Morguard

MANAGEMENT'S DISCUSSION AND ANALYSIS AND
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2020 FIRST QUARTER MORGUARD REIT

OPPORTUNITY FROM DECISIVE ACTION

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SUMMARY OF OPERATIONS

In thousands of dollars, except per-unit amounts	Three Months Ended March 31, 2020	2019
Revenue from real estate properties	**$66,373**	$70,454
Net operating income	**34,828**	37,860
Fair value losses on real estate properties	**(121,117)**	(5,680)
Net (loss)/income	**(102,555)**	16,915
Funds from operations	**19,958**	23,086
Adjusted funds from operations [1]	**13,731**	16,859
Amounts presented on a per unit basis		
Net (loss)/income – basic	**($1.69)**	$0.28
Net (loss)/income – diluted	**($1.69)**	$0.25
Funds from operations – basic	**$0.33**	$0.38
Funds from operations – diluted	**$0.32**	$0.36
Adjusted funds from operations – basic [1]	**$0.23**	$0.28
Adjusted funds from operations – diluted [1]	**$0.23**	$0.27
Cash distributions per unit	**$0.24**	$0.24
Payout ratio – Adjusted funds from operations	**104.3%**	85.7%
Weighted average number of units (in thousands)		
Basic	**60,738**	60,696
Diluted	**69,316**	69,275

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

SUMMARY OF FINANCIAL POSITION

As at	March 31, 2020	March 31, 2019
Total assets (thousands of dollars)	**$2,837,293**	$2,991,809
Total gross debt (thousands of dollars)	**1,355,008**	1,355,746
Total equity (thousands of dollars)	**1,420,423**	1,582,826
Gross leasable area as at quarter-end (in thousands of square feet) [1]		
Retail	**4,716**	4,761
Office	**3,240**	3,240
Industrial	**292**	534
Total	**8,248**	**8,535**
Occupancy as at quarter-end (%) [2]		
Retail	**94.2%**	94.0%
Office	**90.8%**	91.8%
Industrial	**96.5%**	88.5%
Total	**92.9%**	92.7%

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

PART I

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") for Morguard Real Estate Investment Trust (the "Trust"), should be read in conjunction with the Trust's condensed consolidated financial statements and the accompanying notes for the three months ended March 31, 2020, and 2019.

The Trust's condensed consolidated financial statements and the accompanying notes for the three months ended March 31, 2020, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These condensed consolidated financial statements include the accounts of the Trust and other entities that the Trust controls and are reported in thousands of Canadian dollars, except where otherwise noted.

The information in this MD&A is current to April 30, 2020.

FORWARD-LOOKING DISCLAIMER

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

Given the impact of the changing circumstances surrounding the COVID19 pandemic and the related response from the Trust, governments (federal, provincial and municipal), regulatory authorities, businesses and customers, there is inherently more uncertainty associated with the Trusts assumptions as compared to prior periods. These assumptions and related risks, many of which are confidential, include but are not limited to management expectations with respect to the factors above as well as general economic conditions, which includes the impact on the economy and financial markets of the COVID-19 pandemic and other health risks.

FINANCIAL MEASURES

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

NET OPERATING INCOME ("NOI")

NOI is defined by the Trust as revenue from real estate properties less property operating expenses, property taxes and property management fees, as presented in the consolidated statements of (loss)/income and comprehensive (loss)/income. NOI is used as a key indicator of performance as it represents a measure over which management has control, and is a key input in determining the value of the Trust's properties.

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 also eliminates non-recurring and non-cash items. NOI – same assets represents NOI from properties that have been adjusted for: (i) acquisitions; (ii) dispositions; and (iii) area either held for, or under, development/redevelopment/intensification. NOI – same assets also excludes the impact of straight-line rents, lease cancellation fees and other non-recurring items.

FUNDS FROM OPERATIONS ("FFO")

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 current definition of the Real Property Association of Canada ("REALpac"). 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")

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

ADJUSTED CASH FLOW FROM OPERATIONS ("ACFO")

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

PROPORTIONATE SHARE BASIS

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

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

ADDITIONAL INFORMATION

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

REVIEW AND APPROVAL BY THE BOARD OF TRUSTEES

The Board of Trustees ("the Trustees"), upon the recommendation of its Audit Committee, approved the contents of this MD&A on April 30, 2020.

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 58.48% of the outstanding units as at March 31, 2020. 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%.

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

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

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

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

PORTFOLIO OVERVIEW

The risk and reliability characteristics of real estate asset classes are different, and delivering on the primary business goal requires a mix of assets that balance risk and rewards. As at March 31, 2020, 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 ("BC"), Alberta, Saskatchewan, Manitoba, Ontario and Quebec. Included in this portfolio are three properties that the Trust has deemed as held for development, and one office property, consisting of 0.2 million square feet of GLA, located in the province of Alberta, which is accounted for using the equity method.

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

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

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

PORTFOLIO COMPOSITION BY ASSET TYPE AND LOCATION

	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	546	3	600	—	—	5	1,146	14%
Alberta	5	821	9	1,169	—	—	14	1,990	24%
Saskatchewan	1	518	—	—	—	—	1	518	6%
Manitoba	3	660	—	—	—	—	3	660	8%
Ontario	8	2,094	8	980	4	292	20	3,366	42%
Quebec	—	—	1	448	—	—	1	448	6%
	19	**4,639**	**21**	**3,197**	**4**	**292**	**44**	**8,128**	**100%**
IPP held for development	2	77	1	43	—	—	3	120	
Income producing properties	**21**	**4,716**	**22**	**3,240**	**4**	**292**	**47**	**8,248**	
Equity-accounted investment	—	—	1	152	—	—	1	152	
Grand Total	**21**	**4,716**	**23**	**3,392**	**4**	**292**	**48**	**8,400**	
% [1]		**57%**		**39%**		**4%**		**100%**	

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

ENCLOSED REGIONAL CENTRES OVERVIEW

At March 31, 2020, the Trust's enclosed regional centres portfolio totalled 3.4 million square feet of GLA, which comprises a 100% interest in six regional centres totalling 3.3 million square feet and a 50% interest in one additional centre totalling 0.1 million square feet. Included in the above 3.4 million square feet of GLA is 0.3 million square feet of area either held for, or under, development.

COMMUNITY STRIP CENTRES OVERVIEW

At March 31, 2020, the Trust's community strip centres portfolio totalled 1.3 million square feet of GLA, comprising a 100% interest in 13 such properties totalling 1.2 million square feet, as well as a 50% interest in one additional property totalling 0.1 million square feet. Included in the above 1.3 million square feet of GLA is 0.1 million square feet of area either held for, or under, development.

SINGLE-/DUAL-TENANT BUILDINGS OVERVIEW

At March 31, 2020, the Trust's single-/dual-tenant buildings portfolio totalled 2.4 million square feet of GLA, which comprises a 100% interest in nine properties totalling 1.5 million square feet and a 50% interest in four properties totalling 0.9 million square feet. Included in the above 2.4 million square feet of GLA is 0.2 million square feet of area relating to the Trust's equity accounted investment, and area either held for, or under, development.

MULTI-TENANT BUILDINGS OVERVIEW

At March 31, 2020, the Trust's multi-tenant buildings portfolio totalled 1.0 million square feet of GLA, which comprises a 100% interest in six properties totalling 0.6 million square feet, a 50% interest in three properties totalling 0.3 million square feet and a 20% interest in one property totalling 0.1 million square feet.

INDUSTRIAL OVERVIEW

At March 31, 2020, the Trust's industrial portfolio totalled 0.3 million square feet of GLA, and includes 100% interest in four industrial properties comprising 0.3 million square feet.

PART III

TRUST PERFORMANCE

SIGNIFICANT EVENT – COVID-19

During March 2020 the outbreak of the novel strain of coronavirus ("COVID-19") has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. Government has reacted with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Trust in future periods.

The Trust recognizes the impact of COVID-19 on many of its tenants and its stakeholders and is committed to taking measures to protect the health of its employees, tenants and communities. In March, the Trust initiated its crisis management plan with a team mandated to maintain a safe environment for its tenants, employees and stakeholders, coordinating efforts across its portfolio, standardizing communications and responding as circumstances demand.

These are unprecedented times. Everyone has been impacted by the global efforts to reduce the spread of COVID-19. With the guidance of public health authorities, and at the direction of various levels of government, the Trust has implemented measures to help reduce the spread of COVID-19 including:

- eliminating amenities deemed to be risky and ensuring the continuation of critical services;
- intensified cleaning, focusing staff efforts on cleaning high-touch point areas at all our properties using approved cleaning products;
- management offices are staffed but doors are locked;
- maintenance orders for non-emergency repairs have been deferred;
- added additional hand sanitizers to help tenants maintain recommended practices for hand washing; and
- posted health and safety best practice reminders to increase awareness of the most current guidelines.

The Trust is actively monitoring the ongoing developments with regards to COVID-19 and is committed to ensuring a healthy and safe environment, adjusting its service model as necessary.

Collections Update

Due to non-essential business closure orders issued by the various provinces in Canada, the majority of our retail tenants are closed as of the date of this report. The easing of these restrictions will likely vary by province and by industry. All of the Trust's enclosed malls are open.

There are tenants in all asset classes who did not pay their rent due on April 1, 2020. As of April 29, 2020, the Trust has collected approximately 65% (or $0.2 million) of April rent from its industrial tenants, approximately 91% (or $9.0 million) of April rent from its office tenants and approximately 45% (or $5.4 million) of April rent from its retail tenants. In total the Trust has collected 65% of its April rent across all asset classes.

MIL is working with all tenants to review their situation and to consider rent deferrals as necessary, and are being especially supportive of small business retail tenants. Deferrals are being considered on a case-by-case basis. At this point, most retailers are waiting for clarification on the extent of the government restrictions and economic crisis before settling to deferral terms. The federal government has also introduced legislation to assist landlords and small businesses with their rent obligations during the COVID-19 pandemic, which the Trust is monitoring.

As of April 29, 2020, 26% of the Trust's retail tenants were open for business, based on a percentage of retail revenue.

The Trust has a strong government presence in its office tenancy which helps mitigate the risk of non-payment of rent for this asset class. Approximately 25.8% of the Trust's office contracted gross revenue is attributable to government tenants.

Operational Update
In response to the decline in collections, there has been a deferral of discretionary capital spending. Also, available deferrals of sales taxes, payroll taxes, property taxes and utility payments offered by the various levels of government have been acted upon.

The amount of PCME spending for 2020 will be less than normal levels. Discretionary spending is being reviewed in order to consider deferrals to later periods. The Trust has narrowed the scope of its capital expenditure program to ensure the availability of resources. Leasing capital will still be spent as normal, although the amount of new leasing activity is expected to decline due to the economic crisis. Development projects for Pine Centre in Prince George and The Centre in Saskatoon are ongoing.

We are continuing to monitor developments in government relief programs for applicability to the Trust.

Overall, the Trust does expect a negative impact on both future cash flow and net operating income due to the enacting of emergency measures to contain the COVID-19 pandemic and the resulting economic impact.

The extent of the impact will vary depending on the duration of the closures and the general economic activity in Canada and the United States. The duration of the COVID-19 pandemic and the pace of recovery following the pandemic cannot be accurately predicted at this time. All of the forgoing could negatively impact the Trust's financial performance.

Financial Update
The Trust has available liquidity of $81.8 million as of March 31, 2020, and also has an unencumbered asset pool of $313.1 million in order to raise necessary capital, if required.

SELECTED FINANCIAL INFORMATION
The table below sets forth selected financial data relating to the Trust's fiscal three months ended March 31, 2020, and 2019. This financial data is derived from the Trust's condensed consolidated statements which are prepared in accordance with IFRS.

For the three months ended March 31,	2020	2019	% Change
Revenue from real estate properties	**$66,373**	$70,454	(5.8%)
Property operating expenses	**(16,751)**	(17,363)	(3.5%)
Property taxes	**(12,551)**	(12,975)	(3.3%)
Property management fees	**(2,243)**	(2,256)	(0.6%)
Net operating income	**34,828**	**37,860**	**(8.0%)**
Interest expense	**(14,572)**	(14,408)	1.1%
General and administrative	**(1,080)**	(1,177)	(8.2%)
Other items	**(20)**	20	(200.0%)
Fair value losses on real estate properties	**(121,117)**	(5,680)	2,032.3%
Net (loss)/income from equity-accounted investment	**(594)**	300	(298.0%)
Net (loss)/income	**($102,555)**	**$16,915**	**(706.3%)**
Net (loss)/income per unit – basic	**($1.69)**	$0.28	(703.6%)
Funds from operations per unit – basic	**$0.33**	$0.38	(13.2%)
Adjusted funds from operations per unit – basic	**$0.23**	$0.28	(17.9%)

CONSOLIDATED OPERATING HIGHLIGHTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020
Revenue from real estate properties includes contracted rent from tenants along with recoveries of property expenses (including property taxes). Revenue for the three months ended March 31, 2020, decreased 5.8% to $66.4 million from $70.5 million for the same period in 2019. This decrease is primarily due to reduced recoveries of operating costs and the rent relief granted to Obsidian Energy Limited ("Obsidian").

Property operating expenses for the three months ended March 31, 2020, decreased 3.5% to $16.8 million from $17.4 million for the same period in 2019. This decrease is primarily due to lower repair and maintenance expenses compared to the same period in 2019.

Net operating income for the three months ended March 31, 2020, declined 8.0% as compared to 2019. This decline was due to the enclosed mall segment and the decline in income for Penn West Plaza.

Interest expense for the three months ended March 31, 2020, increased 1.1% to $14.6 million from $14.4 million for the same period in 2019.

On March 30, 2020, the Trust announced the conclusion of its discussions with Obsidian regarding its tenancy in Penn West Plaza which is summarized as follows:

- Obsidian was originally scheduled to pay $28.6 million in rent and recoveries for February to December 2020;
- Presently, Penn West Plaza is approximately 65% subleased to various subtenants by Obsidian. The sublease income for 2020 is estimated to be $12.8 million for February to December 2020;
- Obsidian will now receive a rent abatement which adjusts their obligation to $10.0 million annually or $9.2 million for 2020 on a pro-rated basis, net of sublease income which will now be to the account of the Trust;
- The amount of sublease income for the years 2021 and beyond is estimated to be approximately $14.5-$15.0 million;
- It is estimated that this abatement will represent an annual reduction in the Trust's net operating income in the range of $6.5-$7.0 million;
- The two largest sublease tenants include Athabasca Oil Corp. ($7.0 million gross annual estimate) and Western Energy Service Corp. ($2.4 million gross annual estimate);
- Presently, approximately 20% of the building is not utilized by either Obsidian or the subtenants.

The Trust records its income producing properties at fair value in accordance with IFRS. In accordance with this policy, the following fair value adjustments by segment have been recorded:

For the three months ended March 31,	2020	2019
Retail	**($97,748)**	$1,767
Office	**(23,552)**	(7,760)
Industrial	**183**	313
	($121,117)	**($5,680)**

The retail fair value decline is attributed to an average 25 basis point increase in cap rates for the enclosed mall assets, coupled with income adjustments. The office fair value decline is due to the decline in Penn West Plaza arising from the discussions and resulting rent reduction granted to Obsidian.

Reported net loss for three months ended March 31, 2020, was $102.6 million as compared to net income of $16.9 million in 2019. This change was attributed to the fair value losses recorded in 2020.

NET OPERATING INCOME BY ASSET TYPE AND LOCATION

The following is a geographical breakdown of the net operating income for the three months ended March 31, 2020.

	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	$2,002	3	$3,324	—	$—	5	$5,326	16%
Alberta	5	2,476	9	6,587	—	—	14	9,063	26%
Saskatchewan	1	1,971	—	—	—	—	1	1,971	6%
Manitoba	3	3,338	—	—	—	—	3	3,338	10%
Ontario	8	8,148	8	4,405	4	508	20	13,061	37%
Quebec	—	—	1	1,593	—	—	1	1,593	5%
	19	17,935	21	15,909	4	508	44	34,352	**100%**
IPP held for development	2	341	1	152	—	(17)	3	476	
Income producing properties	**21**	**18,276**	**22**	**16,061**	**4**	**491**	**47**	**34,828**	
Equity-accounted investment	—	—	1	1,051	—	—	1	1,051	
Grand Total	**21**	**$18,276**	**23**	**$17,112**	**4**	**$491**	**48**	**$35,879**	
% [1]		**53%**		**46%**		**1%**		**100%**	

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

COMPARATIVE NET OPERATING INCOME BY ASSET TYPE

	Three Months Ended March 31,		
	2020	2019	%
Enclosed regional centres	**$12,408**	$13,845	(10.4%)
Community strip centres	**5,868**	5,907	(0.7%)
Subtotal – retail	**18,276**	19,752	(7.5%)
Single-/dual-tenant buildings	**12,447**	13,633	(8.7%)
Multi-tenant buildings	**3,614**	3,756	(3.8%)
Subtotal – office	**16,061**	17,389	(7.6%)
Industrial	**491**	719	(31.7%)
Net operating income	**$34,828**	$37,860	(8.0%)

RETAIL PROPERTIES – NET OPERATING INCOME

	Three Months Ended March 31,		
	2020	2019	%
Revenue from real estate properties	**$36,361**	$37,926	(4.1%)
Property operating expenses	**(8,914)**	(9,240)	(3.5%)
Property taxes	**(7,904)**	(7,615)	3.8%
Property management fees	**(1,267)**	(1,319)	(3.9%)
Net operating income	**$18,276**	$19,752	(7.5%)

The Trust's retail properties NOI for the three months ended March 31, 2020, was $18.3 million versus $19.8 million for the same period ended 2019, a decrease of $1.5 million. The decrease was mainly the result of increased vacancy costs of $0.9 million, coupled with a decrease of $0.5 million in lease cancellation fees received in 2020.

OFFICE PROPERTIES – NET OPERATING INCOME

	Three Months Ended March 31,		
	2020	2019	%
Revenue from real estate properties	**$29,198**	$31,332	(6.8%)
Property operating expenses	**(7,626)**	(7,835)	(2.7%)
Property taxes	**(4,560)**	(5,210)	(12.5%)
Property management fees	**(951)**	(898)	5.9%
Net operating income	**$16,061**	$17,389	(7.6%)

The Trust's office properties NOI for the three months ended March 31, 2020, was $16.1 million versus $17.4 million for the same period ended 2019. The unfavourable variance of $1.3 million is mainly the result of a rent forgiveness agreement with Obsidian Energy Ltd.

Property tax expense and recoveries have declined in 2020 due to reductions processed by the city of Calgary for buildings in the downtown core.

INDUSTRIAL PROPERTIES – NET OPERATING INCOME

	Three Months Ended March 31,		
	2020	2019	%
Revenue from real estate properties	**$814**	$1,196	(31.9%)
Property operating expenses	**(211)**	(288)	(26.7%)
Property taxes	**(87)**	(150)	(42.0%)
Property management fees	**(25)**	(39)	(35.9%)
Net operating income	**$491**	$719	(31.7%)

The Trust's industrial properties NOI for the three months ended March 31, 2020, was $0.5 million versus $0.7 million for the same period ended 2019. The decrease of $0.2 million is the result of the sale of 825 Des Érables in July of 2019.

NET OPERATING INCOME – SAME ASSETS

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

For the three months ended March 31,	2020	2019	Variance	%
Enclosed regional centres (retail)	**$12,243**	$13,378	($1,135)	(8.5%)
Community strip centres (retail)	**5,493**	5,523	(30)	(0.5%)
Single-/dual-tenant buildings (office)	**13,587**	13,433	154	1.1%
Multi-tenant buildings (office)	**3,527**	3,653	(126)	(3.4%)
Industrial properties	**507**	395	112	28.4%
Net operating income – same assets	**35,357**	36,382	(1,025)	(2.8%)
Area under development	**245**	77	168	218.2%
Real estate properties held for development/held for sale/sold	**476**	767	(291)	(37.9%)
Lease cancellation fees	**11**	679	(668)	(98.4%)
Stepped rents	**(101)**	55	(156)	(283.6%)
Other (primarily Obsidian amendment)	**(1,160)**	(100)	(1,060)	1,060.0%
Net operating income per the statement of income	**$34,828**	$37,860	($3,032)	(8.0%)

LEASING ACTIVITY

The table below provides a summary of the leasing activity for the three months ended March 31, 2020.

For the three months ended March 31, 2020	Enclosed Regional Centres	Community Strip Centres	Single-/ Dual-Tenant Buildings	Multi-Tenant Buildings	Industrial Properties	Total Portfolio
Opening vacancy (SF)	187,377	24,657	46,752	223,079	27,275	509,140
Opening occupancy	93.8%	98.0%	97.9%	77.6%	90.7%	93.5%
EXPIRING LEASES:						
Square feet	164,568	7,889	25,129	42,564	—	240,150
Average contract rent per SF	$20.07	$26.03	$30.98	$16.70	$—	$2.85
EARLY TERMINATIONS:						
Square feet	18,038	39,602	523	7,279	—	65,442
Average contract rent per SF	$28.97	$16.74	$13.00	$21.00	$—	$20.55
RENEWALS:						
Square feet	(98,774)	(7,892)	(1,816)	(22,221)	—	(130,703)
Average contract rent per SF	$16.93	$26.97	$20.00	$17.25	$—	$17.83
Retention rate	60%	100%	7%	52%	—%	54%
NEW LEASING:						
Square feet	(58,637)	(3,345)	(11,463)	(16,495)	(16,951)	(106,891)
Average contract rent per SF	$12.63	$38.04	$15.75	$12.85	$7.50	$12.98
OTHER ADJUSTMENTS:						
Square feet	7,053	(34,281)	—	—	—	(27,228)
Ending vacancy (SF)	219,625	26,630	59,125	234,206	10,324	549,910
Ending occupancy	92.8%	97.8%	97.3%	76.5%	96.5%	92.9%

LEASE PROFILE

The table below 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/sale.

	Retail		Office		Industrial		Total	
	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent
(remainder of the year) 2020	698,079	$24.76	158,984	$24.24	7,370	$11.44	864,433	$24.53
2021	889,113	14.32	392,747	21.48	71,302	7.81	1,353,162	16.12
2022	498,796	26.19	238,610	19.22	16,580	10.25	753,986	23.55
2023	404,417	26.68	267,053	16.90	48,692	7.19	720,162	21.74
2024	206,165	32.48	158,118	31.43	74,577	5.63	438,860	27.54
Thereafter	1,318,592	24.24	1,689,289	24.10	63,486	8.94	3,071,367	23.84
Current vacancy	246,255	—	293,331	—	10,324	—	549,910	—
Total	**4,261,417**	**$23.09**	**3,198,132**	**$23.09**	**292,331**	**$7.62**	**7,751,880**	**$22.47**

Weighted average remaining lease term (years)	4.19	4.90	3.78	4.46

Lower weighted average contract rent for the year 2021 (retail) is the result of anchor tenant lease maturities. This amounts to 552,194 square feet at a weighted average contract rate of $6.40. It is expected that these anchor tenants will exercise their options to renew.

REMAINING 2020 EXPIRIES BY PROVINCE (NET OF COMMITTED RENEWALS)

	Retail		Office		Industrial		
Province	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent	Total SF
Alberta	104,853	$21.63	63,494	$16.73	—	$—	168,347
British Columbia	1,610	39.59	263	15.00	—	—	1,873
Manitoba	81,545	29.24	—	—	—	—	81,545
Ontario	408,473	27.33	68,168	28.25	7,370	11.44	484,011
Quebec	—	—	27,059	31.84	—	—	27,059
Saskatchewan	101,598	14.46	—	—	—	—	101,598
	698,079	**$24.76**	**158,984**	**$24.24**	**7,370**	**$11.44**	**864,433**

2021 EXPIRIES BY PROVINCE (NET OF COMMITTED RENEWALS)

	Retail		Office		Industrial		
Province	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent	Total SF
Alberta	276,856	$13.82	54,076	$16.78	—	$—	330,932
British Columbia	1,910	36.35	221,722	24.54	—	—	223,632
Manitoba	43,687	32.02	—	—	—	—	43,687
Ontario	550,151	12.54	115,378	17.79	71,302	7.81	736,831
Quebec	—	—	1,571	22.00	—	—	1,571
Saskatchewan	16,509	33.22	—	—	—	—	16,509
	889,113	**$14.32**	**392,747**	**$21.48**	**71,302**	**$7.81**	**1,353,162**

Lower weighted average contract rent for the year 2021 (retail) is the result of anchor tenant lease maturities. In Alberta, this amounts to 141,978 square feet at a weighted average contract rate of $7.56. In Ontario, this amounts to 410,216 square feet at a weighted average contract rate of $6.22. It is expected that these anchor tenants will exercise their options to renew.

The majority of the square footage expiring in 2021 in British Columbia relates to two tenants in 111 Dunsmuir in Vancouver. Five year renewals have been completed with both tenants totalling approximately 200,000 square feet at an average rate expected to be approximately $30 per square foot.

Not included in the above table is the expiry at Petroleum Plaza, located in Alberta, which is accounted for using the equity method. This property has 152,146 square feet of GLA (at the Trust's share) and is fully leased to the provincial government, expiring January 1, 2021. The contract rent on the expiring lease is $27.00. The Trust expects the tenant to renew at market rates.

CHANGES IN GLA

The table below provides a summary of the changes in GLA for the three months ended March 31, 2020.

In thousands of SF	Enclosed Regional Centres	Community Strip Centres	Total Retail	Single-/ Dual-Tenant Buildings	Multi-Tenant Buildings	Total Office	Industrial Properties	Total Portfolio
GLA – opening balance – January 1, 2020	3,454	1,324	**4,778**	2,246	994	**3,240**	**292**	**8,310**
Changes due to re-measurement	7	—	**7**	—	—	**—**	**—**	**7**
Cambridge Centre – Sears (2nd floor)	(69)	—	**(69)**	—	—	**—**	**—**	**(69)**
GLA – closing balance – March 31, 2020	**3,392**	**1,324**	**4,716**	**2,246**	**994**	**3,240**	**292**	**8,248**
Area under/held for development/sale	(342)	(111)	**(453)**	(43)	—	**(43)**	**—**	**(496)**
GLA for purposes of occupancy	**3,050**	**1,213**	**4,263**	**2,203**	**994**	**3,197**	**292**	**7,752**
Occupied GLA	**2,830**	**1,186**	**4,016**	**2,144**	**760**	**2,904**	**282**	**7,202**
Occupied GLA (%)	**92.8%**	**97.8%**	**94.2%**	**97.3%**	**76.5%**	**90.8%**	**96.5%**	**92.9%**

CORPORATE ITEMS

INTEREST EXPENSE

Interest expense totalled $14.6 million for the three months ended March 31, 2020, compared to $14.4 million for the same period in 2019. The components of interest expense are as follows:

INTEREST EXPENSE

	Three Months Ended March 31,		
	2020	2019	%
Mortgages payable	**$10,718**	$11,127	(3.7%)
Amortization of deferred financing costs – mortgages	**183**	155	18.1%
Convertible debentures	**1,942**	1,942	—%
Accretion on convertible debentures, net	**253**	239	5.9%
Amortization of deferred financing costs – convertible debentures	**266**	252	5.6%
Lease liabilities	**173**	175	(1.1%)
Bank indebtedness	**753**	353	113.3%
Morguard loan payable and other	**447**	364	22.8%
Capitalized interest	**(163)**	(199)	(18.1%)
	$14,572	**$14,408**	**1.1%**

Interest on bank indebtedness and on Morguard loan payable has increased due to an increase in bank line use compared to the same period in 2019. Capitalized interest has declined due to fewer development projects ongoing, compared to the same period in 2019.

FAIR VALUE (LOSSES)/GAINS ON REAL ESTATE PROPERTIES

For the three months ended March 31, 2020, the Trust recorded fair value losses on real estate properties of $121.1 million, versus $5.7 million of fair value losses on real estate properties for 2019.

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

FAIR VALUE (LOSSES)/GAINS ON REAL ESTATE PROPERTIES

For the three months ended March 31,	**2020**	2019
Retail	**($97,748)**	$1,767
Office	**(23,552)**	(7,760)
Industrial	**183**	313
	($121,117)	**($5,680)**

APPRAISAL CAPITALIZATION AND DISCOUNT RATES

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

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

Using the direct capitalization income approach to corroborate the discounted cash flow method, the properties were valued using capitalization rates in the range of 4.3% to 8.5% applied to a stabilized net operating income (December 31, 2019 – 4.3% to 8.5%), resulting in an overall weighted average capitalization rate of 6.52% (December 31, 2019 – 6.38%). The total stabilized annual net operating income as at March 31, 2020, was $163,381 (December 31, 2019 – $171,345).

In appraising the fair values for the enclosed mall asset class, consideration was given to the number of tenants that did not pay their April rent in assessing this segment.

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

STABILIZED CAPITALIZATION RATES

	March 31, 2020					December 31, 2019				
	Stabilized Occupancy		Capitalization Rates			Stabilized Occupancy		Capitalization Rates		
	Max.	Min.	Max.	Min.	Weighted Average	Max.	Min.	Max.	Min.	Weighted Average
Retail	**100.0%**	**90.0%**	**7.3%**	**5.3%**	**6.8%**	100.0%	90.0%	7.3%	5.3%	6.5%
Office	**100.0%**	**90.0%**	**8.5%**	**4.3%**	**6.3%**	100.0%	90.0%	8.5%	4.3%	6.3%
Industrial	**100.0%**	**95.0%**	**5.5%**	**5.3%**	**5.4%**	100.0%	95.0%	5.5%	5.3%	5.4%

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

DISCOUNT AND TERMINAL CAPITALIZATION RATES

	March 31, 2020			December 31, 2019		
	Maximum	Minimum	Weighted Average	Maximum	Minimum	Weighted Average
RETAIL						
Discount rate	**8.0%**	**6.0%**	**7.1%**	7.8%	6.0%	6.9%
Terminal cap rate	**7.0%**	**5.3%**	**6.2%**	7.0%	5.3%	6.0%
OFFICE						
Discount rate	**7.8%**	**5.3%**	**6.3%**	7.8%	5.3%	6.3%
Terminal cap rate	**7.3%**	**4.3%**	**5.5%**	7.3%	4.3%	5.5%
INDUSTRIAL						
Discount rate	**6.5%**	**6.0%**	**6.2%**	6.5%	6.0%	6.2%
Terminal cap rate	**5.8%**	**5.5%**	**5.5%**	5.8%	5.5%	5.5%

Excluded from the above analysis is a retail property located in British Columbia where the highest and best use is a redevelopment to mixed residential and commercial use. As at March 31, 2020, the value of the property is in the underlying land value with minimal holding income, and it has been valued using recent land sales with comparable redevelopment potential.

Fair values are most sensitive to changes in discount rates, capitalization rates and stabilized or forecast net operating income. Generally, an increase in net operating income will result in an increase in the fair value of the income producing properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in net operating income, with a lower capitalization rate resulting in a greater impact to the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rate were to increase or decrease by 25 basis points, the value of the income producing properties as at March 31, 2020, would decrease by $92,351 or increase by $99,731, respectively.

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

SENSITIVITY ANALYSIS

For the three months ended	March 31, 2020		March 31, 2019	
Change in capitalization rate	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Retail	**($50,005)**	**$53,846**	($59,168)	$64,174
Office	**(40,626)**	**43,998**	(46,015)	49,970
Industrial	**(1,720)**	**1,887**	(2,108)	2,291
	($92,351)	**$99,731**	($107,291)	$116,435

NET (LOSS)/INCOME FROM EQUITY-ACCOUNTED INVESTMENT

For the three months ended March 31, 2020, the Trust incurred $0.6 million in losses from its equity-accounted investment compared to $0.3 million of income for the same three months ended March 31, 2019. The unfavourable variance of $0.9 million is largely the result of the recorded loss from fair value on the investment of $1.4 million in 2020, versus a loss of $0.5 million in 2019.

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 in assessing the Trust's distribution payout ratio and for determining an appropriate level of sustainable distributions over time. The factors affecting variations in actual PCME include, but are not limited to, lease expiry profile, tenant vacancies, age and location of the properties, general economic and market conditions, which impact the level of tenant bankruptcies and acquisitions and dispositions.

The following table provides a breakdown of actual PCME for the three months ended March 31, 2020, and 2019.

ACTUAL PRODUCTIVE CAPACITY MAINTENANCE EXPENDITURES

	Three Months Ended March 31,	
	2020	2019
Leasing commissions	**$605**	$699
Tenant allowances	**2,041**	1,575
Total leasing costs	**2,646**	2,274
Capital expenditures recoverable from tenants	**1,321**	723
Capital expenditures non-recoverable from tenants	**17**	(19)
Total capital expenditures	**1,338**	704
Total PCME	**3,984**	2,978
Discretionary capital expenditures	**—**	1
Total leasing costs and capital expenditures	**$3,984**	$2,979
Total PCME	**$3,984**	$2,978
Normalized PCME	**6,250**	6,250
Shortfall between total PCME and normalized PCME	**$2,266**	$3,272

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.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

The Trust presents FFO and AFFO in accordance with the current definition of the Real Property Association of Canada ("REALpac").

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

	Three Months Ended March 31,		
In thousands of dollars, except per unit amounts	**2020**	2019	%
Net (loss)/income	**($102,555)**	$16,915	(706.3%)
Adjustments:			
Fair value losses on real estate properties [1]	**122,523**	6,178	1,883.2%
Amortization of right-of-use assets	**20**	21	(4.8%)
Payment of lease liabilities, net	**(30)**	(28)	7.1%
Funds from operations – basic	**19,958**	23,086	(13.5%)
Interest expense on convertible debentures	**1,942**	1,942	—%
Funds from operations – diluted	**$21,900**	$25,028	(12.5%)
Funds from operations – basic	**$19,958**	$23,086	(13.5%)
Adjustments:			
Amortized stepped rents [1]	**23**	23	—%
Normalized PCME	**(6,250)**	(6,250)	—%
Adjusted funds from operations – basic	**13,731**	16,859	(18.6%)
Interest expense on convertible debentures	**1,942**	1,942	—%
Adjusted funds from operations – diluted	**$15,673**	$18,801	(16.6%)
FUNDS FROM OPERATIONS PER UNIT			
Basic	**$0.33**	$0.38	(13.2%)
Diluted [2]	**$0.32**	$0.36	(11.1%)
ADJUSTED FUNDS FROM OPERATIONS PER UNIT			
Basic	**$0.23**	$0.28	(17.9%)
Diluted [2]	**$0.23**	$0.27	(14.8%)
DISTRIBUTIONS			
Distributions declared per unit	**$0.24**	$0.24	—%
Distributions as a percentage of AFFO per unit – basic	**104.3%**	85.7%	21.7%
WEIGHTED AVERAGE UNITS OUTSTANDING (IN THOUSANDS)			
Basic	**60,738**	60,696	0.1%
Diluted [2]	**69,316**	69,275	0.1%

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

ADJUSTED CASH FLOW FROM OPERATIONS

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

ADJUSTED CASH FLOW FROM OPERATIONS

	Three Months Ended March 31,		
	2020	2019	%
Cash provided by operating activities	**$20,818**	$13,364	55.8%
Adjustments:			
Adjustment to working capital changes for ACFO [1]	**(3,638)**	6,290	(157.8%)
Normalized PCME	**(6,250)**	(6,250)	—%
Actual additions to tenant incentives and leasing commissions	**690**	696	(0.9%)
Amortization of deferred financing costs	**(449)**	(407)	10.3%
Payment of lease liabilities	**(30)**	(28)	7.1%
ACFO from equity-accounted investment	**525**	317	65.6%
Adjusted cash flow from operations – basic	**11,666**	13,982	(16.6%)
Interest expense on convertible debentures	**1,942**	1,942	—%
Adjusted cash flow from operations – diluted	**$13,608**	$15,924	(14.5%)
Adjusted cash flow from operations – basic	**$11,666**	$13,982	(16.6%)
Distributions declared	**14,578**	14,567	0.1%
Shortfall adjusted cash flow from operations over distributions declared	**($2,912)**	($585)	397.8%

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

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

ADJUSTMENT TO WORKING CAPITAL CHANGES FOR ACFO

	Three Months Ended March 31,		
	2020	2019	%
Development accruals	**($22)**	$2,401	(100.9%)
Prepaid realty taxes and insurance	**4,465**	5,680	(21.4%)
Interest payable and receivable	**(1,897)**	(1,864)	1.8%
Insurance claims	**293**	73	301.4%
Deferrals related to COVID-19 (primarily property taxes)	**(6,477)**	—	—%
Adjustment to working capital changes for ACFO	**(3,638)**	6,290	(157.8%)
Net change in non-cash operating assets and liabilities as per the financial statements	**946**	(9,545)	(109.9%)
Net working capital changes included in ACFO	**($2,692)**	($3,255)	(17.3%)

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.

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 2020 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 IV

REAL ESTATE OVERVIEW

The carrying value of the Trust's real estate properties decreased to $2.8 billion at March 31, 2020 (December 31, 2019 – $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 changes.

PROPERTIES UNDER DEVELOPMENT

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

The following is a list of development projects:

DEVELOPMENT PROJECTS

		Est. GLA						
	Portfolio	New	Under Develop-ment	Total	Est. Project Cost	Spend to Date	Completion Date	Comments
RETAIL								
Pine Centre Mall	Enclosed regional centres	—	112,000	112,000	$16,756	$10,379	Q2 2020	Anchor tenant remerchandising of former Sears space
The Centre	Enclosed regional centres	—	—	—	19,500	11,135	Q3 2020	Full-scale mall renovation
St. Laurent Centre	Enclosed regional centres	—	76,000	76,000	TBD	—	TBD	Anchor tenant remerchandising of portion of former Sears space
Cambridge Centre	Enclosed regional centres	—	69,000	69,000	TBD	—	TBD	Anchor tenant remerchandising of former Sears space
Development projects		**—**	**257,000**	**257,000**	**$36,256**	**$21,514**		

On July 31, 2019, the Trust announced the kickoff of a significant redevelopment project that will modernize the interior of Pine Centre Mall in Prince George, British Columbia and will refit the former Sears space to welcome new retailers and service providers. The Trust is investing approximately $17.0 million in the renovation project for the shopping centre, which also includes a new mall entrance. The main tenants taking over this space are Winners, Orange Theory Fitness, and BC Cannabis. This work is expected to be completed in Q2 2020.

DEVELOPMENT PROJECTS – COMPLETED IN 2020 & 2019

		GLA								
	Portfolio	New	Re-developed	Total	Adjust-ment [1]	Income Producing	Date	Total Project Cost	Occupancy % [2]	Comments
RETAIL										
Pine Centre Mall	Enclosed regional centres	7,000	—	7,000	(200)	6,800	Q1 2019	$3,467	100.0%	Construction of new freestanding pad space
Parkland Mall	Enclosed regional centres	—	56,500	56,500	(15,900)	40,600	Q1 2019	8,342	58.1%	Anchor tenant remerchandising of former Safeway space
The Centre	Enclosed regional centres	29,500	—	29,500	—	29,500	Q4 2019	9,773	100.0%	Construction of new freestanding pad space for Cineplex Odeon
		36,500	**56,500**	**93,000**	**(16,100)**	**76,900**		**$21,582**		

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 March 31, 2020, the projects completed since January 1, 2019, contributed $0.2 million in NOI (incrementally $0.2 million over 2019).

PART V

LIQUIDITY AND CAPITAL RESOURCES

DEBT AND LEVERAGE METRICS

	For the three months ended March 31, 2020	For the twelve months ended December 31, 2019	For the three months ended March 31, 2019
Interest coverage ratio [1]	**2.25**	2.51	2.53
Debt service coverage ratio [1]	**1.38**	1.58	1.61
Debt ratio [2]	**47.5%**	45.8%	44.8%
Weighted average rates on mortgages	**4.1%**	4.1%	4.1%
Average term to maturity on mortgages (years)	**3.5**	3.7	4.0
Distributions as a percentage of adjusted funds from operations – basic	**104.3%**	88.1%	85.7%
Unencumbered assets to unsecured debt	**148.8%**	151.2%	149.5%
Unencumbered assets	**$313,147**	$313,750	$326,730
Unsecured debt	**$210,500**	$207,500	$218,500
Line of credit availability	**$74,601**	$46,075	$58,062

1. See interest and debt service coverage ratio calculations below
2. Debt ratio defined as: Total indebtedness, divided by gross book value of total assets.

INTEREST AND DEBT SERVICE COVERAGE RATIOS

	For the three months ended March 31, 2020	For the twelve months ended December 31, 2019	For the three months ended March 31, 2019
Net (loss)/income	**($102,555)**	$14,840	$16,915
Fair value losses on real estate properties	**121,117**	73,850	5,680
Amortization expense	**20**	83	21
Interest expense	**14,572**	58,006	14,408
Earnings before items noted above (A)	**33,154**	146,779	37,024
Interest expense	**14,572**	58,006	14,408
Add back capitalized interest expense	**163**	563	199
Gross interest expense (B)	**$14,735**	$58,569	$14,607
Interest coverage ratio (A)/(B)	2.25	2.51	2.53
Principal instalment repayments	**9,234**	34,237	8,454
Gross interest expense	**14,735**	58,569	14,607
Debt service (C)	**$23,969**	$92,806	$23,061
Debt service coverage ratio (A)/(C)	1.38	1.58	1.61

CASH FLOWS

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

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

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

	Three Months Ended March 31,		
	2020	2019	%
Cash provided by operating activities	**$20,818**	$13,364	55.8%
Cash used in financing activities	**(7,420)**	(5,177)	43.3%
Cash used in investing activities	**(12,018)**	(8,071)	48.9%
Net change in cash	**1,380**	116	1,089.7%
Cash, beginning of period	**5,783**	10,652	(45.7%)
Cash, end of period	**$7,163**	$10,768	(33.5%)

Cash provided by operating activities for the three months ended March 31, 2020, increased 55.8% to $20.8 million in 2020 from $13.4 million in 2019 mainly due to changes in working capital.

Cash used in financing activities increased to $7.4 million in 2020 from $5.2 million in 2019 mainly due to changes in borrowing on bank lines and Morguard loan payable.

Cash used in investing activities increased to $12.0 million in 2020 from $8.1 million in 2019 due to increased spending on development projects during 2020 compared to 2019.

DEBT STRATEGY

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

The Trust is limited by its Declaration of Trust to an overall indebtedness ratio of 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 $75.0 million, which is interest-bearing at the lender's borrowing rate and due on demand subject to available funds. This loan agreement is meant to provide short-term financing and investing options.

DEBT STRUCTURE

As at	March 31, 2020	%	December 31, 2019	%	March 31, 2019	%
Conventional secured mortgages payable	**$1,061,604**	**78.4%**	$1,070,838	79.2%	$1,096,621	80.9%
Unsecured convertible debentures	**173,186**	**12.8%**	172,933	12.8%	172,228	12.7%
Secured floating rate bank financing	**73,632**	**5.4%**	65,158	4.8%	32,193	2.4%
Lease liabilities	**11,086**	**0.8%**	11,116	0.8%	11,204	0.8%
Unsecured floating rate loan payable	**35,500**	**2.6%**	32,500	2.4%	43,500	3.2%
Gross debt	**1,355,008**	**100.0%**	1,352,545	100.0%	1,355,746	100.0%
Less deferred financing costs:						
Mortgages	**(2,307)**		(2,490)		(2,407)	
Convertible debentures	**(1,914)**		(2,180)		(2,923)	
Net debt	**$1,350,787**		$1,347,875		$1,350,416	

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

CONVERTIBLE DEBENTURES

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

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

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

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

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

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

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

DEBT MATURITY PROFILE

Management attempts to stagger the maturities of the Trust's fixed-rate debt with the general objective of achieving even annual maturities over a 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 Trust maintains mortgages with banks (48.7%), insurance companies (39.3%) and pension funds (12.0%) to reduce its exposure to any one lending group.

The following tables outline the debt payments as at March 31, 2020, together with the weighted average contractual rate on debt maturing in the years indicated. Also highlighted is the Trust's up-financing opportunity in relation to the fair value of encumbered properties relative to their respective maturing debt.

AGGREGATE MATURITIES

Year	Mortgage Maturity Payments	Scheduled Principal Repayments	Total Mortgages Payable	Debentures Payable	Bank Indebtedness	Revolving Loan	Lease Liabilities	Total Debt
2020	$114,110	$27,047	$141,157	$—	$73,632	$35,500	$91	$250,380
2021	169,373	30,516	199,889	175,000	—	—	133	375,022
2022	171,560	26,989	198,549	—	—	—	142	198,691
2023	208,194	16,821	225,015	—	—	—	139	225,154
2024	136,860	8,557	145,417	—	—	—	58	145,475
Thereafter	115,784	35,793	151,577	—	—	—	10,523	162,100
	$915,881	**$145,723**	**$1,061,604**	**$175,000**	**$73,632**	**$35,500**	**$11,086**	**$1,356,822**

INTEREST RATES

Year	Mortgages Payable	Debentures Payable	Bank Indebtedness	Revolving Loan	Lease Liabilities	Total Debt
2020	4.62%	—%	3.40%	3.80%	—%	4.20%
2021	4.14%	4.50%	—%	—%	—%	4.32%
2022	3.84%	—%	—%	—%	—%	3.84%
2023	3.74%	—%	—%	—%	7.25%	3.75%
2024	4.38%	—%	—%	—%	—%	4.38%
Thereafter	3.97%	—%	—%	—%	6.22%	4.10%
	4.06%	**4.50%**	**3.40%**	**3.80%**	**6.24%**	**4.11%**

FAIR VALUE OF ENCUMBERED PROPERTIES RELATIVE TO MATURING DEBT

Year	Mortgage Maturity Payments	Scheduled Principal Repayments	Total	Fair Value of Encumbered Assets	Leverage
2020	$114,110	$2,341	$116,451	$378,100	30.8%
2021	169,373	8,099	177,472	509,200	34.9%
2022	171,560	20,713	192,273	259,320	74.1%
2023	208,194	24,996	233,190	418,032	55.8%
2024	136,860	23,962	160,822	305,088	52.7%
Thereafter	115,784	65,612	181,396	450,970	40.2%
	$915,881	**$145,723**	**$1,061,604**	**$2,320,710**	**45.7%**

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

2020 MORTGAGE MATURITIES

Property	City	Province	Maturity Date	Interest rate	Maturing Balance	Approximate Loan to Value at March 31, 2020
Heritage Towne Centre	Calgary	AB	August 1, 2020	3.89%	$15,917	45%
Place Innovation	Saint-Laurent	QC	August 1, 2020	5.48%	32,976	40%
Heritage Place	Ottawa	ON	September 1, 2020	4.27%	18,372	45%
77 Bloor Street West	Toronto	ON	September 1, 2020	4.96%	14,741	10%
Petroleum Plaza	Edmonton	AB	September 1, 2020	3.86%	24,526	50%
Centre 810	Calgary	AB	November 1, 2020	4.75%	3,665	35%
Aurora Centre	Aurora	ON	December 16, 2020	4.07%	28,439	40%

The Trust has no mortgage maturities in the second quarter of 2020. Within the third quarter of 2020 there are maturities which the Trust is anticipating to either be renewed or have potential upfinancing.

Management is expecting that there will be significant upfinancing potential with the 77 Bloor Street West maturity due to its low loan to value metric. Management is also working with Quebec and Alberta based incumbent lenders for the Place Innovation and Petroleum Plaza renewals, respectively.

CREDIT FACILITIES

As at March 31, 2020, the Trust has secured floating rate bank financing availability totalling $110 million, which renews annually and is secured by fixed charges on specific properties owned by the Trust. The bank credit agreements include certain restrictive covenants and undertakings by the Trust. As at March 31, 2020, the Trust was in compliance with all covenants and undertakings.

LIQUIDITY

As at	March 31, 2020	December 31, 2019
Availability of bank lines of credit	**$110,000**	$95,000
Availability of Morguard loan payable	**75,000**	50,000
Availability	**185,000**	145,000
Letters of credit outstanding	**(1,267)**	(1,267)
Bank indebtedness outstanding	**(73,632)**	(65,158)
Morguard loan payable outstanding	**(35,500)**	(32,500)
Morguard loan receivable outstanding	**—**	—
Subtotal	**74,601**	**46,075**
Cash	**7,163**	5,783
Liquidity	**$81,764**	**$51,858**

PART VI

ACCOUNTING POLICIES AND OTHER ITEMS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Trust's condensed consolidated financial statements for the three months ended March 31, 2020, and 2019, have been prepared in accordance with IAS 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated financial statements use the same accounting policies and methods of their application as the most recent annual consolidated financial statements, except for the adoption of current accounting policies as described below, and should be read in conjunction with the most recent annual audited consolidated financial statements.

The MD&A for the year ended December 31, 2019, contains a discussion of the significant accounting policies most affected by estimates and judgments used in the preparation of the consolidated financial statements, being primarily the accounting policies relating to estimates of fair value of real estate properties. Management determined that as at March 31, 2020, there is no change to the assessment of the significant accounting policies most affected by estimates and judgments as detailed in the MD&A for the year ended December 31, 2019.

RISKS AND UNCERTAINTIES

The Trust is exposed to risks as further analyzed and described in the annual MD&A for December 31, 2019. In addition to these risks, the following has been identified which can also impact the risks previously identified:

COVID-19 and Other Pandemic or Epidemic Diseases

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to contain the spread of the virus. Outbreaks, or the threat of outbreaks of viruses or other contagions or epidemic or pandemic diseases, including the recent COVID-19 outbreak, may lead to voluntary or mandatory building closures, business closures, government restrictions on travel and gatherings, quarantines, self-isolation and physical distancing. The impact of these measures may lead to a general shutdown of economic activity and disrupt workforce and business operations in Canada and the world. Such occurrences, including the outbreak of COVID-19, could have a material adverse effect on debt and capital markets, the demand for real estate in addition to the ability of tenants to pay rent. The duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. The pace of recovery following such occurrences cannot be accurately predicted, nor can the impact on the Trust's real estate valuations, equity markets, cash flows, results of operations and the Trust's ability to obtain additional financing or re-financing and ability to make distributions to unitholders.

Specifically, such enhanced risks associated with COVID-19 include, but are not limited to:

a. the negative impact on Canadian and global debt and equity capital markets, including both pricing and availability;
b. the ability to access capital markets at a reasonable cost;
c. the trading price of the Trust's securities;
d. a material reduction in rental revenue and related collections due to associated financial hardship and non-essential business orders governing the closure of certain businesses;
e. a material increase in vacancy potentially caused by both the resulting economic crisis and the inability of businesses to operate;
f. uncertainty of real estate valuations resulting from the impact of potential decline in revenue and/or lack of market activity and demand for real estate;
g. uncertainty delivering services due to illness, Trust or government imposed isolation programs, restrictions on the movement of personnel, closures and supply chain disruptions;
h. uncertainty associated with costs, delays and availability of resources required to complete major maintenance and expansion projects on time and budget;
i. a material reduction in revenue and related collections due to the impact that oil price challenges have on tenants that rely on this industry for their business success;

j. the impact of additional legislation, regulation, fiscal and monetary policy responses and other government interventions.

The foregoing is not an exhaustive list of all risk factors.

Developments in March and April 2020, regarding the COVID-19 pandemic, have resulted in a substantive shift in management's focus towards ensuring the continued health and safety of our employees and service partners, compliance with guidelines and requirements issued by various health authorities and government organizations, and continuity of other critical business operations. The Trust remains focused on delivering our key business operations.

RELATED PARTY TRANSACTIONS

Related party transactions are summarized as follows:

(a) Agreement with Morguard Investments Limited

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

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

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

For the three months ended March 31,	2020	2019
Property management fees [1]	**$2,269**	$2,287
Appraisal/valuation fees	**89**	90
Information services	**55**	55
Leasing fees	**564**	416
Project administration fees	**80**	75
Project management fees	**72**	92
Risk management fees	**93**	86
Internal audit fees	**36**	34
Off-site administrative charges	**461**	452
Rental revenue	**(51)**	(51)
	$3,668	$3,536

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

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

As at	March 31, 2020	December 31, 2019
Accounts payable and accrued liabilities, net	**$1,169**	$1,527

(b) Revolving Loan with Morguard

The Trust has a revolving loan agreement with Morguard that provides for borrowings or advances of up to $75,000. The promissory notes are interest bearing at the lender's borrowing rate and are due on demand subject to available funds.

Morguard Loan Payable

During the three months ended March 31, 2020, a gross amount of $23,000 was advanced from Morguard, and a gross amount of $20,000 was repaid to Morguard. As at March 31, 2020, $35,500 remains payable to Morguard (December 31, 2019 – $32,500). For the three months ended March 31, 2020, the Trust incurred interest expense in the amount of $409 (2019 – $364) at an average interest rate of 4.49% (2019 – 4.12%).

Morguard Loan Receivable

During the three months ended March 31, 2020, there were no advances or repayments, and as at March 31, 2020, there is no loan receivable from Morguard (December 31, 2019 – $nil). For the three months ended March 31, 2020, the Trust did not earn interest income on loans receivable from Morguard (2019 – $33), at an average interest rate of n/a (2019 – 5.05%). The interest income earned from Morguard is included with other income on the statements of (loss)/income and comprehensive (loss)/income.

(c) Sublease with Morguard (Excluding MIL)

The Trust subleases office space from Morguard. For the three months ended March 31, 2020, the Trust incurred rent expense in the amount of $56 (2019 – $55).

(d) Amounts Receivable from and Accounts Payable to Morguard (Excluding MIL)

Other than the revolving loan, the following additional amounts relating to Morguard are included in the balance sheets:

As at	March 31, 2020	December 31, 2019
Amounts receivable	**$65**	$63
Accounts payable and accrued liabilities	**$138**	$124

(e) Rental Revenue from Morguard (Excluding MIL)

Morguard is a tenant in one of the Trust's properties. For the three months ended March 31, 2020, the Trust earned rental revenue in the amount of $28 (2019 – $27).

FINANCIAL INSTRUMENTS

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

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

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

(a) Mortgages Payable

Mortgages payable are carried at amortized cost using the effective interest rate method of amortization. The estimated fair values of long-term borrowings are based on market information, where available, or by discounting future payments of interest and principal at estimated interest rates expected to be available to the Trust as at March 31, 2020.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using March 31, 2020, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at March 31, 2020, of the mortgages payable has been estimated at $1,096,057 (December 31, 2019 – $1,093,438) compared with the carrying value before deferred financing costs of $1,061,604 (December 31, 2019 – $1,070,838). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

(b) Convertible Debentures

The fair value of the Convertible Debentures is based on their market trading price (TSX: MRT.DB) (Level 1). The fair value as at March 31, 2020, of the Convertible Debentures has been estimated at $139,143 (December 31, 2019 – $177,188) compared with the carrying value before deferred financing costs of $173,186 (December 31, 2019 – $172,933).

PART VII

CONTROLS AND PROCEDURES CONCERNING FINANCIAL INFORMATION

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

In March, the Trust initiated its crisis management plan in response to the COVID-19 pandemic and social distancing measures which mandated its employee base to work remotely where possible, as well to maintain a safe environment for its employees and stakeholders, coordinating efforts across its portfolio, standardizing communications and responding as circumstances demand. The remote work arrangements did not have an impact on the design of the internal controls in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Trust will continue to monitor and mitigate the risks associated with changes to its control environment in response to COVID-19.

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 VIII

FINANCIAL STATEMENTS AT THE TRUST'S OWNERSHIP SHARE

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

BALANCE SHEETS – AT THE TRUST'S OWNERSHIP SHARE

As at March 31, 2020	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
ASSETS			
Non-current assets			
Real estate properties	**$2,783,465**	**$48,000**	**$2,831,465**
Right-of-use asset	**304**	**—**	**304**
Equity-accounted investment	**22,656**	**(22,656)**	**—**
	2,806,425	**25,344**	**2,831,769**
Current assets			
Amounts receivable	**14,891**	**94**	**14,985**
Prepaid expenses and other	**8,814**	**57**	**8,871**
Cash	**7,163**	**683**	**7,846**
	30,868	**834**	**31,702**
Total assets	**$2,837,293**	**$26,178**	**$2,863,471**
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Mortgages payable	**$829,918**	**$—**	**$829,918**
Convertible debentures	**171,272**	**—**	**171,272**
Lease liabilities	**10,968**	**—**	**10,968**
Accounts payable and accrued liabilities	**4,660**	**4**	**4,664**
	1,016,818	**4**	**1,016,822**
Current liabilities			
Mortgages payable	**229,379**	**25,061**	**254,440**
Lease liabilities	**118**	**—**	**118**
Accounts payable and accrued liabilities	**61,423**	**1,113**	**62,536**
Morguard Loan payable	**35,500**	**—**	**35,500**
Bank indebtedness	**73,632**	**—**	**73,632**
	400,052	**26,174**	**426,226**
Total liabilities	**1,416,870**	**26,178**	**1,443,048**
Unitholders' equity	**1,420,423**	**—**	**1,420,423**
	$2,837,293	**$26,178**	**$2,863,471**

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

For the three months ended March 31, 2020	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
Revenue from real estate properties	**$66,373**	**$1,628**	**$68,001**
Property operating costs			
Property operating expenses	**(16,751)**	**(357)**	**(17,108)**
Property taxes	**(12,551)**	**(174)**	**(12,725)**
Property management fees	**(2,243)**	**(46)**	**(2,289)**
	34,828	**1,051**	**35,879**
Interest expense	**(14,572)**	**(241)**	**(14,813)**
General and administrative	**(1,080)**	**2**	**(1,078)**
Amortization expense	**(20)**	**—**	**(20)**
Fair value losses on real estate properties	**(121,117)**	**(1,406)**	**(122,523)**
Net loss from equity-accounted investment	**(594)**	**594**	**—**
Net loss and comprehensive loss	**($102,555)**	**$—**	**($102,555)**

For the three months ended March 31, 2019	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
Revenue from real estate properties	$70,454	$1,541	$71,995
Property operating costs			
Property operating expenses	(17,363)	(287)	(17,650)
Property taxes	(12,975)	(160)	(13,135)
Property management fees	(2,256)	(45)	(2,301)
	37,860	**1,049**	**38,909**
Interest expense	(14,408)	(251)	(14,659)
General and administrative	(1,177)	—	(1,177)
Amortization expense	(21)	—	(21)
Other income	41	—	41
Fair value losses on real estate properties	(5,680)	(498)	(6,178)
Net loss from equity-accounted investment	300	(300)	—
Net income and comprehensive income	**$16,915**	**$—**	**$16,915**

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

For the three months ended March 31, 2020	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
OPERATING ACTIVITIES			
Net income	**($102,555)**	**$—**	**($102,555)**
Add items not affecting cash	**122,662**	**918**	**123,580**
Distributions from equity-accounted investment, net	**455**	**(455)**	**—**
Additions to tenant incentives and leasing commissions	**(690)**	**—**	**(690)**
Net change in non-cash operating assets and liabilities	**946**	**18**	**964**
Cash provided by operating activities	**20,818**	**481**	**21,299**
FINANCING ACTIVITIES			
Repayment of mortgages			
Principal instalment repayments	**(9,234)**	**(264)**	**(9,498)**
Payment of lease liabilities, net	**(30)**	**—**	**(30)**
Repayment of bank indebtedness, net	**8,474**	**—**	**8,474**
Proceeds from Morguard loan payable	**23,000**	**—**	**23,000**
Repayment of Morguard loan payable	**(20,000)**	**—**	**(20,000)**
Distributions to unitholders	**(9,630)**	**—**	**(9,630)**
Cash used in financing activities	**(7,420)**	**(264)**	**(7,684)**
INVESTING ACTIVITIES			
Capital expenditures on real estate properties	**(3,187)**	**(107)**	**(3,294)**
Expenditures on properties under development	**(8,831)**	**—**	**(8,831)**
Cash used in investing activities	**(12,018)**	**(107)**	**(12,125)**
Net change in cash	**1,380**	**110**	**1,490**
Cash, beginning of period	**5,783**	**573**	**6,356**
Cash, end of period	**$7,163**	**$683**	**$7,846**

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

For the three months ended March 31, 2019	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
OPERATING ACTIVITIES			
Net income	$16,915	$—	$16,915
Add items not affecting cash	6,058	903	6,961
Distributions from equity-accounted investment, net	632	(632)	—
Additions to tenant incentives and leasing commissions	(696)	—	(696)
Net change in non-cash operating assets and liabilities	(9,545)	11	(9,534)
Cash provided by operating activities	**13,364**	**282**	**13,646**
FINANCING ACTIVITIES			
Proceeds from new mortgages	11,253	—	11,253
Financing costs on new mortgages	(81)	—	(81)
Repayment of mortgages			
Repayments on maturity	(16,253)	—	(16,253)
Principal instalment repayments	(8,454)	(253)	(8,707)
Payment of lease liabilities, net	(28)	—	(28)
Proceeds from bank indebtedness, net	(35,467)	—	(35,467)
Decrease in loan receivable	10,000	—	10,000
Proceeds from Morguard loan payable	43,500	—	43,500
Distributions to unitholders	(9,647)	—	(9,647)
Cash used in financing activities	**(5,177)**	**(253)**	**(5,430)**
INVESTING ACTIVITIES			
Capital expenditures on real estate properties	(2,230)	(53)	(2,283)
Expenditures on properties under development	(5,841)	—	(5,841)
Cash used in investing activities	**(8,071)**	**(53)**	**(8,124)**
Net change in cash	**116**	**(24)**	**92**
Cash, beginning of period	10,652	701	11,353
Cash, end of period	**$10,768**	**$677**	**$11,445**

PART IX

SUMMARY OF QUARTERLY RESULTS

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

SUMMARY OF SELECTED QUARTERLY INFORMATION

In thousands of dollars, except per-unit amounts	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Revenue from real estate properties	**$66,373**	$69,249	$66,363	$67,008	$70,454	$71,926	$67,273	$68,029
Net operating income	**34,828**	38,757	36,387	36,957	37,860	40,370	37,200	36,862
Fair value (losses)/gains on real estate properties	**(121,117)**	(28,640)	(14,928)	(24,602)	(5,680)	(17,800)	(16,867)	22,060
Net (loss)/income	**(102,555)**	(3,628)	6,254	(4,701)	16,915	6,992	4,981	43,431
Funds from operations	**19,958**	24,088	21,721	21,999	23,086	25,758	22,859	22,825
Adjusted funds from operations [3]	**13,731**	17,570	15,796	15,838	16,859	19,540	16,473	16,359
Net (loss)/income – basic	**($1.69)**	($0.06)	$0.10	($0.08)	$0.28	$0.11	$0.08	$0.72
Net (loss)/income – diluted	**($1.69)**	($0.06)	$0.10	($0.08)	$0.25	$0.13	$0.08	$0.62
Funds from operations – basic	**$0.33**	$0.40	$0.36	$0.36	$0.38	$0.42	$0.38	$0.37
Funds from operations – diluted	**$0.32**	$0.38	$0.34	$0.35	$0.36	$0.40	$0.35	$0.36
Adjusted funds from operations – basic [3]	**$0.23**	$0.29	$0.26	$0.26	$0.28	$0.32	$0.27	$0.27
Adjusted funds from operations – diluted [3]	**$0.23**	$0.28	$0.26	$0.26	$0.27	$0.32	$0.26	$0.27
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	**104.3%**	82.8%	92.3%	92.3%	85.7%	75.0%	88.9%	88.9%
Weighted average number of units as at quarter-end (in thousands)								
Basic	**60,738**	60,727	60,715	60,705	60,696	60,709	60,713	60,703
Diluted	**69,316**	69,305	69,294	69,283	69,275	69,287	69,291	69,281
Balance sheets								
Total assets	**$2,837,293**	$2,937,341	$2,955,425	$2,983,511	$2,991,809	$2,978,573	$2,982,860	$2,978,658
Total debt	**$1,355,008**	$1,352,545	$1,347,772	$1,351,807	$1,344,542	$1,349,724	$1,338,492	$1,319,635
Total equity	**$1,420,423**	$1,537,468	$1,555,501	$1,563,684	$1,582,826	$1,580,414	$1,588,258	$1,597,718
Gross leasable area as at quarter-end (in thousands of square feet) [1]								
Retail	**4,716**	4,778	4,752	4,749	4,761	4,629	4,641	4,606
Office	**3,240**	3,240	3,240	3,240	3,240	3,240	3,240	3,240
Industrial	**292**	292	292	534	534	534	534	534
Total	**8,248**	8,310	8,284	8,523	8,535	8,403	8,415	8,380
Occupancy as at quarter-end (%) [2]								
Retail	**94.2%**	95.1%	94.6%	94.2%	94.0%	94.7%	94.0%	95.4%
Office	**90.8%**	91.6%	91.7%	91.7%	91.8%	92.9%	93.2%	92.4%
Industrial	**96.5%**	90.7%	90.3%	90.3%	88.5%	91.7%	97.7%	94.6%
Total	**92.9%**	93.5%	93.3%	93.0%	92.7%	93.8%	94.0%	94.1%

1. Excludes equity-accounted investment.
2. Excludes properties held for sale, area either held for, or under, development and equity-accounted investment.
3. The Trust uses normalized productive capacity maintenance expenditures to calculate adjusted funds from operations.

PART X

PROPERTY LISTING

RETAIL PROPERTIES

Property	City	Province	Ownership Interest (%)	Gross Area (SF)	Ownership Area (SF)
Burquitlam Plaza	Coquitlam	BC	100	68,000	68,000
Pine Centre Mall	Prince George	BC	100	489,500	489,500
Shelbourne Plaza	Victoria	BC	100	57,000	57,000
Airdrie Co-op Centre	Airdrie	AB	100	70,000	70,000
Airdrie RONA Centre	Airdrie	AB	100	44,000	44,000
Heritage Towne Centre	Calgary	AB	100	131,000	131,000
Prairie Mall	Grande Prairie	AB	50	263,000	131,500
Parkland Mall	Red Deer	AB	100	444,500	444,500
The Centre	Saskatoon	SK	100	518,000	518,000
Shoppers Mall	Brandon	MB	100	361,000	361,000
Charleswood Centre	Winnipeg	MB	100	123,000	123,000
Southdale Centre	Winnipeg	MB	100	175,500	175,500
Aurora Centre	Aurora	ON	100	304,000	304,000
Cambridge Centre	Cambridge	ON	100	650,500	650,500
Market Square	Kanata	ON	100	68,000	68,000
Wonderland Corners	London	ON	100	46,000	46,000
Kingsbury Centre	Mississauga	ON	100	70,000	70,000
Hampton Park Plaza	Ottawa	ON	100	102,000	102,000
Home Base	Ottawa	ON	100	10,000	10,000
St. Laurent	Ottawa	ON	100	797,500	797,500
Woodbridge Square	Vaughan	ON	50	112,000	56,000
Total Retail (21)				**4,904,500**	**4,717,000**

OFFICE PROPERTIES

Property	City	Province	Ownership Interest (%)	Gross Area (SF)	Ownership Area (SF)
111 Dunsmuir	Vancouver	BC	100	222,000	222,000
Chancery Place	Vancouver	BC	100	142,500	142,500
Seymour Place	Victoria	BC	100	235,500	235,500
505 3rd Street SW	Calgary	AB	50	142,000	71,000
7315 8th Street NE	Calgary	AB	100	19,500	19,500
Centre 810	Calgary	AB	100	77,500	77,500
Citadel West	Calgary	AB	100	78,500	78,500
Deerport Centre	Calgary	AB	100	48,500	48,500
Duncan Building	Calgary	AB	100	81,000	81,000
National Bank Building	Calgary	AB	100	43,500	43,500
207 and 215 9th Avenue SW	Calgary	AB	100	636,500	636,500
Petroleum Plaza	Edmonton	AB	50	304,000	152,000
Scotia Place	Edmonton	AB	20	565,000	113,000
301 Laurier Avenue	Ottawa	ON	50	26,000	13,000
525 Coventry	Ottawa	ON	100	42,500	42,500
Green Valley Office Park	Ottawa	ON	100	123,000	123,000
Heritage Place	Ottawa	ON	50	216,000	108,000
St. Laurent Business Centre	Ottawa	ON	100	88,500	88,500
Standard Life	Ottawa	ON	50	378,000	189,000
Time Square	Ottawa	ON	100	111,000	111,000
200 Yorkland	Toronto	ON	100	150,500	150,500
77 Bloor Street West	Toronto	ON	50	396,000	198,000
Place Innovation	Saint-Laurent	QC	50	896,000	448,000
Total Office (23)				**5,023,500**	**3,392,500**

INDUSTRIAL PROPERTIES

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

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BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	March 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Real estate properties	3	**$2,783,465**	$2,892,103
Right-of-use asset	4	**304**	324
Equity-accounted investment	5	**22,656**	23,705
		2,806,425	2,916,132
Current assets			
Amounts receivable		**14,891**	14,314
Prepaid expenses and other		**8,814**	1,112
Cash		**7,163**	5,783
		30,868	21,209
Total assets		**$2,837,293**	$2,937,341
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Mortgages payable	7	**$829,918**	$902,708
Convertible debentures	8	**171,272**	170,753
Lease liabilities	9	**10,968**	10,993
Accounts payable and accrued liabilities		**4,660**	4,550
		1,016,818	1,089,004
Current liabilities			
Mortgages payable	7	**229,379**	165,640
Lease liabilities	9	**118**	123
Accounts payable and accrued liabilities		**61,423**	47,448
Morguard loan payable	14(b)	**35,500**	32,500
Bank indebtedness	10	**73,632**	65,158
		400,052	310,869
Total liabilities		**1,416,870**	1,399,873
Unitholders' equity		**1,420,423**	1,537,468
		$2,837,293	$2,937,341
Commitments and contingencies	17		

See accompanying notes to the condensed consolidated financial statements.

On behalf of the Trustees:

(Signed) "K. Rai Sahi"

K. Rai Sahi,
Chairman of the Board of Trustees

(Signed) "Bart S. Munn"

Bart S. Munn,
Trustee

STATEMENTS OF (LOSS)/INCOME AND COMPREHENSIVE (LOSS)/INCOME

In thousands of Canadian dollars, except per unit amounts

For the three months ended March 31,	Note	2020	2019
Revenue from real estate properties	11	**$66,373**	$70,454
Property operating costs			
Property operating expenses	12(a)	**(16,751)**	(17,363)
Property taxes		**(12,551)**	(12,975)
Property management fees		**(2,243)**	(2,256)
		34,828	37,860
Interest expense	13	**(14,572)**	(14,408)
General and administrative	12(b)	**(1,080)**	(1,177)
Amortization expense		**(20)**	(21)
Other income		**—**	41
Fair value losses on real estate properties	3	**(121,117)**	(5,680)
Net (loss)/income from equity-accounted investment	5	**(594)**	300
Net (loss)/income and comprehensive (loss)/income		**($102,555)**	$16,915
NET (LOSS)/INCOME PER UNIT	15(d)		
Basic		**($1.69)**	$0.28
Diluted		**($1.69)**	$0.25

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, 2019	60,694,053	$612,183	$961,773	$4,594	$1,864	$1,580,414
Net income	—	—	16,915	—	—	16,915
Distributions to unitholders	—	—	(14,503)	—	—	(14,503)
Issue of units – DRIP [1]	5,238	64	(64)	—	—	—
Unitholders' equity, March 31, 2019	60,699,291	612,247	964,121	4,594	1,864	1,582,826
Net loss	—	—	(2,075)	—	—	(2,075)
Distributions to unitholders	—	—	(43,283)	—	—	(43,283)
Issue of units – DRIP [1]	36,248	433	(433)	—	—	—
Unitholders' equity, December 31, 2019	60,735,539	612,680	918,330	4,594	1,864	1,537,468
Net loss	**—**	**—**	**(102,555)**	**—**	**—**	**(102,555)**
Distributions to unitholders	**—**	**—**	**(14,490)**	**—**	**—**	**(14,490)**
Issue of units – DRIP [1]	**7,391**	**88**	**(88)**	**—**	**—**	**—**
Unitholders' equity, March 31, 2020	**60,742,930**	**$612,768**	**$801,197**	**$4,594**	**$1,864**	**$1,420,423**

1. Distribution Reinvestment Plan ("DRIP").

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

For the three months ended March 31,	Note	2020	2019
OPERATING ACTIVITIES			
Net (loss)/income		**($102,555)**	$16,915
Add items not affecting cash	16(a)	**122,662**	6,058
Distributions from equity-accounted investment, net	5	**455**	632
Additions to tenant incentives and leasing commissions		**(690)**	(696)
Net change in non-cash operating assets and liabilities	16(b)	**946**	(9,545)
Cash provided by operating activities		**20,818**	13,364
FINANCING ACTIVITIES			
Proceeds from new mortgages		**—**	11,253
Financing costs on new mortgages		**—**	(81)
Repayment of mortgages			
Repayments on maturity		**—**	(16,253)
Principal instalment repayments		**(9,234)**	(8,454)
Payment of lease liabilities, net		**(30)**	(28)
Proceeds from/(repayment of) bank indebtedness, net	10	**8,474**	(35,467)
Decrease in Morguard loan receivable	14(b)	**—**	10,000
Proceeds from Morguard loan payable	14(b)	**23,000**	43,500
Repayment of Morguard loan payable	14(b)	**(20,000)**	—
Distributions to unitholders		**(9,630)**	(9,647)
Cash used in financing activities		**(7,420)**	(5,177)
INVESTING ACTIVITIES			
Capital expenditures on real estate properties		**(3,187)**	(2,230)
Expenditures on properties under development		**(8,831)**	(5,841)
Cash used in investing activities		**(12,018)**	(8,071)
Net change in cash		**1,380**	116
Cash, beginning of period		**5,783**	10,652
Cash, end of period		**$7,163**	$10,768

See accompanying notes to the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2020 and 2019

In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

NOTE 1

NATURE AND FORMATION OF THE TRUST

Morguard Real Estate Investment Trust (the "Trust") is a "closed-end" real estate investment trust governed pursuant to an amended and restated declaration of trust dated May 5, 2015 ("the Declaration of Trust"), under, and governed by, the laws of the Province of Ontario. The Trust commenced active operations on October 14, 1997. The Trust units trade on the Toronto Stock Exchange ("TSX") under the symbol "MRT.UN". The Trust owns a diverse portfolio of retail, office and industrial properties located in six Canadian provinces. The Trust's head office is located at 55 City Centre Drive, Suite 1000, Mississauga, Ontario, L5B 1M3.

The Trust has a property management agreement with Morguard Investments Limited ("MIL"), a subsidiary of Morguard Corporation ("Morguard"). Morguard is the parent company of the Trust, owning 58.48% of the outstanding units as at March 31, 2020. Morguard is a real estate company that owns a diversified portfolio of multi-suite residential, retail, hotel, office and industrial properties. Morguard also provides advisory and management services to institutional and other investors.

NOTE 2

STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"), and thus do not contain all of the disclosures applicable to the annual audited consolidated financial statements.

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

The condensed consolidated financial statements were approved and authorized for issue by the Trustees on April 30, 2020.

NOTE 3

REAL ESTATE PROPERTIES

Real estate properties consist of the following:

As at	**March 31, 2020**	December 31, 2019
Income producing properties	**$2,715,854**	$2,834,394
Properties under development	**27,261**	18,909
Held for development	**40,350**	38,800
	$2,783,465	$2,892,103

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

	Income Producing Properties	Properties Under Development	Held for Development	Total Real Estate Properties
Balance as at December 31, 2018	$2,858,255	$22,887	$34,450	$2,915,592
Adoption of IFRS 16	10,825	—	—	10,825
Additions:				
Capital expenditures/capitalized costs	12,928	33,818	—	46,746
Tenant improvements, tenant incentives and commissions	9,542	—	—	9,542
Transfers	37,796	(37,796)	—	—
Disposition	(15,914)	—	—	(15,914)
Fair value (losses)/gains	(78,200)	—	4,350	(73,850)
Other changes	(838)	—	—	(838)
Balance as at December 31, 2019	**2,834,394**	**18,909**	**38,800**	**2,892,103**
Additions:				
Capital expenditures/capitalized costs	1,231	8,831	—	10,062
Tenant improvements, tenant incentives and commissions	2,646	—	—	2,646
Transfers	479	(479)	—	—
Fair value (losses)/gains	(122,667)	—	1,550	(121,117)
Other changes	(229)	—	—	(229)
Balance as at March 31, 2020	**$2,715,854**	**$27,261**	**$40,350**	**$2,783,465**

APPRAISAL CAPITALIZATION AND DISCOUNT RATES

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

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

Using the direct capitalization income approach to corroborate the discounted cash flow method, the properties were valued using capitalization rates in the range of 4.3% to 8.5% applied to a stabilized net operating income (December 31, 2019 – 4.3% to 8.5%), resulting in an overall weighted average capitalization rate of 6.52% (December 31, 2019 – 6.38%). The total stabilized annual net operating income as at March 31, 2020, was $163,381 (December 31, 2019 – $171,345).

In appraising the fair values for the enclosed mall asset class, consideration was given to the number of tenants that did not pay their April rent in assessing this segment.

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

	March 31, 2020					December 31, 2019				
	Stabilized Occupancy		**Capitalization Rates**			Stabilized Occupancy		Capitalization Rates		
	Max.	**Min.**	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Max.	Min.	Weighted Average
Retail	**100.0%**	**90.0%**	**7.3%**	**5.3%**	**6.8%**	100.0%	90.0%	7.3%	5.3%	6.5%
Office	**100.0%**	**90.0%**	**8.5%**	**4.3%**	**6.3%**	100.0%	90.0%	8.5%	4.3%	6.3%
Industrial	**100.0%**	**95.0%**	**5.5%**	**5.3%**	**5.4%**	100.0%	95.0%	5.5%	5.3%	5.4%

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

	March 31, 2020			December 31, 2019		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
RETAIL						
Discount rate	**8.0%**	**6.0%**	**7.1%**	7.8%	6.0%	6.9%
Terminal cap rate	**7.0%**	**5.3%**	**6.2%**	7.0%	5.3%	6.0%
OFFICE						
Discount rate	**7.8%**	**5.3%**	**6.3%**	7.8%	5.3%	6.3%
Terminal cap rate	**7.3%**	**4.3%**	**5.5%**	7.3%	4.3%	5.5%
INDUSTRIAL						
Discount rate	**6.5%**	**6.0%**	**6.2%**	6.5%	6.0%	6.2%
Terminal cap rate	**5.8%**	**5.5%**	**5.5%**	5.8%	5.5%	5.5%

Excluded from the above analysis is a retail property located in British Columbia where the highest and best use is a redevelopment to mixed residential and commercial use. As at March 31, 2020, the value of the property is in the underlying land value with minimal holding income, and it has been valued using recent land sales with comparable redevelopment potential.

Fair values are most sensitive to changes in discount rates, capitalization rates and stabilized or forecast net operating income. Generally, an increase in net operating income will result in an increase in the fair value of the income producing properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in net operating income, with a lower capitalization rate resulting in a greater impact to the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rate were to increase or decrease by 25 basis points, the value of the income producing properties as at March 31, 2020, would decrease by $92,351 or increase by $99,731, respectively.

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

For the three months ended	**March 31, 2020**		March 31, 2019	
Change in capitalization rate	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Retail	**($50,005)**	**$53,846**	($59,168)	$64,174
Office	**(40,626)**	**43,998**	(46,015)	49,970
Industrial	**(1,720)**	**1,887**	(2,108)	2,291
	($92,351)	**$99,731**	($107,291)	$116,435

NOTE 4
RIGHT-OF-USE ASSET

The following table presents the change in the balance of the Trust's right-of-use (head office lease) asset:

As at	March 31, 2020	December 31, 2019
Balance, beginning of period	**$324**	$—
Adoption of IFRS 16	**—**	407
Amortization expense	**(20)**	(83)
Balance, end of period	**$304**	$324

NOTE 5
EQUITY-ACCOUNTED INVESTMENT

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

As at	March 31, 2020	December 31, 2019
Balance, beginning of period	**$23,705**	$24,746
Equity (loss)/income	**(594)**	1,044
Distributions to partners	**(785)**	(2,755)
Contributions from partners	**330**	670
Balance, end of period	**$22,656**	$23,705

The following details the Trust's share of the limited partnership's aggregated assets, liabilities and results of operations accounted for under the equity method:

As at	March 31, 2020	December 31, 2019
Real estate property	**$48,000**	$49,405
Current assets	**834**	651
Total assets	**48,834**	50,056
Non-current liabilities	**(4)**	(7)
Current liabilities	**(26,174)**	(26,344)
Net equity	**$22,656**	$23,705

For the three months ended March 31,	2020	2019
Revenue from real estate property	**$1,628**	$1,541
Property operating expenses	**(577)**	(492)
Net operating income	**1,051**	1,049
Interest and other	**(239)**	(251)
Fair value losses on real estate property	**(1,406)**	(498)
Net (loss)/income	**($594)**	$300

The real estate property included above in the Trust's equity-accounted investment is appraised using a number of approaches that typically include a discounted cash flow analysis, a direct capitalization approach and a direct comparison approach. As at March 31, 2020, the property was valued using a discount rate of 7.3% (December 31, 2019 – 7.3%), a terminal cap rate of 6.3% (December 31, 2019 – 6.3%) and a stabilized cap rate of 5.8% (December 31, 2019 – 6.0%). The stabilized annual net operating income as at March 31, 2020, was $3,211 (December 31, 2019 – $3,096).

NOTE 6
CO-OWNERSHIP INTERESTS

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

			Trust's Ownership Share	
Jointly Controlled Operations	**Location**	**Property Type**	**2020**	2019
505 Third Street	Calgary, AB	Office	**50%**	50%
Scotia Place	Edmonton, AB	Office	**20%**	20%
Prairie Mall	Grande Prairie, AB	Retail	**50%**	50%
Heritage Place	Ottawa, ON	Office	**50%**	50%
Standard Life Centre	Ottawa, ON	Office	**50%**	50%
77 Bloor	Toronto, ON	Office	**50%**	50%
Woodbridge Square	Woodbridge, ON	Retail	**50%**	50%
Place Innovation	Saint-Laurent, QC	Office	**50%**	50%
REAL ESTATE PROPERTIES SOLD (SEE NOTE 3)				
825 Des Érables [1]	Salaberry-de-Valleyfield, QC	Industrial	**50%**	50%

1. Sold July 31, 2019.

The following amounts, included in these condensed consolidated financial statements, represent the Trust's proportionate share of the assets and liabilities of its co-ownerships as at March 31, 2020 and December 31, 2019, and the results of operations for the three months ended March 31, 2020 and 2019:

As at	**March 31, 2020**	December 31, 2019
Assets	**$513,589**	$520,359
Liabilities	**$165,455**	$164,901

For the three months ended March 31,	**2020**	2019
Revenue	**$12,767**	$13,697
Expenses	**(7,990)**	(8,216)
Income before fair value adjustments	**4,777**	5,481
Fair value losses on real estate properties	**(10,726)**	(2,970)
Net (loss)/income	**($5,949)**	$2,511

NOTE 7
MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at	March 31, 2020	December 31, 2019
Mortgages payable before deferred financing costs	**$1,061,604**	$1,070,838
Deferred financing costs	**(2,307)**	(2,490)
Mortgages payable	**$1,059,297**	$1,068,348
Mortgages payable – non-current	**$829,918**	$902,708
Mortgages payable – current	**229,379**	165,640
Mortgages payable	**$1,059,297**	$1,068,348
Range of interest rates	**2.7% to 5.5%**	2.7% to 5.5%
Weighted average term to maturity (years)	**3.5**	3.7

The aggregate principal repayments and balances maturing on the mortgages payable as at March 31, 2020, 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
2020 (remainder of year)	$27,047	$114,110	$141,157	4.6%
2021	30,516	169,373	199,889	4.1%
2022	26,989	171,560	198,549	3.8%
2023	16,821	208,194	225,015	3.7%
2024	8,557	136,860	145,417	4.4%
Thereafter	35,793	115,784	151,577	4.0%
	$145,723	**$915,881**	**$1,061,604**	**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
Debentures

On December 30, 2016, the Trust issued a $175,000 principal amount of 4.50% convertible unsecured subordinated debentures ("Convertible Debentures") maturing on December 31, 2021 (the "Maturity Date"). As at March 31, 2020, Morguard held a total of $60,000 principal amount of the Convertible Debentures (2019 – $60,000).

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

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

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

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

The Convertible Debentures payable consist of the following:

As at	March 31, 2020	December 31, 2019
Convertible debentures – liability	**$170,267**	$170,267
Convertible debentures – accretion	**2,919**	2,666
Convertible debentures before issue costs	**173,186**	172,933
Issue costs	**(1,914)**	(2,180)
Convertible debentures	**$171,272**	$170,753

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

	Interest	Principal	Total
2020	$7,875	$—	$7,875
2021	7,875	175,000	182,875
	$15,750	**$175,000**	**$190,750**

Redemption Rights

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

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

Payment Upon Redemption or Maturity

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

Interest Payment Election

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

NOTE 9
LEASE LIABILITIES

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

As at	March 31, 2020	December 31, 2019
Balance, beginning of period	**$11,116**	$—
Adoption of IFRS 16	**—**	11,232
Lease payments	**(203)**	(813)
Interest	**173**	697
Balance, end of period	**$11,086**	$11,116
Current	**$118**	$123
Non-current	**10,968**	10,993
	$11,086	$11,116
Weighted average borrowing rate	**6.2%**	6.3%

NOTE 10
BANK INDEBTEDNESS

The Trust has operating lines of credit totalling $110,000 (December 31, 2019 – $95,000), which renew annually and are secured by fixed charges on specific properties owned by the Trust.

As at March 31, 2020, the Trust had borrowed $73,632 (December 31, 2019 – $65,158) on its credit facilities and issued letters of credit in the amount of $1,267 (December 31, 2019 – $1,267) related to these facilities.

The bank credit agreements include certain restrictive covenants and undertakings by the Trust. As at March 31, 2020, and December 31, 2019, the Trust was in compliance with all covenants and undertakings. As the bank indebtedness is current and at prevailing market rates, the carrying value of the debt as at March 31, 2020, approximates fair value.

NOTE 11
REVENUE FROM REAL ESTATE PROPERTIES

Revenue from real estate properties consists of the following:

For the three months ended March 31, 2020	Retail	Office	Industrial	Total
Rental revenue	**$23,122**	**$17,508**	**$535**	**$41,165**
CAM recoveries	**5,986**	**7,480**	**203**	**13,669**
Property tax and insurance recoveries	**6,355**	**4,245**	**82**	**10,682**
Other ancillary revenue	**893**	**193**	**—**	**1,086**
Amortized rents	**5**	**(228)**	**(6)**	**(229)**
	$36,361	**$29,198**	**$814**	**$66,373**

For the three months ended March 31, 2019	Retail	Office	Industrial	Total
Rental revenue	$22,881	$18,069	$803	$41,753
CAM recoveries	7,331	8,029	207	15,567
Property tax and insurance recoveries	6,369	4,954	167	11,490
Other ancillary revenue	1,320	269	66	1,655
Amortized rents	25	11	(47)	(11)
	$37,926	$31,332	$1,196	$70,454

CAM recoveries and other ancillary revenue noted in the above table are considered to be a component of revenue from contracts with customers.

NOTE 12
EXPENSES

(a) Property Operating Expenses

Property operating expenses consist of the following:

For the three months ended March 31,	2020	2019
Repairs and maintenance	**$7,559**	$8,229
Utilities	**4,061**	4,254
Other operating expenses	**5,131**	4,880
	$16,751	$17,363

(b) General and Administrative

General and administrative expenses consist of the following:

For the three months ended March 31,	2020	2019
Trustees' fees and expenses	**$78**	$70
Professional and compliance fees	**412**	419
Other administrative expenses	**590**	688
	$1,080	$1,177

NOTE 13
INTEREST EXPENSE

The components of interest expense are as follows:

For the three months ended March 31,	2020	2019
Mortgages payable	**$10,718**	$11,127
Amortization of deferred financing costs – mortgages	**183**	155
Convertible debentures	**1,942**	1,942
Accretion on convertible debentures, net	**253**	239
Amortization of deferred financing costs – convertible debentures	**266**	252
Lease liabilities	**173**	175
Bank indebtedness	**753**	353
Morguard loan payable and other	**447**	364
Capitalized interest	**(163)**	(199)
	$14,572	$14,408

NOTE 14
RELATED PARTY TRANSACTIONS

Related party transactions are summarized as follows:

(a) Agreement with Morguard Investments Limited

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

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

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

For the three months ended March 31,	2020	2019
Property management fees [1]	**$2,269**	$2,287
Appraisal/valuation fees	**89**	90
Information services	**55**	55
Leasing fees	**564**	416
Project administration fees	**80**	75
Project management fees	**72**	92
Risk management fees	**93**	86
Internal audit fees	**36**	34
Off-site administrative charges	**461**	452
Rental revenue	**(51)**	(51)
	$3,668	$3,536

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

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

As at	March 31, 2020	December 31, 2019
Accounts payable and accrued liabilities, net	**$1,169**	$1,527

(b) Revolving Loan with Morguard

The Trust has a revolving loan agreement with Morguard that provides for borrowings or advances of up to $75,000 (December 31, 2019 – $50,000), which is interest bearing at the lender's borrowing rate and due on demand subject to available funds.

Morguard Loan Payable

During the three months ended March 31, 2020, a gross amount of $23,000 was advanced from Morguard, and a gross amount of $20,000 was repaid to Morguard. As at March 31, 2020, $35,500 remains payable to Morguard (December 31, 2019 – $32,500). For the three months ended March 31, 2020, the Trust incurred interest expense in the amount of $409 (2019 – $364) at an average interest rate of 4.49% (2019 – 4.12%).

Morguard Loan Receivable

During the three months ended March 31, 2020, there were no advances or repayments, and as at March 31, 2020, there is no loan receivable from Morguard (December 31, 2019 – $nil). For the three months ended March 31, 2020, the Trust did not earn interest income on loans receivable from Morguard (2019 – $33), at an average interest rate of n/a (2019 – 5.05%). The interest income earned from Morguard is included with other income on the statements of (loss)/income and comprehensive (loss)/income.

(c) Sublease with Morguard (Excluding MIL)

The Trust subleases office space from Morguard. For the three months ended March 31, 2020, the Trust incurred rent expense in the amount of $56 (2019 – $55).

(d) Amounts Receivable from and Accounts Payable to Morguard (Excluding MIL)

Other than the revolving loan, the following additional amounts relating to Morguard are included in the balance sheets:

As at	March 31, 2020	December 31, 2019
Amounts receivable	**$65**	$63
Accounts payable and accrued liabilities	**$138**	$124

(e) Rental Revenue from Morguard (Excluding MIL)

Morguard is a tenant in one of the Trust's properties. For the three months ended March 31, 2020, the Trust earned rental revenue in the amount of $28 (2019 – $27).

NOTE 15
UNITHOLDERS' EQUITY

(a) Units Outstanding

The Trust is authorized to issue an unlimited number of units. These units have no par value. The following table summarizes the changes in units from January 1, 2019 to March 31, 2020:

As at	March 31, 2020	December 31, 2019
Balance, beginning of period	**60,735,539**	60,694,053
Distribution Reinvestment Plan	**7,391**	41,486
Balance, end of period	**60,742,930**	60,735,539

Total distributions recorded during the three months ended March 31, 2020, amounted to $14,578 or $0.24 per unit (2019 – $14,567 or $0.24 per unit). Included in this amount is a distribution declared on March 13, 2020, in the amount of $0.08 per unit for the month of March 2020, payable to unitholders on April 15, 2020. On April 20, 2020, the Trust declared a distribution of $0.08 per unit payable on May 15, 2020.

(b) Normal Course Issuer Bid

On February 5, 2020, 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, 2020, and ending February 6, 2021, the Trust may purchase for cancellation on the TSX up to 3,036,776 units in total, being approximately 5% of the outstanding units. Additionally, the Trust may purchase for cancellation up to $11,496 principal amount of the Convertible Debentures due on the Maturity Date, 10% of the public float of outstanding Convertible Debentures. The price that the Trust would pay for any such units or debentures would be the market price at the time of acquisition.

During the year ended December 31, 2019, the Trust did not purchase any units for cancellation. During the three months ended March 31, 2020, the Trust did not purchase any units for cancellation.

(c) Distribution Reinvestment Plan

Under the Trust's Distribution Reinvestment Plan, unitholders can elect to reinvest cash distributions into additional units at a weighted average trading price of the units on the TSX for the 20 trading days immediately preceding the applicable date of distribution. During the three months ended March 31, 2020, the Trust issued 7,391 units under the DRIP (2019 – 5,238 units).

(d) Net (Loss)/Income Per Unit

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

For the three months ended March 31,	2020	2019
Net (loss)/income – basic	**($102,555)**	$16,915
Net (loss)/income – diluted	**($102,555)**	$19,348
Weighted average number of units outstanding – basic	**60,738**	60,696
Weighted average number of units outstanding – diluted	**60,738**	77,321
Net (loss)/income per unit – basic	**($1.69)**	$0.28
Net (loss)/income per unit – diluted	**($1.69)**	$0.25

To calculate net (loss)/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 (loss)/income – basic. The weighted average number of units outstanding – diluted is calculated as if all convertible debentures outstanding as at March 31, 2020, and 2019, had been converted into units of the Trust at the beginning of the year. The calculation of net (loss)/income per unit – diluted excludes the impact of the convertible debentures for the three months ended March 31, 2020, as their inclusion would be anti-dilutive.

NOTE 16
STATEMENTS OF CASH FLOWS
(a) Items Not Affecting Cash

For the three months ended March 31,	2020	2019
Fair value losses on real estate properties	**$121,117**	$5,680
Net loss/(income) from equity-accounted investment	**594**	(300)
Amortized stepped rent	**5**	5
Amortized free rent	**151**	(75)
Amortization of deferred financing costs – mortgages	**183**	155
Amortization of tenant incentives	**73**	81
Amortization of right-of-use asset	**20**	21
Amortization of deferred financing costs – convertible debentures	**266**	252
Accretion on convertible debentures	**253**	239
	$122,662	$6,058

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

For the three months ended March 31,	2020	2019
Amounts receivable	**($577)**	($823)
Prepaid expenses and other	**(7,702)**	(8,342)
Accounts payable and accrued liabilities	**9,225**	(380)
	$946	($9,545)

Other supplemental cash flow information consists of the following:		
Interest paid	**$12,137**	$12,097
Issue of units – DRIP	**$88**	$64

NOTE 17
COMMITMENTS AND CONTINGENCIES
(a) Commitments

The Trust has entered into various agreements relating to capital expenditures for its properties. These expenditures include development of new space, redevelopment or retrofit of existing space, and other capital expenditures. Should all conditions be met, as at March 31, 2020, committed capital expenditures in the next 12 months are estimated at $12,750.

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 18
MANAGEMENT OF CAPITAL

The Trust defines capital that it manages as the aggregate of its unitholders' equity and interest-bearing debt less cash and interest-bearing receivables. The Trust's objective when managing capital is to ensure that the Trust will continue as a going concern so that it can sustain daily operations and provide adequate returns to its unitholders.

The Trust is subject to risks associated with debt financing, including the possibility that existing mortgages may not be refinanced or may not be refinanced on as favourable terms or with interest rates as favourable as those of the existing debt. The Trust mitigates these risks by its continued efforts to stagger the maturity profile of its long-term debt, to enhance the value of its real estate properties and to maintain high occupancy levels. The Trust manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The total managed capital for the Trust is summarized below:

As at	Note	**March 31, 2020**	December 31, 2019
Mortgages payable	7	**$1,059,297**	$1,068,348
Convertible debentures	8	**171,272**	170,753
Bank indebtedness	10	**73,632**	65,158
Morguard loan payable	14(b)	**35,500**	32,500
Lease liabilities	9	**11,086**	11,116
Cash		**(7,163)**	(5,783)
Unitholders' equity		**1,420,423**	1,537,468
		$2,764,047	$2,879,560

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	**March 31, 2020**	December 31, 2019
Fixed-rate debt to gross book value of total assets	N/A	**43.7%**	42.5%
Floating-rate debt to gross book value of total assets	15%	**3.8%**	3.3%
	60%	**47.5%**	45.8%

As at March 31, 2020, 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 19
FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Trust's financial assets and liabilities comprise cash, amounts receivable, accounts payable and accrued liabilities, bank indebtedness, Morguard loan payable, mortgages payable and convertible debentures. Fair values of financial assets and liabilities and discussion of risks associated with financial assets and liabilities are presented as follows.

Fair Value of Financial Assets and Liabilities

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

(a) Mortgages Payable

Mortgages payable are carried at amortized cost using the effective interest rate method of amortization. The estimated fair values of long-term borrowings are based on market information, where available, or by discounting future payments of interest and principal at estimated interest rates expected to be available to the Trust as at March 31, 2020.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using March 31, 2020, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at March 31, 2020, of the mortgages payable has been estimated at $1,096,057 (December 31, 2019 – $1,093,438) compared with the carrying value before deferred financing costs of $1,061,604 (December 31, 2019 – $1,070,838). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

(b) Convertible Debentures

The fair value of the Convertible Debentures is based on their market trading price (TSX: MRT.DB) (Level 1). The fair value as at March 31, 2020, of the Convertible Debentures has been estimated at $139,143 (December 31, 2019 – $177,188) compared with the carrying value before deferred financing costs of $173,186 (December 31, 2019 – $172,933).

(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:

	March 31, 2020			December 31, 2019		
As at	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
ASSETS						
Income producing properties	**$—**	**$—**	**$2,715,854**	$—	$—	$2,834,394
Properties under development	**$—**	**$—**	**$27,261**	$—	$—	$18,909
Held for development	**$—**	**$—**	**$40,350**	$—	$—	$38,800

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 20
SEGMENTED INFORMATION

IFRS 8, "Operating Segments", requires operating segments to be determined based on internal reports that are regularly reviewed by the chief operating decision-makers for the purpose of allocating resources to the segment and assessing its performance. The Trust has applied judgment by aggregating its operating segments according to the nature of the property operations. Such judgment considers the nature of operations, types of customers and an expectation that operating segments within a reportable segment have similar long-term economic characteristics. As at March 31, 2020, the Trust has the following three reportable segments: retail, office and industrial.

Business Segments

For the three months ended March 31, 2020	Retail	Office	Industrial	Total
Revenue from real estate properties	**$36,361**	**$29,198**	**$814**	**$66,373**
Property operating expenses	**(8,914)**	**(7,626)**	**(211)**	**(16,751)**
Property taxes	**(7,904)**	**(4,560)**	**(87)**	**(12,551)**
Property management fees	**(1,267)**	**(951)**	**(25)**	**(2,243)**
	$18,276	**$16,061**	**$491**	**$34,828**

For the three months ended March 31, 2019	Retail	Office	Industrial	Total
Revenue from real estate properties	$37,926	$31,332	$1,196	$70,454
Property operating expenses	(9,240)	(7,835)	(288)	(17,363)
Property taxes	(7,615)	(5,210)	(150)	(12,975)
Property management fees	(1,319)	(898)	(39)	(2,256)
	$19,752	$17,389	$719	$37,860

	Retail	Office	Industrial	Total
As at March 31, 2020				
Real estate properties	**$1,585,298**	**$1,154,717**	**$43,450**	**$2,783,465**
Mortgages payable (based on collateral)	**$607,216**	**$452,081**	**$—**	**$1,059,297**
For the three months ended March 31, 2020				
Additions to real estate properties	**$11,389**	**$1,276**	**$43**	**$12,708**
Fair value (losses)/gains on real estate properties	**($97,748)**	**($23,552)**	**$183**	**($121,117)**

	Retail	Office	Industrial	Total
As at December 31, 2019				
Real estate properties	$1,671,653	$1,177,220	$43,230	$2,892,103
Mortgages payable (based on collateral)	$612,078	$456,270	$—	$1,068,348
For the three months ended March 31, 2019				
Additions to real estate properties	$5,470	$3,263	$34	$8,767
Fair value gains/(losses) on real estate properties	$1,767	($7,760)	$313	($5,680)

NOTE 21
SUBSEQUENT EVENTS
COVID-19

During and subsequent to the first quarter of 2020, the outbreak of the novel strain of coronavirus ("COVID-19") has resulted in governments worldwide enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, restrictions on or closures of non-essential businesses, self-imposed quarantine periods and physical distancing, have caused an economic slowdown and material disruption to business in Canada and globally which has resulted in an uncertain and challenging economic environment that could negatively impact the Trust's operations and financial results in future periods. Given the unprecedented and pervasive impact of changing circumstances surrounding the COVID-19 pandemic, there is inherently more uncertainty associated with the Trust's future operating assumptions and expectations as compared to prior periods. As such, it is not possible to estimate the impacts COVID-19 will have on the Trust's financial position or results of operations in future periods.

At this time, the duration and impact of the COVID-19 pandemic is unknown, as is the effectiveness of the government and central bank interventions. Any estimate of the length and severity of these measures is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may, directly or indirectly, materially and adversely affect the Trust's operations, financial results and condition in future periods are also subject to significant uncertainty.

There are tenants in all asset classes who did not pay their rent due on April 1, 2020. As of April 29, 2020, the Trust has collected approximately 65% (or $0.2 million) of April rent from its industrial tenants, approximately 91% (or $9.0 million) of April rent from its office tenants and approximately 45% (or $5.4 million) of April rent from its retail tenants. In total the Trust has collected 65% of its April rent across all asset classes. This is analyzed in more depth on page 10 of the Trust's March 31, 2020 Management's Discussion and Analysis.

Distribution to Unitholders

On March 13, 2020, the Trust declared a distribution of $0.08 per unit which was paid to unitholders on April 15, 2020. Morguard elected to participate in the distribution reinvestment program, and as a result the Trust issued 574,555 units to Morguard on April 15, 2020. After the issuance of units related to this distribution, Morguard owns 58.86% of the Trust's outstanding units as at April 15, 2020.