,000**	17,861
		372,672	193,830
Total liabilities		**1,380,940**	1,355,500
Unitholders' equity		**1,597,718**	1,565,591
		$2,978,658	$2,921,091
Commitments and contingencies	16		

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) "Paul Cobb"

Paul Cobb,
Trustee

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

In thousands of Canadian dollars, except per unit amounts

		Three months ended		Six months ended	
	Note	**June 30, 2018**	June 30, 2017	**June 30, 2018**	June 30, 2017
Revenue from real estate properties	10	**$68,029**	$67,726	**$137,274**	$139,003
Property operating expenses	13(a)	**28,932**	27,514	**58,237**	56,433
Property management fees		**2,235**	2,211	**4,529**	4,527
Net operating income		**36,862**	38,001	**74,508**	78,043
Interest expense	11	**13,730**	13,639	**27,443**	27,442
General and administrative	13(b)	**1,244**	1,133	**2,475**	2,349
Other income		**(62)**	(17)	**(121)**	(59)
Income before fair value gains and net (loss)/ income from equity-accounted investment		**21,950**	23,246	**44,711**	48,311
Fair value gains on real estate properties	4	**22,060**	28,248	**16,065**	40,245
Net (loss)/income from equity-accounted investment	5	**(579)**	892	**266**	1,709
Net income and comprehensive income		**43,431**	52,386	**61,042**	90,265
NET INCOME PER UNIT	14(d)				
Basic		**$0.72**	$0.86	**$1.01**	$1.49
Diluted		**$0.62**	$0.75	**$0.89**	$1.30

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, 2017	60,600,707	$610,499	$938,226	$6,120	$338	$1,555,183
Repurchase of units	(50,300)	(507)	(259)	—	—	(766)
2012 Debentures converted	731	18	—	—	—	18
2012 Debentures redeemed	—	—	—	(1,526)	1,526	—
Net income	—	—	37,879	—	—	37,879
Distributions to unitholders	—	—	(14,181)	—	—	(14,181)
Issue of units – DRIP [1]	23,805	363	(363)	—	—	—
Unitholders' equity, March 31, 2017	60,574,943	610,373	961,302	4,594	1,864	1,578,133
Net income	—	—	52,386	—	—	52,386
Distributions to unitholders	—	—	(14,018)	—	—	(14,018)
Issue of units – DRIP	34,484	527	(527)	—	—	—
Unitholders' equity, June 30, 2017	60,609,427	610,900	999,143	4,594	1,864	1,616,501
Net income	—	—	(22,959)	—	—	(22,959)
Distributions to unitholders	—	—	(27,951)	—	—	(27,951)
Issue of units – DRIP	82,302	1,163	(1,163)	—	—	—
Unitholders' equity, December 31, 2017	60,691,729	612,063	947,070	4,594	1,864	1,565,591
Net income	—	—	17,611	—	—	17,611
Distributions to unitholders	—	—	(14,479)	—	—	(14,479)
Issue of units – DRIP	6,473	88	(88)	—	—	—
Unitholders' equity, March 31, 2018	60,698,202	612,151	950,114	4,594	1,864	1,568,723
Net income	**—**	**—**	**43,431**	**—**	**—**	**43,431**
Distributions to unitholders	**—**	**—**	**(14,436)**	**—**	**—**	**(14,436)**
Issue of units – DRIP	**9,579**	**128**	**(128)**	**—**	**—**	**—**
Unitholders' equity, June 30, 2018	**60,707,781**	**$612,279**	**$978,981**	**$4,594**	**$1,864**	**$1,597,718**

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		Six months ended	
	Note	**June 30, 2018**	June 30, 2017	**June 30, 2018**	June 30, 2017
OPERATING ACTIVITIES					
Net income		**$43,431**	$52,386	**$61,042**	$90,265
Deduct items not affecting cash	15(a)	**(20,944)**	(28,867)	**(15,323)**	(41,888)
Distributions from equity-accounted investment	5	**490**	335	**988**	732
Additions to tenant incentives and leasing commissions		**(551)**	(986)	**(917)**	(2,192)
Net change in non-cash operating assets and liabilities	15(b)	**(3,431)**	2,311	**(1,499)**	(4,942)
Cash provided by operating activities		**18,995**	25,179	**44,291**	41,975
FINANCING ACTIVITIES					
Proceeds from new mortgages		**6,000**	15,000	**6,000**	15,000
Financing cost on new mortgages		**(41)**	(78)	**(41)**	(78)
Repayment of mortgages					
Repayments on maturity		**—**	(12,869)	**—**	(12,869)
Principal instalment repayments		**(9,130)**	(8,875)	**(18,169)**	(17,669)
Net repayment of 2012 Debentures	8	**—**	—	**—**	(99,957)
Net proceeds from 2016 Debentures	8	**—**	7	**—**	7
(Repayments to)/proceeds from bank indebtedness	9	**(24,830)**	9,250	**12,139**	9,250
Proceeds from loan payable	12(b)	**42,500**	5,000	**42,500**	20,000
Repayment of loan payable	12(b)	**—**	—	**(30,000)**	—
Distributions to unitholders		**(14,436)**	(14,018)	**(24,060)**	(23,351)
Units repurchased for cancellation		**—**	—	**—**	(766)
Cash provided by/(used in) financing activities		**63**	(6,583)	**(11,631)**	(110,433)
INVESTING ACTIVITIES					
Capital expenditures on real estate properties		**(21,580)**	(18,247)	**(31,959)**	(27,715)
Cash used in investing activities		**(21,580)**	(18,247)	**(31,959)**	(27,715)
Net change in cash and cash equivalents		**(2,522)**	349	**701**	(96,173)
Cash and cash equivalents, beginning of period		**17,975**	16,174	**14,752**	112,696
Cash and cash equivalents, end of period		**$15,453**	$16,523	**$15,453**	$16,523

See accompanying notes to the condensed consolidated financial statements.

NOTES

For the three months and six months ended June 30, 2018 and 2017

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 56.00% of the outstanding units as at June 30, 2018. Morguard is a real estate company that owns a diversified portfolio of multi-suite residential, retail, hotel, office and industrial properties. Morguard also provides advisory and management services to institutional and other investors.

NOTE 2

STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 Board of Trustees ("the Trustees") on August 1, 2018.

NOTE 3

ADOPTION OF ACCOUNTING STANDARDS

Current Accounting Policy Changes

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15")

In May 2014, the IASB issued IFRS 15, a single comprehensive model to account for revenue arising from contracts with customers. The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle of the standard is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods and services. The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018.

The Trust has assessed the impact of IFRS 15 and has determined that the pattern of revenue recognition will remain unchanged upon adoption of the standard. The assessment included a review of contracts for the scoped-in streams including rental revenue, utilities, parking, common area maintenance ("CAM"), and other ancillary revenue. The impact was limited to additional note disclosure (Note 10) on the disaggregation of some of the Trust's revenue streams noted above.

The Trust adopted the standard on January 1, 2018, and applied the requirements of the standard retrospectively.

IFRS 9 (2014), "Financial Instruments" ("IFRS 9")
The final version of IFRS 9 was issued by the IASB in July 2014 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 addresses the classification and measurement of all financial assets and liabilities within the scope of the current IAS 39 and a new expected loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting. Included also are the requirements to measure debt-based financial assets at either amortized cost or fair value through profit or loss ("FVTPL") and to measure equity-based financial assets either as held-for-trading or as fair value through other comprehensive income ("FVTOCI"). No amounts are reclassified out of other comprehensive income if the FVTOCI option is elected. Additionally, embedded derivatives in financial assets would no longer be bifurcated and accounted for separately under IFRS 9. The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018.

The Trust adopted the standard on January 1, 2018, and applied the requirements of the standard retrospectively, with no restatement of comparative periods.

Classification and Measurement
IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets must be classified and measured based on three categories: amortized cost, FVTOCI and FVTPL. Financial liabilities are classified and measured based on two categories: amortized cost and FVTPL. The adoption of the new classification requirements under IFRS 9 did not result in changes in the measurement or the carrying amount of financial assets and liabilities.

The following table summarizes the impact of the adoption of IFRS 9 on the classification of the Trust's financial assets and liabilities:

	Classification under IAS 39	Classification under IFRS 9
FINANCIAL ASSETS		
Amounts receivable	Loans and receivables	Amortized cost
Loan receivable	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
FINANCIAL LIABILITIES		
Mortgages payable	Other financial liabilities	Amortized cost
Convertible debentures (excluding equity component)	Other financial liabilities	Amortized cost
Loan payable	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost
Equity component of convertible debentures	FVTPL	FVTPL

Impairment – Expected Credit Loss Model
IFRS 9 replaced the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The ECL model requires a more timely recognition of expected credit losses using judgment determined on a probability-weighting basis. The new impairment model is applied, at each balance sheet date, to financial assets measured at amortized cost of those measured at FVTOCI, except for investment in equity instruments. The adoption of the ECL model did not have a material impact on the Trust's condensed consolidated financial statements.

General Hedge Accounting Model
IFRS 9 requires the Trust to ensure that hedge accounting relationships are aligned with the Trust's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. The Trust does not currently have any hedging activities and the adoption did not have an impact on the Trust's condensed consolidated financial statements.

IAS 40, "Investment Property" ("IAS 40")
In December 2016, the IASB issued an amendment to IAS 40, clarifying certain existing IAS 40 requirements. The amendment requires that an asset be transferred to, or from, investment property only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments are effective for annual periods beginning on or after January 1, 2018.

The amendment did not have a material impact on the Trust's condensed consolidated financial statements.

Future 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, however, remains largely unchanged, and the distinction between operating and finance leases is retained. This standard will be effective for annual periods beginning after January 1, 2019, with early adoption permitted so long as IFRS 15 has been adopted.

The Trust is currently assessing the impact of IFRS 16 on its condensed consolidated financial statements.

NOTE 4
REAL ESTATE PROPERTIES

Real estate properties consist of the following:

As at	June 30, 2018	December 31, 2017
Income producing properties	**$2,839,041**	$2,817,236
Properties under development	**39,836**	13,630
Held for development	**32,150**	30,950
	$2,911,027	$2,861,816

Reconciliations of the carrying amounts for real estate properties at the beginning and end of the current financial period are set out below:

As at June 30, 2018	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	3,561	25,632	—	29,193
Tenant improvements, tenant incentives and commissions	3,683	—	—	3,683
Reclassifications	(574)	574	—	—
Fair value gains	14,865	—	1,200	16,065
Other changes	270	—	—	270
Balance as at June 30, 2018	**$2,839,041**	**$39,836**	**$32,150**	**$2,911,027**

As at December 31, 2017	Income Producing Properties	Properties Under Development	Held for Development	Total Real Estate Properties
Balance as at December 31, 2016	$2,767,315	$27,833	$30,950	$2,826,098
Additions:				
Capital expenditures/capitalized costs	16,859	40,999	—	57,858
Tenant improvements, tenant incentives and commissions	7,893	—	—	7,893
Reclassifications	55,202	(55,202)	—	—
Fair value losses	(31,225)	—	—	(31,225)
Other changes	1,192	—	—	1,192
Balance as at December 31, 2017	$2,817,236	$13,630	$30,950	$2,861,816

MIL provides appraisal services to the Trust (Note 12). MIL's valuation team 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. Management reviews both the valuation processes and results 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. 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.

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

	June 30, 2018			December 31, 2017		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
RETAIL						
Discount rate	**7.8%**	**6.0%**	**6.7%**	8.0%	6.0%	6.8%
Terminal cap rate	**7.0%**	**5.3%**	**5.9%**	7.5%	5.3%	6.0%
OFFICE						
Discount rate	**7.8%**	**5.5%**	**6.5%**	7.8%	5.5%	6.6%
Terminal cap rate	**7.3%**	**4.5%**	**5.6%**	7.3%	4.5%	5.7%
INDUSTRIAL						
Discount rate	**7.8%**	**6.5%**	**7.1%**	7.5%	6.5%	7.0%
Terminal cap rate	**7.3%**	**6.0%**	**6.5%**	7.0%	6.0%	6.5%

Using the direct capitalization income approach to corroborate the discounted cash flow method, the properties were valued using capitalization rates in the range of 4.5% to 8.3% applied to a stabilized net operating income (December 31, 2017 – 4.5% to 8.0%), resulting in an overall weighted average capitalization rate of 6.2% (December 31, 2017 – 6.3%). The total stabilized annual net operating income at June 30, 2018, was $168,945 (December 31, 2017 – $169,244). Values are most sensitive to changes in discount rates, capitalization rates and timing or variability of cash flows.

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 June 30, 2018, 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 June 30, 2018, would decrease by $106,271 or increase by $115,231, respectively.

NOTE 5

EQUITY-ACCOUNTED INVESTMENT

On December 22, 2011, the Trust and a major Canadian pension fund each acquired a 50% interest in a limited partnership that owns and operates a 304,000 square foot Class A office complex located in downtown Edmonton, Alberta, in which the Trust has a total original net investment of $28,008. The Trust has joint control over the limited partnership and accounts for its investment using the equity method.

As at	June 30, 2018	December 31, 2017
Balance, beginning of period	**$27,080**	$28,201
Equity income	**266**	931
Distributions to partners	**(988)**	(2,672)
Contributions from partners	**—**	620
Balance, end of period	**$26,358**	$27,080

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 for the following periods:

As at	June 30, 2018	December 31, 2017
Real estate properties	**$53,500**	$55,000
Current assets	**781**	605
Total assets	**$54,281**	$55,605
Non-current liabilities	**$25,857**	$26,363
Current liabilities	**2,066**	2,162
Total liabilities	**$27,923**	$28,525

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenue from real estate properties	**$1,563**	$1,585	**$3,179**	$3,211
Property operating expenses	**431**	531	**998**	1,110
Net operating income	**1,132**	1,054	**2,181**	2,101
Other expenses	**(257)**	(267)	**(517)**	(538)
Fair value (losses)/gains on real estate properties	**(1,454)**	105	**(1,398)**	146
Net (loss)/income	**($579)**	$892	**$266**	$1,709

The real estate properties included above in the Trust's equity-accounted investment are 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 June 30, 2018, the property was valued using a discount rate of 7.3% (December 31, 2017 – 7.3%), a terminal cap rate of 6.3% (December 31, 2017 – 6.3%) and a stabilized cap rate of 6.0% (December 31, 2017 – 6.3%). The stabilized annual net operating income as at June 30, 2018, was $3,442 (December 31, 2017 – $4,565).

NOTE 6
CO-OWNERSHIP INTERESTS

The Trust is a co-owner in several properties, listed below, that 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**	**2018**	2017
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%
825 Des Érables	Salaberry-de-Valleyfield, QC	Industrial	**50%**	50%
Place Innovation	Saint-Laurent, QC	Office	**50%**	50%

The following amounts, included in these condensed consolidated financial statements, represent the Trust's proportionate share of the assets and liabilities of the nine co-ownerships as at June 30, 2018 and December 31, 2017, and the results of operations for the three and six months ended June 30, 2018 and 2017:

As at	**June 30, 2018**	December 31, 2017
Assets	**$529,896**	$527,299
Liabilities	**$180,495**	$177,503

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Revenue	**$12,692**	$12,930	**$25,657**	$27,528
Expenses	**8,026**	7,904	**16,080**	16,039
Income before fair value adjustments	**4,666**	5,026	**9,577**	11,489
Fair value gains/(losses) on real estate properties	**5,006**	1,766	**(1,640)**	(3,483)
Net /income	**$9,672**	$6,792	**$7,937**	$8,006

NOTE 7
MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at	June 30, 2018	December 31, 2017
Mortgages payable before deferred financing costs	**$1,070,582**	$1,082,751
Deferred financing costs	**(2,191)**	(2,493)
Mortgages payable	**$1,068,391**	$1,080,258
Mortgages payable – non-current	**$836,489**	$990,959
Mortgages payable – current	**231,902**	89,299
Mortgages payable	**$1,068,391**	$1,080,258

The aggregate principal repayments and balances maturing on the mortgages payable as at June 30, 2018, 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
2018 (remainder of year)	$16,936	$54,916	$71,852	4.2%
2019	29,297	162,122	191,419	3.6%
2020	28,290	114,493	142,783	4.6%
2021	22,745	153,525	176,270	4.2%
2022	19,598	162,069	181,667	3.8%
Thereafter	24,110	282,481	306,591	4.1%
	$140,976	**$929,606**	**$1,070,582**	**4.1%**

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

NOTE 8
CONVERTIBLE DEBENTURES
2016 Debentures

On December 30, 2016, the Trust issued a $175,000 principal amount of 4.50% convertible unsecured subordinated debentures ("2016 Debentures") maturing on December 31, 2021 ("2016 Debenture Maturity Date"), of which a $50,000 principal amount was purchased by Morguard at the offering price. As at June 30, 2018, Morguard held a total of $60,000 principal amount of the 2016 Debentures (December 31, 2017 – $60,000).

Interest is payable semi-annually, not in advance, on June 30 and December 31 of each year, commencing on June 30, 2017.

The 2016 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 2016 Debentures at the date of original issue. The portion of issue costs attributable to the liability of $4,991 has been capitalized and will be amortized over the term to maturity, while the remaining amount of $139 has been charged to equity.

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

Each 2016 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 2016 Debenture Maturity Date at a conversion price of $20.40 per unit, being a rate of approximately 49.0196 units per thousand principal amount of 2016 Debentures, subject to adjustment.

The 2016 Debentures payable consist of the following:

As at	June 30, 2018	December 31, 2017
Convertible debentures – liability	**$170,267**	$170,267
Convertible debentures – accretion	**1,286**	831
Convertible debentures before issue costs	**171,553**	171,098
Issue costs	**(3,635)**	(4,115)
Convertible debentures	**$167,918**	$166,983

Interest and principal payments on the 2016 Debentures are as follows:

	Interest	Principal	Total
2017	$7,875	$—	$7,875
2018	7,875	—	7,875
2019	7,875	—	7,875
2020	7,875	—	7,875
2021	7,875	175,000	182,875
	$39,375	**$175,000**	**$214,375**

Redemption Rights

Each 2016 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 2016 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 2016 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 2016 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 2016 Debenture Maturity Date, as applicable.

Interest Payment Election

The Trust may elect, subject to applicable regulatory approval, to issue and deliver units of the Trust to the Debenture Trustee in order to raise funds to pay interest on the 2016 Debentures, in which event the holders of the 2016 Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such units.

2012 Debentures

On December 9, 2016, the Trust announced that it would redeem all of its outstanding 2012 Debentures on January 9, 2017 ("Redemption Date"). The redemption price was paid in cash and was $1,000 per debenture together with accrued and unpaid interest on the debentures up to, but not including, the Redemption Date. On January 6, 2017, $18 of the 2012 Debentures were converted into 731 units. The remaining $149,957 of the 2012 Debentures were redeemed on the Redemption Date for $99,957 in cash and $50,000 in settlement of loan receivable from Morguard.

NOTE 9
BANK INDEBTEDNESS

The Trust has credit facilities and operating lines of credit totalling $70,000 (December 31, 2017 – $70,000), which renew annually and are secured by fixed charges on specific properties owned by the Trust.

As at June 30, 2018, the Trust had borrowed $30,000 (December 31, 2017 – $17,861) on its credit facilities and issued letters of credit in the amount of $1,309 (December 31, 2017 – $1,309) related to these facilities.

The bank credit agreements include certain restrictive covenants and undertakings by the Trust. As at June 30, 2018 and 2017, 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 June 30, 2018, approximates fair value.

NOTE 10
REVENUE FROM REAL ESTATE PROPERTIES

Revenue from real estate properties consists of the following:

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Rental revenue	**$41,631**	$41,237	**$83,210**	$82,421
CAM recoveries	**15,039**	14,266	**29,997**	29,988
Property tax recoveries	**10,084**	10,782	**21,381**	22,394
Other ancillary revenue	**1,171**	1,112	**2,416**	3,062
Amortized rents	**104**	329	**270**	1,138
	$68,029	$67,726	**$137,274**	$139,003

NOTE 11
INTEREST EXPENSE

The components of interest expense are as follows:

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Interest on mortgages payable	**$10,728**	$11,215	**$21,561**	$22,528
Amortization of deferred financing costs – mortgages	**171**	170	**343**	345
	10,899	11,385	**21,904**	22,873
Interest on convertible debentures	**1,963**	1,964	**3,905**	4,065
Accretion on convertible debentures, net	**229**	210	**455**	418
Amortization of deferred financing costs – convertible debentures	**241**	222	**480**	441
	2,433	2,396	**4,840**	4,924
Interest on bank indebtedness	**505**	6	**774**	17
Interest on loan payable and other	**167**	114	**361**	123
Capitalized interest	**(274)**	(262)	**(436)**	(495)
	(107)	(148)	**(75)**	(372)
	$13,730	$13,639	**$27,443**	$27,442

NOTE 12
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 3.2% of gross revenue from the income producing properties owned by the Trust. The management agreement is renewed annually to ensure fees paid reflect fair value for the services provided. Under a leasing services arrangement, the Trust may, at its option, use MIL for leasing services. Leasing fees range from 2% to 6% of the total minimum rent of new leases. Fees for the renewal of a lease are half of the fees for a new lease. Leasing services include lease documentation.

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

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

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Property management fees [1]	**$2,277**	$2,239	**$4,597**	$4,587
Appraisal/valuation fees	**90**	69	**180**	163
Information services	**55**	55	**110**	110
Leasing fees	**484**	1,416	**867**	2,106
Project administration fees	**145**	213	**264**	277
Project management fees	**62**	172	**214**	329
Risk management fees	**76**	69	**150**	143
Internal audit fees	**36**	36	**72**	72
Off-site administrative charges	**448**	449	**907**	904
Rental revenue	**(46)**	(51)	**(103)**	(101)
	$3,627	$4,667	**$7,258**	$8,590

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

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

As at	**June 30, 2018**	December 31, 2017
Accounts payable and accrued liabilities, net	**$1,175**	$1,891

(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. The promissory notes are interest bearing at the lender's borrowing rate and are due on demand subject to available funds.

Loan Payable to Morguard

During the three months ended June 30, 2018, a gross amount of $42,500 was advanced from Morguard. During the six months ended June 30, 2018, a gross amount of $30,000 was repaid to Morguard, and a gross amount of $42,500 was advanced from Morguard. As at June 30, 2018, $47,500 remains payable to Morguard (December 31, 2017 – $35,000). For the three months ended June 30, 2018, the Trust incurred interest expense in the amount of $167 (2017 – $114) at an interest rate of 3.35% (2017 – 2.6%). For the six months ended June 30, 2018, the Trust incurred interest expense in the amount of $361 (2017 – $123) at an interest rate of 3.35% (2017 – 2.6%).

Loan Receivable from Morguard

During the three and six months ended June 30, 2018, there were no advances or repayments, and as at June 30, 2018, and December 31, 2017 there was no loan receivable from Morguard. For the three and six months ended June 30, 2018, the Trust did not earn interest income on loans receivable from Morguard (2017 – $nil and $28, respectively).

(c) Sublease with Morguard (Excluding MIL)

The Trust subleases office space from Morguard. For the three months ended June 30, 2018, the Trust incurred rent expense in the amount of $55 (2017 – $55). For the six months ended June 30, 2018, the Trust incurred rent expense in the amount of $106 (2017 – $105).

(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	June 30, 2018	December 31, 2017
Amounts receivable	**$—**	$63
Accounts payable and accrued liabilities	**$6**	$16

(e) Rental Revenue from Morguard (Excluding MIL)

Morguard is a tenant in one of the Trust's properties. For the three months ended June 30, 2018, the Trust earned rental revenue in the amount of $26 (2017 – $26). For the six months ended June 30, 2018, the Trust earned rental revenue in the amount of $52 (2017 – $51).

NOTE 13

EXPENSES

(a) Property Operating Expenses

Property operating expenses consist of the following:

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Property taxes	**$12,774**	$12,315	**$26,062**	$25,391
Repairs and maintenance	**6,848**	6,696	**14,173**	14,158
Utilities	**4,020**	3,666	**8,156**	7,456
Other operating expenses	**5,290**	4,837	**9,846**	9,428
	$28,932	$27,514	**$58,237**	$56,433

(b) General and Administrative

General and administrative expenses consist of the following:

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Trustees' fees and expenses	**$94**	$79	**$170**	$149
Professional and compliance fees	**432**	282	**822**	697
Other administrative expenses	**718**	772	**1,483**	1,503
	$1,244	$1,133	**$2,475**	$2,349

NOTE 14
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, 2017 to June 30, 2018:

As at	**June 30, 2018**	December 31, 2017
Balance, beginning of period	**60,691,729**	60,600,707
Distribution Reinvestment Plan	**16,052**	140,591
Debentures converted	**—**	731
Repurchase of units	**—**	(50,300)
Balance, end of period	**60,707,781**	60,691,729

Total distributions recorded, accrued and paid during the six months ended June 30, 2018, amounted to $29,131 or $0.48 per unit (2017 – $29,089 or $0.48 per unit). On June 15, 2018, the Trust declared a distribution in the amount of $0.08 per unit for the month of June 2018. This distribution was paid to unitholders on July 16, 2018. On July 16, 2018, the Trust declared a distribution of $0.08 per unit payable on August 15, 2018.

(b) Normal Course Issuer Bid

On February 5, 2018, 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, 2018, and ending February 6, 2019, the Trust may purchase for cancellation on the TSX up to 3,034.586 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 2016 Debentures due on the 2016 Debenture Maturity Date, 10% of the public float of outstanding 2016 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 six months ended June 30, 2018, the Trust did not purchase any units for cancellation (2017 – 50,300 units) for cash consideration of $nil (2017 – $766). The excess of the purchase price of the units over the average carrying value was $nil (2017 – $259).

(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 six months ended June 30, 2018, the Trust issued 16,052 units under the DRIP (2017 – 58,289 units).

(d) Net Income Per Unit

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

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Net income – basic	**$43,431**	$52,386	**$61,042**	$90,265
Net income – diluted	**$45,864**	$54,781	**$65,882**	$95,188
Weighted average number of units outstanding – basic	**60,703**	60,592	**60,699**	60,596
Weighted average number of units outstanding – diluted	**74,084**	73,011	**74,080**	73,015
Net income per unit – basic	**$0.72**	$0.86	**$1.01**	$1.49
Net income per unit – diluted	**$0.62**	$0.75	**$0.89**	$1.30

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 June 30, 2018, had been converted into units of the Trust at the beginning of the year.

NOTE 15

STATEMENTS OF CASH FLOWS

(a) Items Not Affecting Cash

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Fair value gains on real estate properties	**($22,060)**	($28,248)	**($16,065)**	($40,245)
Net loss/(income) from equity-accounted investment	**579**	(892)	**(266)**	(1,709)
Amortized stepped rent	**(234)**	(381)	**(530)**	(914)
Amortized free rent	**55**	(21)	**108**	(379)
Amortization of deferred financing costs – mortgages	**171**	170	**343**	345
Amortization of tenant incentives	**75**	73	**152**	155
Amortization of deferred financing costs – convertible debentures	**241**	222	**480**	441
Accretion of convertible debentures	**229**	210	**455**	418
	($20,944)	($28,867)	**($15,323)**	($41,888)

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

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Amounts receivable	**($1,873)**	$1,897	**$1,248**	($267)
Prepaid expenses and other	**(3,347)**	(3,145)	**(9,625)**	(9,193)
Accounts payable, accrued and other liabilities	**1,789**	3,559	**6,878**	4,518
	($3,431)	$2,311	**($1,499)**	($4,942)

Other supplemental cash flow information consists of the following:				
Interest paid	**$15,547**	$15,383	**$26,697**	$28,136
Issue of units – DRIP	**$128**	$527	**$216**	$890
Issue of units – conversion of debentures	**$—**	$—	**$—**	$18

NOTE 16
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 June 30, 2018, committed capital expenditures in the next 12 months are estimated at $58,300.

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 17
MANAGEMENT OF CAPITAL

The Trust defines capital that it manages as the aggregate of its unitholders' equity and interest-bearing debt less cash and cash equivalents 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	June 30, 2018	December 31, 2017
Mortgages payable	7	**$1,068,391**	$1,080,258
Convertible debentures	8	**167,918**	166,983
Bank indebtedness	9	**30,000**	17,861
Cash and cash equivalents		**(15,453)**	(14,752)
Loan payable	12(b)	**47,500**	35,000
Unitholders' equity		**1,597,718**	1,565,591
		$2,896,074	$2,850,941

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	June 30, 2018	December 31, 2017
Fixed-rate debt to gross book value of total assets	—%	**41.5%**	42.7%
Floating-rate debt to gross book value of total assets	15%	**2.6%**	1.8%
	60%	**44.1%**	44.5%

As at June 30, 2018, 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 18

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Trust's financial assets and liabilities comprise cash and cash equivalents, 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 and cash equivalents, amounts receivable, accounts payable and accrued liabilities, bank indebtedness and 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 at June 30, 2018.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using June 30, 2018, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at June 30, 2018, of the mortgages payable has been estimated at $1,079,770 (December 31, 2017 – $1,099,791), compared with the carrying value before deferred financing costs of $1,070,582 (December 31, 2017 – $1,082,751). 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 2016 Debentures is based on their market trading price (TSX: MRT.DB) (Level 1). The fair value as at June 30, 2018, of the 2016 Debentures has been estimated at $174,300 (December 31, 2017 – $179,288), compared with the carrying value before deferred financing costs of $171,553 (December 31, 2017 – $171,098).

(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:

	June 30, 2018			December 31, 2017		
As at	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Income producing properties	**$—**	**$—**	**$2,839,041**	$—	$—	$2,817,236
Properties under development	**$—**	**$—**	**$39,836**	$—	$—	$13,630
Held for development	**$—**	**$—**	**$32,150**	$—	$—	$30,950

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 19
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 June 30, 2018, the Trust has the following three reportable segments: retail, office and industrial.

Business Segments

The following presents financial information for these segments:

For the six months ended June 30, 2018	Retail	Office	Industrial	Total
Revenue from real estate properties	**$73,308**	**$61,342**	**$2,624**	**$137,274**
Property operating expenses	**32,200**	**25,000**	**1,037**	**58,237**
Property management fees	**2,517**	**1,939**	**73**	**4,529**
Net operating income	**$38,591**	**$34,403**	**$1,514**	**$74,508**

For the six months ended June 30, 2017	Retail	Office	Industrial	Total
Revenue from real estate properties	$72,202	$64,239	$2,562	$139,003
Property operating expenses	30,689	24,846	898	56,433
Property management fees	2,450	2,003	74	4,527
Net operating income	$39,063	$37,390	$1,590	$78,043

	Retail	Office	Industrial	Total
As at June 30, 2018				
Real estate properties	**$1,689,924**	**$1,167,653**	**$53,450**	**$2,911,027**
Mortgages payable	**$582,682**	**$485,709**	**$—**	**$1,068,391**
For the six months ended June 30, 2018				
Additions to real estate properties	**$27,489**	**$5,007**	**$380**	**$32,876**
Fair value gains on real estate properties	**$815**	**$13,859**	**$1,391**	**$16,065**

	Retail	Office	Industrial	Total
As at December 31, 2017				
Real estate properties	$1,661,539	$1,148,577	$51,700	$2,861,816
Mortgages payable	$586,676	$493,582	$—	$1,080,258
For the six months ended June 30, 2017				
Additions to real estate properties	$24,530	$4,962	$415	$29,907
Fair value gains/(losses) on real estate properties	$39,399	$1,310	($464)	$40,245