RESEARCH REPORT

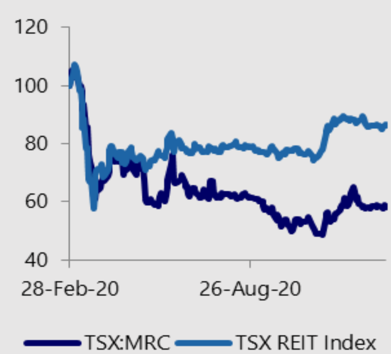
January 11, 2021

Stock Rating	BUY
Price Target	$222.00

Bear Case	Price Target	Bull Case
$187.00	$222.00	$233.00

Ticker	MRC
Market Cap (MM)	$1,267
FFO/Share (2019)	$22.23
P/NAV	0.49x

52 Week Performance



Morguard Corporation (TSX: MRC)

Mor-Guarding the Estate

In December 2020, the FIG team disposed of its largest holding at the time, Morguard North American Residential REIT ("MRG"), to purchase a stake in Morguard Corporation ("MRC"). While the team is more bullish on the residential asset class in general, it believed MRC offered a superior risk adjusted return with several structural benefits compared to MRG. As MRC is a significant unitholder of MRG, QUIC remains invested in MRG indirectly.

MRC is is a real estate investment and management corporation with stakes in multiple public REITs. It is arguably the most diversified real estate company in Canada, owning direct or indirect interests in properties across all five sub-sectors in a large array of markets across the U.S. and Canada. It also serves as the external manager to two affiliated REITs and owns two asset management businesses catering to private and institutional investors.

MRC, in its current form, is the product of its entrepreneurial Chairman, CEO, and 60% shareholder, Rai Sahi. Sahi was born in Pakistan before India was partitioned into two countries, and his family fled to India after the split. He emigrated to Canada from India in 1971, beginning his career as a laborer before going on to ultimately become a billionaire. It is Sahi's 'outsider' approach to business and capital allocation which has allowed him to achieve such success. It is specifically this approach to capital allocation (along with a substantial discount to the team's estimate of intrinsic value) which the team felt justified its move from MRG into MRC.

Financial Institutions

Nick Gakena
ngakena@quiconline.com

Tawfek Abdelwahed
tabdelwahed@quiconline.com

Karan Goyal
kgoyal@quiconline.com

Cameron Ayotte
cayotte@quiconline.com

Petar Mijacevic
pmijacevic@quiconline.com

Table of Contents

Company Overview

General Description

Morguard Corporation (TSX: MRC) is a real estate investment company whose principal activities include the acquisition, development and ownership of multi-suite residential, commercial, and hotel properties. Morguard is also one of Canada's premier real estate investment advisors and management companies, representing major institutional and private investors. Morguard is one of Canada's largest integrated real estate companies, with total assets under management (including both owned and managed assets) valued at $19.4B as of Q3 2020.

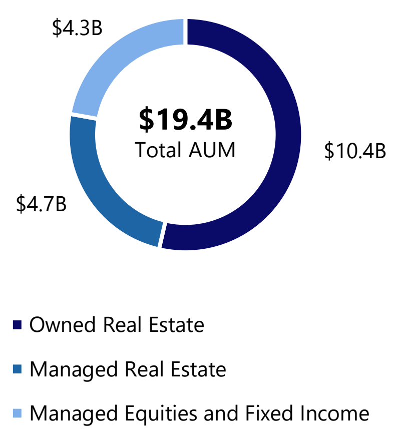
Morguard operates three diversified lines of business: investments in real property and ownership in real estate investment trusts through Morguard REIT (TSX: MRT.UN) and Morguard North American Residential REIT (TSX: MRG.UN), and real estate advisory services and portfolio management specializing in publicly traded equities and fixed-income securities, to institutional clients and private investors through the Morguard Investments Limited and Lincluden Investment Management Limited. Morguard owns a 59.9% interest in Morguard REIT, a 44.8% effective interest in Morguard Residential REIT, wholly owns Morguard Investments Limited, and a 60% interest in Lincluden Investment Management Limited (Q3 2020).

Business Strategy

Morguard's aims to acquire a diversified portfolio of commercial and multi-state residential real estate assets by focusing on: increasing property values and cash flow through aggressive leasing of available space and of space becoming available, taking advantage of long-standing relationships with national and regional tenants, targeting and executing redevelopment and expansion projects that will generate substantial returns, pursuing opportunities to acquire or develop strategically located properties, and disposing of properties where cash flows and values have been maximized.

EXHIBIT I

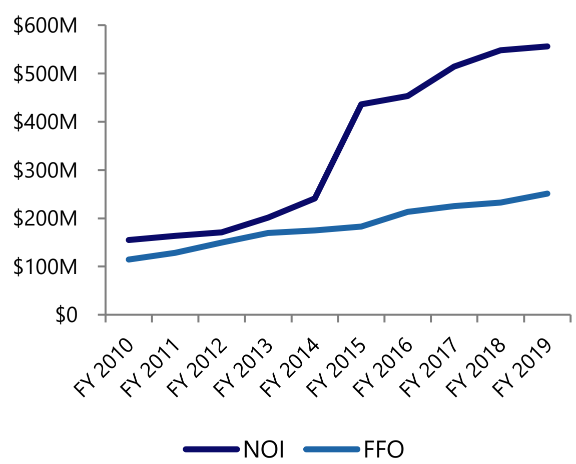
Breakdown of Morguard's AUM (Q3 2020)



Source(s): Company Filings

EXHIBIT II

Morguard's 10-Year NOI & FFO



Source(s): S&P Capital IQ

Company Overview

Description of Significant Operations

- A 61.91% stake in Morguard REIT (MRT), which owns a diversified portfolio of 48 retail, office, and industrial income producing properties representing ~8.5MM square feet of GLA in B.C., Alberta, Saskatchewan, Manitoba, Ontario, and Quebec. MRT is externally managed by MRC.

- A 44.8% stake (*de facto* control) in Morguard North American Residential REIT (MRG), which owns interests in a portfolio of 16 Canadian residential apartment buildings and 27 U.S. residential apartment communities representing 13,277 suites across Alberta, Ontario, Colorado, Texas, Louisiana, Illinois, Georgia, Florida, North Carolina, Virginia, and Maryland. MRG is externally managed by MRC.

- A 14.8% stake in Plaza Retail REIT (PLZ) an owner and developer of retail properties focused on Ontario, Quebec and Atlantic Canada with a portfolio of 272 properties representing ~8.6MM square feet of GLA.

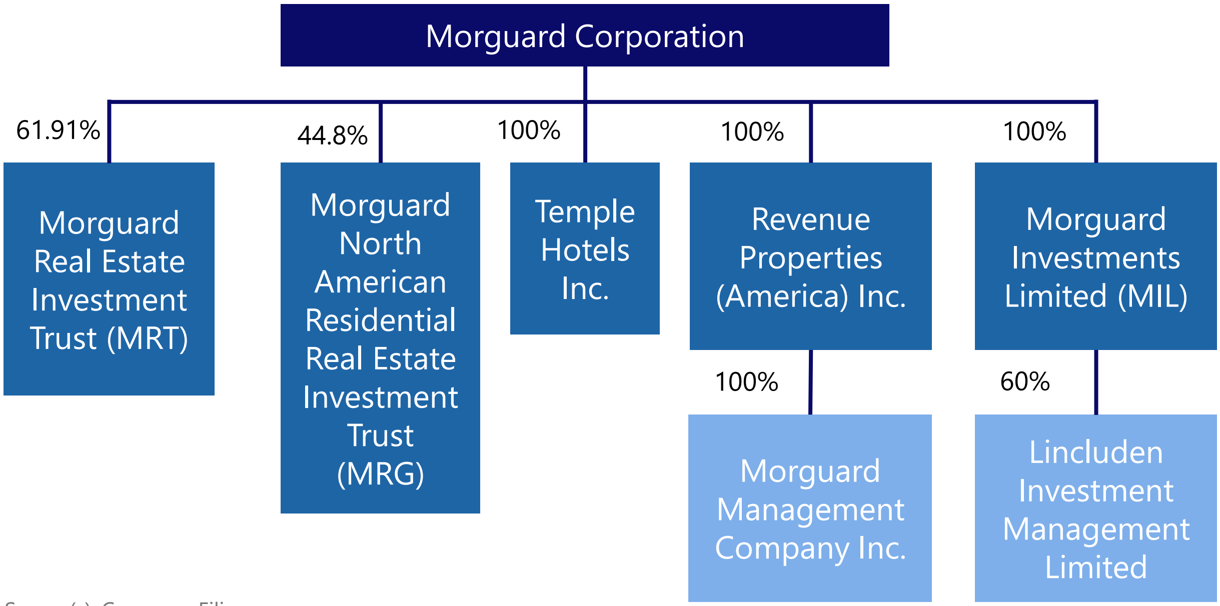
- A 100% stake in Temple Hotels, which owns a portfolio of 27 hotel properties in Canada.

- A 100% stake in Revenue Properties (America) Inc., a Delaware corporation which owns properties in the U.S. Revenue Properties (America) Inc. owns a 100% stake in Morguard Management Company which manages real estate assets in the U.S.

- A 100% stake in Morguard Investments Limited (MIL). MIL is a real estate investment advisory and management company. MIL owns a 60% stake in Lincluden Investment Management which manages diversified portfolios of public and private investments.

EXHIBIT III

Morguard Corporation Structure



Source(s): Company Filings

Company Overview

Breakdown of Portfolio by Asset Class

Multi-Suite Residential: Comprised of 24 Canadian properties (21 high-rise buildings, two low-rise buildings, and one mid-rise building located primarily throughout the Greater Toronto Area) and 31 U.S. properties (20 low-rise and seven mid-rise garden-style communities in Colorado, Texas, Louisiana, Georgia, Florida, North Carolina, Virginia, and Maryland, and four high-rise buildings in Chicago and Los Angeles), with 55 properties containing 17,638 apartment suites valued at $5.07B.

Retail: Comprised of enclosed full-scale regional shopping centres and neighbourhood and community shopping centres primarily anchored by food retailers, discount department stores, and banking institutions. The retail portfolio comprises 27 properties located in Canada and 10 properties located in Florida and Louisiana. The combined retail portfolio of 37 properties represents 8.2M SF of GLA valued at $2.2B.

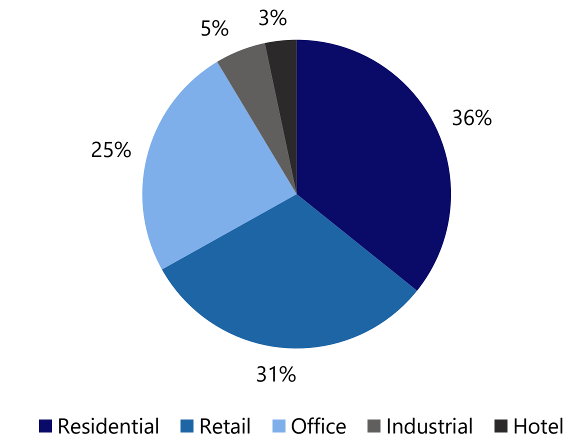
Office: Focused on well-located, high-quality office buildings in major Canadian urban centres primarily located throughout the Greater Toronto Area, downtown Ottawa, Montreal, Calgary, and Edmonton. The portfolio is balanced between single-tenant buildings under long-term lease to government and large national tenants, and multi-tenant properties with well-distributed lease expiries that allow Morguard to benefit from increased rent on lease renewals. The office portfolio represents 7.7M SF of GLA, with 49 properties valued at $2.4B.

Industrial: Comprised of 24 industrial properties located throughout Ontario, Quebec, and British Columbia, represents 1M SF of GLA valued at $130M.

Hotels: Comprised of 22 branded and 16 unbranded hotel properties located in six Canadian provinces and the Northwest Territories. Branded hotels include Hilton, Marriott, Holiday Inn, and Wyndham. The hotel portfolio represents 38 properties with 5,758 rooms and is valued at $585M.

EXHIBIT IV

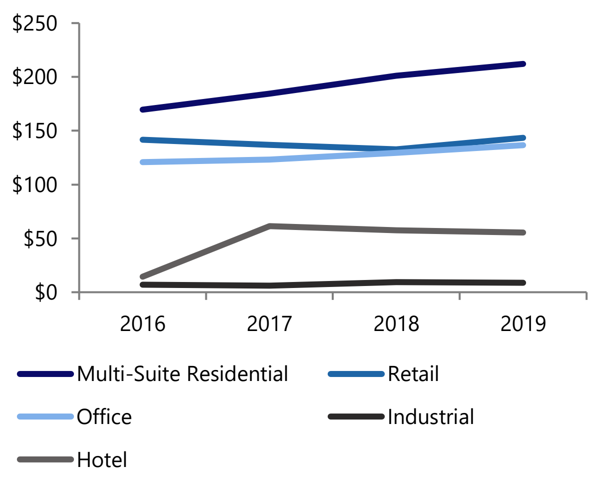
Real Estate Asset Classes by NOI



Source(s): Company Filings

EXHIBIT V

Annual Comparative NOI by Asset Type (M)



Source(s): Company Filings

Company Overview

Ownership Structure

Morguard's ownership is largely held by individuals/insiders, holding 61.41% of total shares outstanding. Morguard's insider ownership is mainly composed of Chairman & Chief Executive Office Kuldip Rai Sahi's stake, holding 60.23% of total shares outstanding as of March 12, 2020.

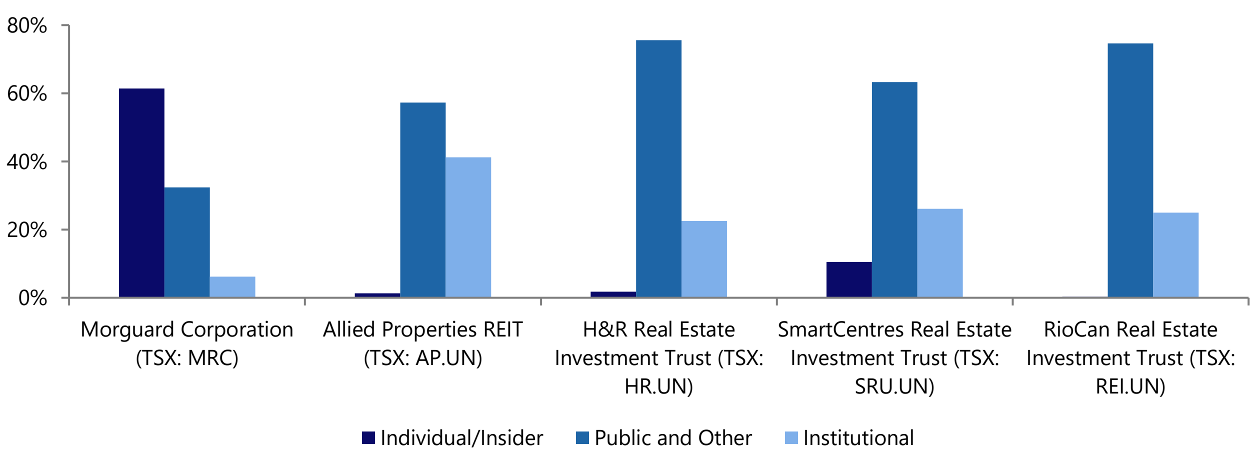
Institutional investors make up a limited portion of Morguard's ownership structure, holding only 6.21% of total shares outstanding, with CI Global Asset Management (2.04%), Invesco Ltd. (0.95%), and GAMCO Investors Inc. (0.81%) holding the three largest institutional positions at 2.04%, 0.95%. The remaining 32.38% of Morguard's ownership structure is composed of public investors. While an anomaly among its Canadian REIT competitors, Morguard's high insider ownership structure is a factor in its undervaluation, with Sahi's majority ownership disincentivizing institutional investments in Morguard.

CEO: Kuldip Rai Sahi

Mr. Kuldip Rai Sahi, FCPA, FCGA, has served as the Chairman and Chief Executive Officer of Morguard Corporation since November 10, 1998 and Chairman, President and Chief Executive Officer of TWC Enterprises Limited since 1997. Sahi was a refugee when India and Pakistan split, and earned a bachelor's degree in economics and worked for the Central Bank of India until immigrating to Canada when he was 24. Sahi started selling insurance door to door while earning his CPA. Sahi later became an activist investor, purchasing Advanced Extrusions Ltd. and exiting with its sale to CCL Industries, and owned a minority stake in Federal Industries/Russel Metals until purchasing Morguard and not selling any share since. Under Sahi's management, Morguard was one of few REITs focusing on growth through reinvesting cash flow over dividends and has focused on value investments by avoiding marked-up vanity assets in major Canadian cities and avoided investing outside of North America.

EXHIBIT VI

Comparative REIT Ownership Statistics



Source(s): S&P Capital IQ

Company Overview

Management Businesses

Morguard Corporation earns management and advisory fees from MRT, MRG, MIL, and Lincluden. For MRT, the property management fee amounts to 3.2% of gross property revenue. There are several other ancillary fees including leasing, acquisition/disposition, development, and others – all of these are optional and at the discretion of MRT.

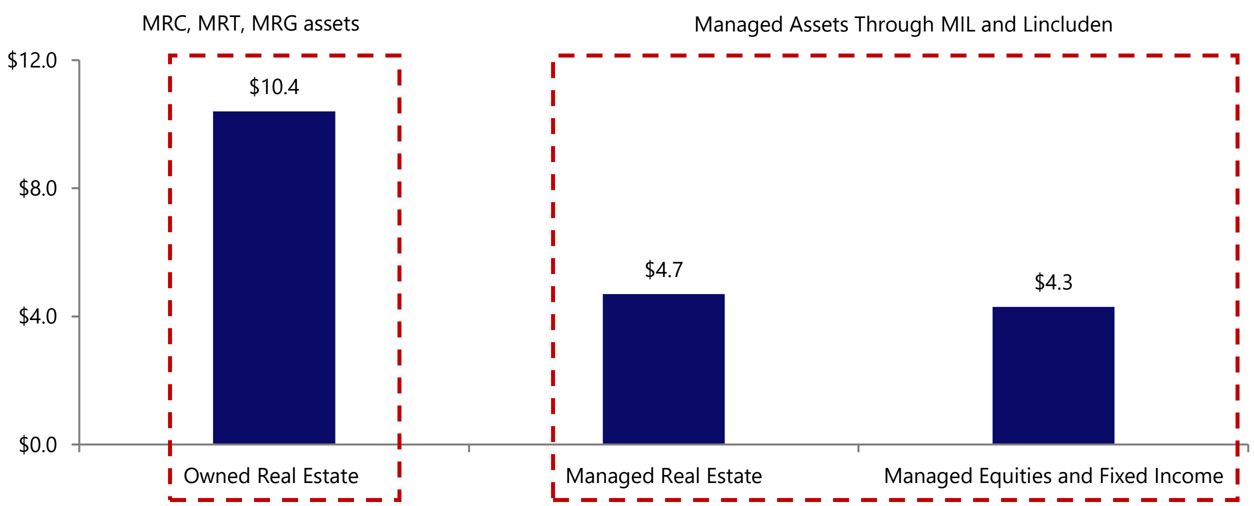
For MRG, there are three core fee areas – the base fee which amounts to 0.25% of gross book value, the property management fee which amounts to 3.5% of gross property revenue, and the incentive fee which amounts to 15% of FFO in excess of $0.66 per unit. There are other ancillary fees, similar to MRT. The ancillary fees are not material to MRC.

For Lincluden, the breakdown of fees is not disclosed, however, the team backed into the figure by subtracting MRG and MRT fees from the total received by MRC. In 2019, MRC received $52,401 in fees and in 2020 Q1 to Q3, MRC received $31,620 in fees. This structure provides additional stability to Morguard Corporation. In addition, MRT and MRG do have the ability to break out of the contract with MRC at every renewal period of 5 years. However, given that MRC is the largest stakeholder in both Trusts, there is no chance of the contract being terminated, unless MRC decides to do so.

MRC has approximately $10.4 billion of owned real estate through MRC owned assets and the stakes in MRT and MRG. In addition, MRC has $4.7 billion of managed real estate and $4.3 billion of managed equities and fixed income through MIL and Lincluden.

EXHIBIT VII

Morguard AUM Breakdown in Billions (As of September 30, 2020)



Source(s): Company Filings

Company Overview

EXHIBIT VIII

Morguard Fee Visualization

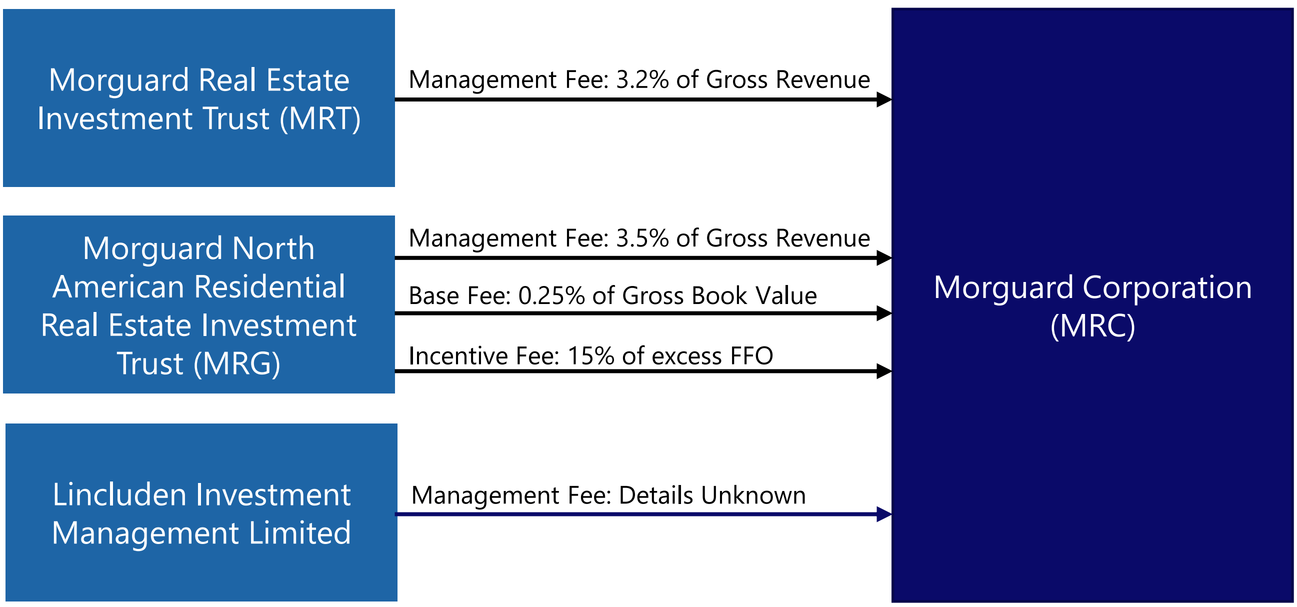


EXHIBIT IX

Morguard Fee Summary

Entity	Action	2019 Fees	2020 Q1-Q3 Fees
MRT	Paid	$16,012	$9,709
MRG	Paid	$22,671	$17,356
Lincluden	Paid	$13,718	$4,555
MRC	**Received**	**$52,401**	**$31,620**

Source(s): Company Filings

Company Overview

EXHIBIT X

MRG Fee Structure

Fee Type	Underlying Factor	Fee (%)	2019	2020 Q1-Q3	2020 Annualized
Base Fee	Gross Book Value	0.25%	$12,154	$10,226	$13,635
Property Management Fee	Gross Property Revenue	3.50%	$8,583	$6,905	$9,207
Incentive Fee	FFO in excess of $0.66 per unit	15%	NA[2]	NA[2]	NA[2]
Acquisition Fee	0.75% on first $200M of property acquisitions in each fiscal year; 0.5% thereafter (U.S. and CDN sides counted separately)	0.75% / 0.5%	$1,315	$0	$0
Financing Fee	Principal Amount and Associated Costs	0.15%	$331	$37	$49
Development Fee	Development costs where costs exceed US$1M per property	1%	$72	$39	$52
Other Fees	Varies[1]	NA	$216	$149	$199
Total			**$22,671**	**$17,356**	**$23,141**

MRT Fee Structure

Fee Type	Underlying Factor	Fee (%)	2019	2020 Q1-Q3	2020 Annualized
Property Management Fee	Gross Property Revenue	3.20%	$9,157	$6,177	$8,236
Leasing Fee	Total Minimum Rent of New Leases[1]	2-6%	$2,947	$972	$1,296
Acquisition / Disposition Fee	Acquisition / Disposition Value[1]	NA	$0	$0	$0
Development Fee	Development costs[1]	3%	$0	$0	$0
Other Fees	Varies[1]	NA	$3,908	$2,560	$3,413
Total			**$16,012**	**$9,709**	**$12,945**

1. Fee is optional. It is only paid if the Trust chooses to use Morguard to perform the service listed.
2. Incentive Fee is included in the $12,154 figure - the Trust does not break down the amounts.

Source(s): Company Filings

Tenant Analysis

Overview

Morguard's ten largest tenants categorized by annualized rental revenue accounted for 21.6% of Morguard's total rental revenue from real estate properties in 2019, and represents 28.5% of total gross leasable area. Morguard's non-reliance on any individual tenant through a diversified portfolio of assets and geographical diversification of assets has resulted in diversified tenants in the portfolio. This diversification helps mitigate the risk of bad debt expense in response to economic downturns in any or all individual asset classes as we have seen during COVID-19 with Morguard's relatively strong and consistent occupancy and rental collection rates.

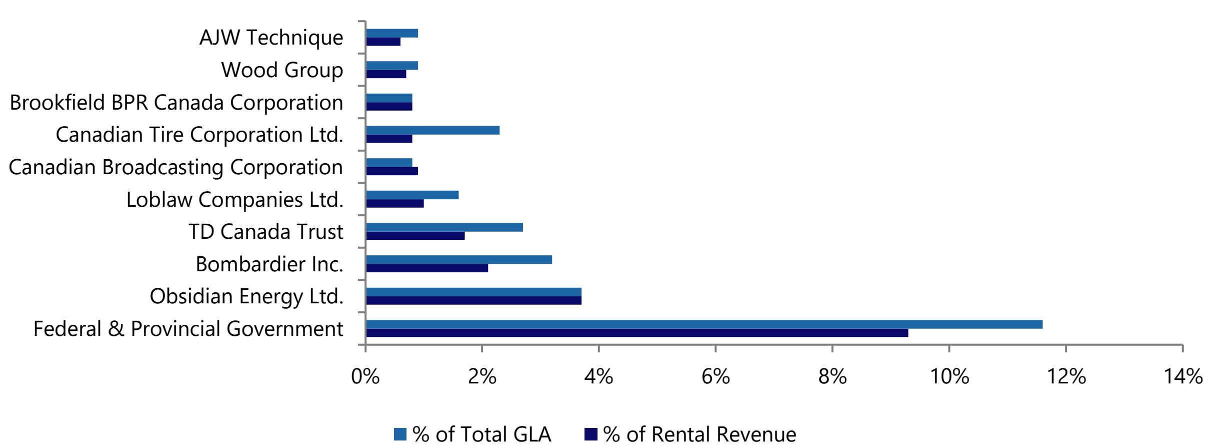
A large factor risk mitigator in Morguard's portfolio is their largest tenant: the federal and provincial government, leasing 1,931 GLA SF of office space, representing approximately 37% of office annualized rental revenue and 9.3% of total rental revenue. With the federal and provincial government as Morguard's largest tenant, this has contributed to maintaining cash flow, office rental revenue collection rates, and mitigating the risk of non-payment of rent throughout COVID-19. Furthermore, Morguard mitigates risk in lease rollover with a staggered lease expiry profile, helping ensure strong occupancy rates continue in the current low-demand market as Morguard only had 13% of leases expire in 2020 (16% retail, 10% office, 1% industrial) and is anticipating only 11% and 10% of leases to expire in 2021 and 2022 respectively.

Risk Assessment Strategies

To evaluate the risk of publicly-traded tenants in Morguard's portfolio, the FIG team evaluated net debt-to-EBITDA, EBITDA-to-interest expense, the current ratio, and the percentage change in revenue. These statistics provide a high-level overview of each tenant's ability to service leverage, cover current interest payments with available earnings, cover

EXHIBIT XI

Morguard's Ten Largest Tenants (As of Dec. 31, 2019)



Source(s): Company Filings

Tenant Analysis

current liabilities, ability to generate revenue, and ability to raise capital through issuing credit.

A tenant with a minimum of two of the following: LTM net debt-to-EBITDA ratio > 8, LTM revenue change < -15%, LTM EBITDA/interest expense (interest coverage ratio) under 4x, current ratio <0.75, and/or credit rating below BBB (rating grade defined as an obligation exhibiting adequate protection parameters) is considered by the FIG team as a "high risk" tenant for non-payment of rent or rent cancellation.

Low-Risk Tenants

Of Morguard's ten largest tenants which are publicly traded, TD Canada Trust, Loblaws, Canadian Tire, and the John Wood Group are all low-risk tenants. As TD Canada Trust is one of the big six banking institutions in Canada, and Brookfield Renewable Partners is as a subsidiary of Brookfield Asset Management (TSX: BAM.A), an industry-leading asset management company, both are well-capitalized and the risk of non-payment/rent cancellation from both is low.

High-Risk Tenants

1. Obsidian Energy: An oil and natural gas explorer, developer, and holdings company with high risk due to Alberta based oil operations, compounded revenue growth over five years (-24.4%), negative EBITDA ($1.3B), and large increase in debt in its capital structure (146.3% from 52.7% LTM).

2. Bombardier: Poor debt and capital structure (269% total debt/equity) and credit generating ability combined with historically negative free cash flows, Bomardier's dependency on the struggling transportation and aviation industries during COVID combined with intense competition makes Bombardier a high-risk tenant. One consideration of reduced risk is Bombardier's historical Canadian government subsidies.

EXHIBIT XII

Financial Overview of Morguard's Largest Publicly Traded Tenants

Tenants	LTM Net Debt / EBITDA	LTM Revenue Change	LTM EBITDA/Interest Expense	Current Ratio	S&P Credit Ratings
Obsidian Energy Ltd. (TSX: OBE)	8.5x	-15.30%	1.5x	0.6x	NR
Bombardier Inc. (TSX: BBD.B)	41.3x	-5.30%	-0.06x	1.0x	CCC+
Toronto-Dominion Bank (TSX: TD)	N/A	-4.29%	N/A	N/A	AA-
Loblaw Companies Ltd. (TSX: L)	3.3x	7.00%	5.9x	1.3x	BBB
Canadian Tire Corporation Ltd. (TSX: CTC.A)	4.6x	6.30%	4.5x	1.9x	BBB
Brookfield Renewable Partners L.P. (TSX: BEP.UN)	9.2x	-27.40%	1.1x	0.6x	BBB+
John Wood Group (LSE: WG)	2.9x	-7.10%	4.3x	0.9x	NR

Source(s): S&P Capital IQ

Office Real Estate Market & Portfolio Overview

Market Overview

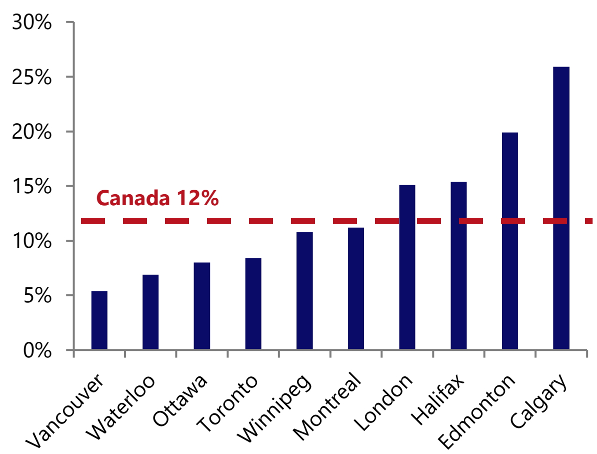
In Canada, overall office vacancy rates averaged 12% in Q3 2020, relatively consistent to the 2019 average vacancy rate at 10.9%. COVID-19 impacted the office real estate market by causing a substantial decline in net absorption at ~10% and ~18% during Q2 and Q3 2020. In Q3, vacancies arose from sublease space, with companies aiming to mitigate risk and improve cashflows, and accounted for 40% of the newly vacant 4 million sq. ft. in Canada's downtown centres. The remaining increase in vacant downtown space came from plummeting leasing activities due to lockdown measures. However, with recovering Canadian employment markets, in-person relationships defining company culture, and vaccination rollouts, landlord confidence remains strong, with national average Class A downtown rent in line with the 2019 average. However, uncertainty in long-term implications of COVID has resulted in immaterial cap rate changes.

Morguard's Office Real Estate Portfolio

Based on the geographical distribution of Morguard's Canadian office portfolio properties, its anticipated vacancy rate would be 11.77%. However, Morguard's office portfolio vacancy rate is 8.2% due to high-quality tenancy and portfolio distribution. Most risk in Morguard's office portfolio is tied to sizeable Calgary and Edmonton holdings, with these markets having 25.9% and 19.9% vacancy rates due to their correlation with Alberta's declining oil sector. Additionally, Morguard's comparative office NOI declined by $8.6M from $100.4M to $91.8M for the nine months ended Sep. 30, 2020, representing 25.9% of comparative NOI. Office cap rates also remain unchanged from pre-COVID levels at a weighted average rate of 6.1% between 4.3%-8.5%, relatively in the national average range of 4.9%-7.3% (AA downtown office - B suburban office). Lastly, Morguard's office tenant bad debt expense only represents 1.7% of revenue for the nine months ended Sep. 30, 2020. Ultimately, excluding Morguard's Albertan office properties, the remainder of its office portfolio's future cash flows appear stable.

EXHIBIT XIII

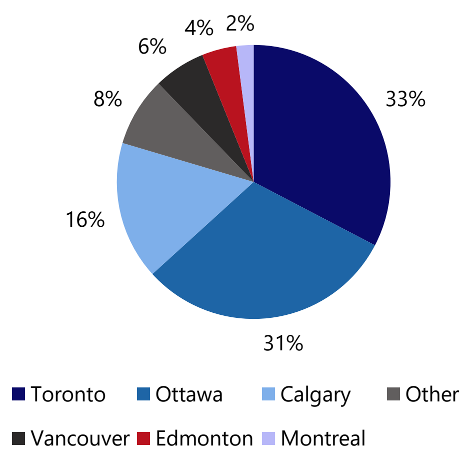
Q3 2020 Major Canadian Office Market Vacancy Rates



Source(s): CBRE

EXHIBIT XIV

Morguard's Canadian Office Portfolio by Location



Source(s): Company Filings

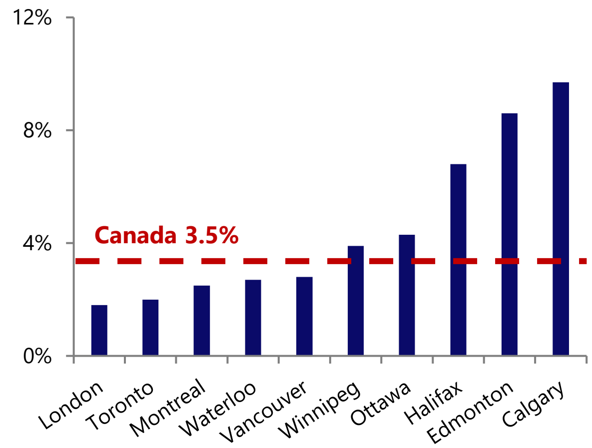
Industrial Real Estate Market & Portfolio Overview

Market Overview

Canada's industrial markets have demonstrated incredible resiliency to the pandemic and recession. This is due to strong market fundamentals and favorable long-term tailwinds presented by the shift to e-commerce in retail, increasing demand for logistics and supply chain facilities**.** Additional demand has also emerged from companies seeking to nationalize supply chains and keep more inventory on hand to mitigate future disruptions. In Q3 2020, gains from preleased deliveries in Canada's major markets helped the industrial market outperform, recording 6.6 million sq. ft. of absorption, well above the three-year average of 5.8 million sq. ft. during economic expansion. Availability rates have remained relatively in-line compared with 2019 average rates, increasing from 3% in 2019 to 3.5% in Q3 2020. Additionally, both average Canadian industrial cap rates declined YoY from 5.08% for Industrial A and 6.09% for Industrial B in Q3 2019 to 5.03% and 6.13% respectively in Q3 2020. Both average net rent and average sale prices for industrial real estate have increased to $9.17 and $159.57 respectively from $8.63 and $155 YoY (2020), an indicator of increasing demand. Despite the strong market, there is still undersupply for readily available top-tier logistics facilities across Canada. As industrial market fundamentals and shifts continue to indicate future growth beyond COVID, industrial real estate is a highly attractive aspect in a REIT portfolio.

EXHIBIT XV

Q3 2020 Major Canadian Industrial Market Availability Rates



Source(s): CBRE

Morguard's Industrial Real Estate Portfolio

As Morguard's industrial portfolio holdings are in Ontario, Quebec, and British Columbia, it has avoided exposure to markets experiencing low absorption and high availability rates, particularly in Eastern Canada and Alberta. Morguard's occupancy rates have also been relatively in-line with market trends, with vacancy rates slightly increasing YoY from 8.6% in Q3 2019 to 8.9% in 2020. Additionally, the industrial portfolio's comparative NOI increased by $97K YoY from $4.736M to $4.833M for the nine months ended Sep. 30, 2020, representing only 1.36% of comparative NOI. The percentage of the industrial portfolio in relation to NOI is relatively underweight relative to its percentage of assets in Morguard's real estate portfolio at 5.3%. However, this may result from a different weighting of managed and owned properties relative to other portfolios. Industrial cap rates slightly increased YoY by 20 bps from pre-COVID levels to a weighted average rate of 5.4%, largely due to an increased portfolio weighting to industrial B properties, with industrial A at 5% and industrial B at 6.8%, and Morguard's industrial B cap rates relatively higher than the national average. Lastly, Morguard's industrial tenant bad debt expense only represents 3.1% of portfolio revenue for the nine months ended Sep. 30, 2020. Ultimately, with a strong industrial real estate market, Morguard's core competency investing in undervalued properties in urban/suburban real-estate assets outside of major Canadian city centres can be leveraged to increase its holdings and improve the efficiency of its industrial portfolio, further diversifying Morguard's asset classes and shifting risk from its mall retail portfolio.

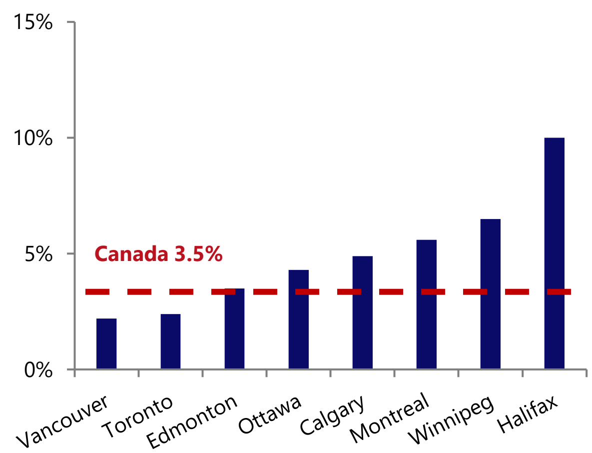
Mall Retail Real Estate Market & Portfolio Overview

Market Overview

Building on the FIG team's retail assessment on SmartCentres, the retail landscape was one of the most affected sectors from COVID-19. Retail footfalls and in-store sales and traffic plummeted following lockdown measures implemented across Canadian cities in mid-March. With the mobility index reaching lows of under 74% of baseline activity in mid-April, despite recovering to 25%, and consumer confidence recovering from its April low of 35.6% to 45.1%, it will remain low due to government-mandated capacity limits, lower consumer comfortability for in-store shopping, high unemployment, and shifting consumer expenditure to e-commerce, with online penetration increasing from 3.1% to 13.5% of total retail sales. The retail sector incurring the heaviest losses from COVID-19 is regional shopping centres / malls, and composes the entirety of Morguard's retail real estate portfolio. With a current 7.7% national average vacancy rate for regional shopping centres as of Fall 2020, this is substantially above the average retail vacancy rate of 4.1%. As businesses previously in growth stages of their business cycle are now preserving funds and rationalizing stores, the pool of tenants able to backfill these early vacancies has dwindled. With the average retail cap rate increasing to 6.05%, regional shopping centre cap rates also increased YoY from 5.27% in Q3 2019 to 5.41% in Q3 2020. Despite the pandemic's heavy impact on regional shopping centres in terms of vacancies and reduced revenues, their cap rate remains the second lowest across the various types of retail real estate properties. In terms of the 2020 YTD retail growth by sector, food and beverage, general merchandise, and electronics markets grew (10%, 6%, and 3% respectively) while recreation, furniture, and clothing and accessories declined (-8%, -14%, and -31% respectively). As the growth of regional shopping centres has declined even prior to the pandemic, the financial strain of the pandemic combined with shifting consumer purchasing trends towards e-commerce options is likely to exacerbate the decline of the mall retail sector.

EXHIBIT XVI

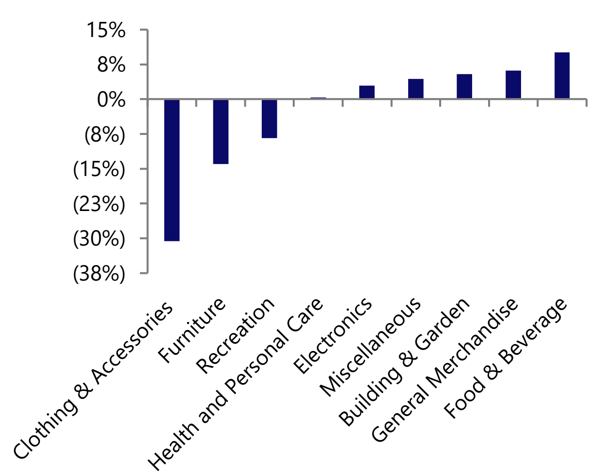
Q3 2020 Major Canadian Retail Regional Shopping Centres Market Availability Rates



Source(s): CBRE

EXHIBIT XVII

Core Retail Sales Category YTD Annual Change (%)



Source(s): CBRE

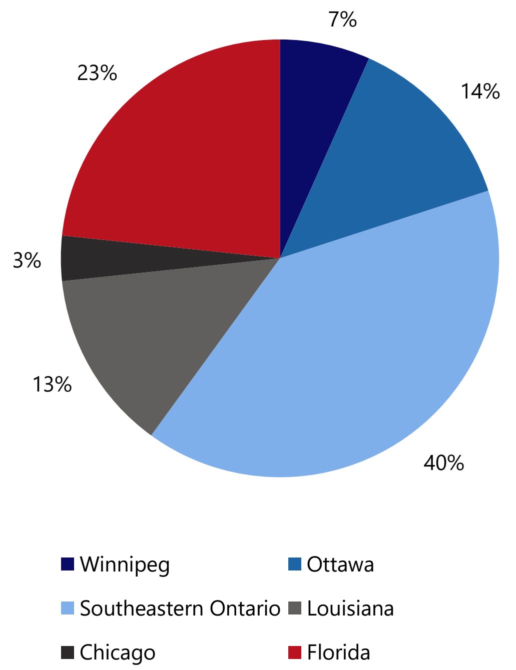
Mall Retail Real Estate Market & Portfolio Overview

Morguard's Mall Retail Real Estate Portfolio

Firstly, as Morguard is primarily anchored by food retailers, discount department stores (general merchandise), and banking institutions, it has relatively reduced risk to tenant non-payments by these anchoring retailers. Morguard's retail portfolio comprises 27 properties located in Canada, all of which are in Southern Ontario, 10 properties located in Florida and Louisiana, and one in Chicago. Morguard's occupancy rates, while underperforming the market, improved during 2020, with vacancy rates slightly decreasing YoY from 11.4% in Q3 2019 to 9.3% in 2020. However, its retail portfolio's comparative NOI declined substantially by $16.1M YoY from $98.1M to $82M for the nine months ended Sep. 30, 2020 and represents a substantial portion of Morguard's comparative NOI at approximately 23.1%. The percentage of the retail real estate portfolio in relation to NOI is slightly underweight relative to its percentage of assets in Morguard's real estate portfolio at 31.1%, however this may result from a different weighting of managed and owned properties relative to other portfolios, and particularly from rent abatements and emergency relief provided to tenants in response to COVID. Retail cap rates increased YoY by 50 BPS from pre-COVID levels to a weighted average rate of 7.0% (min. of 5.3% and max. of 9%), largely due to its portfolio consisting entirely of regional shopping centres, with Morguard's cap rates 159 BPS higher than the national average for regional shopping centres, representing higher risks and lower return prospects than most other regional shopping centres. The underperformance of Morguard's retail portfolio may also attributed to its U.S. suburban holdings, due to the fact that cap rates in Miami are 5% -5.75%, Tampa are 5.5% to 6.5%, and Chicago at 6.25 – 7.25% (Class A grocery-anchored retail center rates), substantially higher than the Canadian regional shopping center rate. Lastly, Morguard's retail tenant bad debt expense represents 9.9% of portfolio revenue for the nine months ended Sep. 30, 2020, indicating that Morguard's retail tenants' solvency was heavily impacted by COVID. Ultimately, Morguard's poor retail profile, high weighting in its real estate portfolio, and poor projections for the retail market reduce the portfolio value and future returns substantially.

EXHIBIT XVIII

Geographic Breakdown of Morguard's Retail Portfolio



Source(s): Company Filings

Risk I: Hotel Operations

The FIG team has identified two significant risks to Morguard's operations: (1) its hotel operations and enclosed mall portfolio, and (2) its Alberta exposure. COVID-19 has impacted tourism, and the worldwide commodity shock has impacted drilling in Northern Alberta. Both factors have hurt Morguard's hotel operations, reducing occupancy and profits. Morguard's Alberta properties have also been affected by the commodity shock, as many of its tenants are heavily reliant on the oil sands' success. This reliance on the oil sands is seen in the lower-than-average occupancy rates in Calgary and Edmonton. Post-pandemic, these properties pose a risk to Morguard, as the fate of its tenants are still unknown.

Hotels Overview

Except for its hotel operating segment, Morguard operates similarly to a REIT in all aspects of its business. Instead of leasing its hotel properties to hotel operators, Morguard actively manages all 5,758 hotel rooms in all 38 of its hotels. The hotels are a mix of branded hotels such as Hilton, Marriott, and Holiday and unbranded hotels. Morguard is responsible for all expenses accumulated in operations, including realty fees, branding fees, and operating expenses, but it receives 100% of the revenue earned in its operations.

In recent years Morguard had been purchasing stakes in hotel operator Temple Hotels Inc. to diversify away risk created by economic and real estate cycles. By late 2019, Morguard had purchased over 72% of the outstanding shares of Temple Hotels Inc., and in December, entered into a definitive agreement with Temple to acquire all of the outstanding shares not already owned by the company. Morguard paid a premium of 18% to the closing share price of the Temple shares on the TSX. The acquisition gave Morguard full control over the operations of all 38 hotels owned and operated by Temple previously.

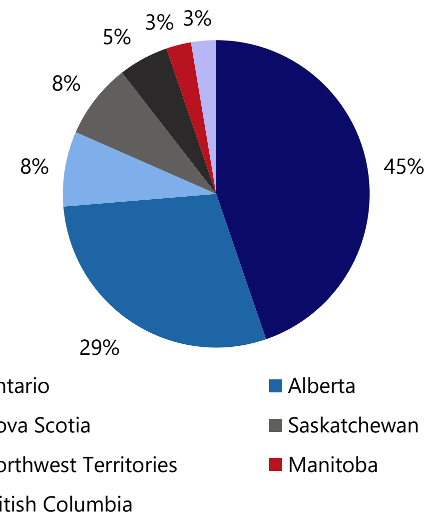
Overview of Hotel Portfolio

Hotel operations account for approximately 10% of NOI and 5% of Morguard's total assets. The hotels are located across Canada in six provinces and one territory (NWT). Eight of its hotels are in Fort McMurray, giving Morguard exposure to a resource-based cyclicality. This exposure has impacted Morguard's hotel segment's profits over the past ten months, as drilling in Fort McMurray has slowed.

Of the 38 hotels, 22 are branded, and 16 are unbranded. As a hotel property owner, Morguard has the option to brand its hotels and operate its properties. Morguard has branded 58% of its properties and operates all of its properties regardless of the decision to brand. While branding can improve a hotel's image, include turnkey operating manuals, and provide services that drive occupancy, it comes at a high cost. Generally, brands charge fees such as royalty and licensing fees, marketing fees, reservation fees, and training fees, to name a few. These fees can impact the bottom line of operations and cost marginally more than the benefits.

EXHIBIT XIX

Hotel Locations by Province



Source(s): Company Filings

Risk I: Hotel Operations Continued

Morguard has done a great job of strategically branding its hotels. Branding has been proven to be a more significant consumer factor in urban areas, as the market is generally very saturated with trusted options. However, in more rural areas, consumers are less likely to prefer a branded hotel and more likely to consider factors such as cost and location. Where Morguard has needed to brand to remain competitive, such as city centres like Toronto, Mississauga, and Halifax, it has. In more rural areas such as Fort McMurray, it has elected not to brand because it will cut costs and ultimately increase the bottom line. These strategic choices have made Morguard's hotel operations successful.

Impact of COVID-19 and Commodity Shock

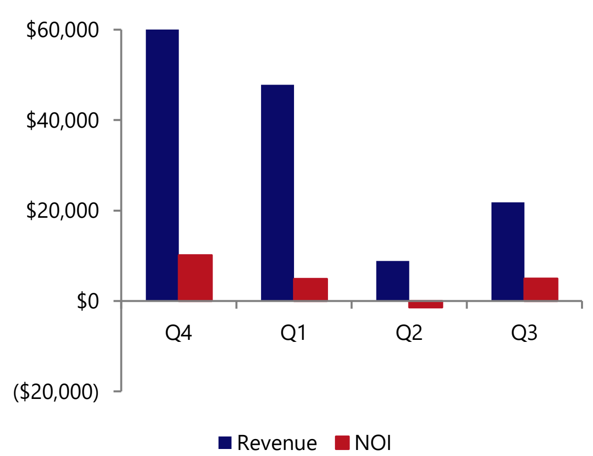
The COVID-19 pandemic has undoubtedly affected the operations of Morguard's hotels. It was forced to close over 50% of its hotels in March, and occupancy averaged approximately 30% at all remaining locations. NOI dropped by almost 75%, and impairment provisions have been reported for the profits lost in the previous ten months. The drop in revenue is largely due to the lack of tourism occurring across Canada and the low levels of oil drilling occurring in Fort McMurray.

Post Pandemic Recovery

Although Morguard's NOI dropped significantly, it remained positive with the exception on the second quarter. Occupancy levels improved in the 3rd quarter, slowly recovering to pre-pandemic levels. Looking forward, although cases of COVID-19 have skyrocketed and restrictions have been largely reimplemented, drilling has resumed in Fort McMurray. Morguard's hotels are essential for temporary workers in the oil sands and will provide Morguard with a consistent stream of income as long as oil prices remain stable and drilling continues.

EXHIBIT XX

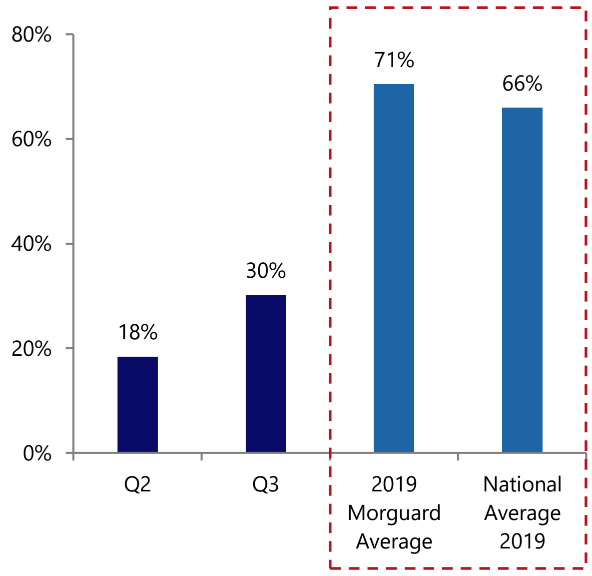
Hotel Revenue and NOI Previous Four Quarters



Source(s): Company Filings

EXHIBIT XXI

Average MRC Hotel Occupancy Rates



Source(s): Company Filings, CBRE

Risk II: The Alberta Real Estate Market

Overview of Alberta Properties

Morguard owns and manages a significant number of multi-suite residential, retail, and office properties across Alberta. These properties consist of two multi-suite residential properties in Edmonton, five retail properties primarily located in suburban locations, and ten urban office properties in Edmonton and Calgary. The commercial properties generally include strong tenants such as government organizations, banks, and essential retailers. However, one of its largest tenants, Obsidian Energy Ltd., has faced significant struggles in recent years, losing billions of dollars in market capitalization.

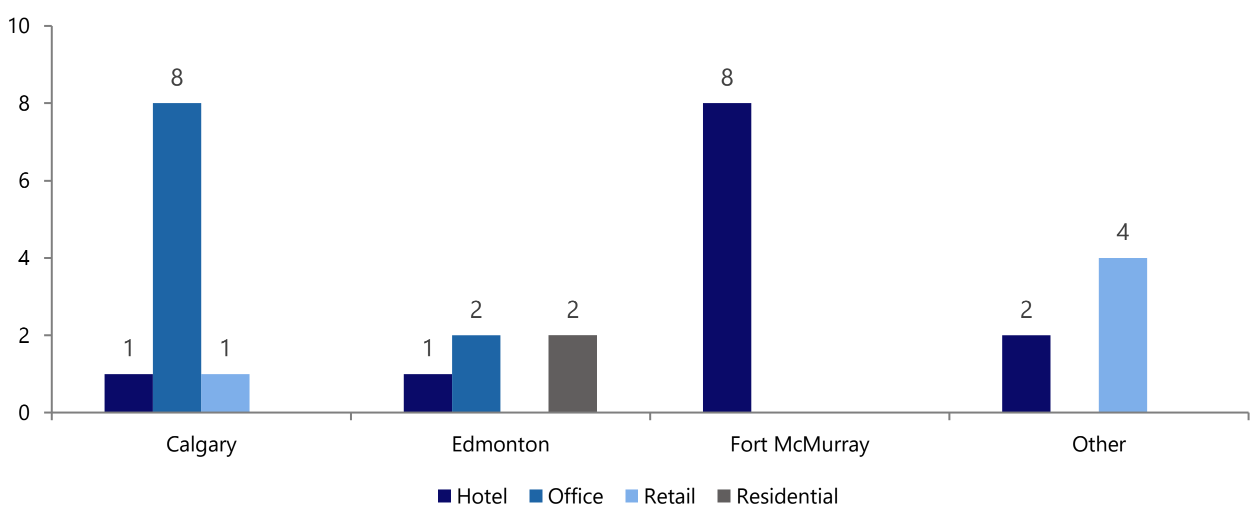
Due to the generally strong tenant base, occupancy rates have remained relatively stable since the COVID-19 pandemic began. Residential occupancy rates have fallen 2%, office occupancy rates have fallen 1% year over year, and retail occupancy rates have remained stable. The stability can be accredited to the Canadian Emergency Commercial Rent Assistance Program ("CECRA"), as the government has subsidized rent for struggling businesses.

Nature of the Market

The Alberta real estate market is linked to oil production and can be extremely cyclical due to the nature of the commodity. Alberta real estate has higher cap rates due to the risk level relative to a similar investment in a different province. This means that the price paid for the real estate asset relative to the income it can produce is generally cheaper than other Canadian cities and provinces. These cap rates also differ across real estate asset classes, such as office or retail. An example of higher cap rates in Alberta is Downtown AA&A office cap rates in Calgary and Edmonton. The national average was approximately 5.4% when Edmonton and Calgary's were 6.3% and 6.4%, respectively. The difference is due to a large number of oil and gas-related tenants and lower average occupancy rates.

EXHIBIT XXII

Properties in Alberta by Use and City



Source(s): Company FIlings

Risk II: The Alberta Real Estate Market Continued

Impact of COVID-19 and Commodity Shock

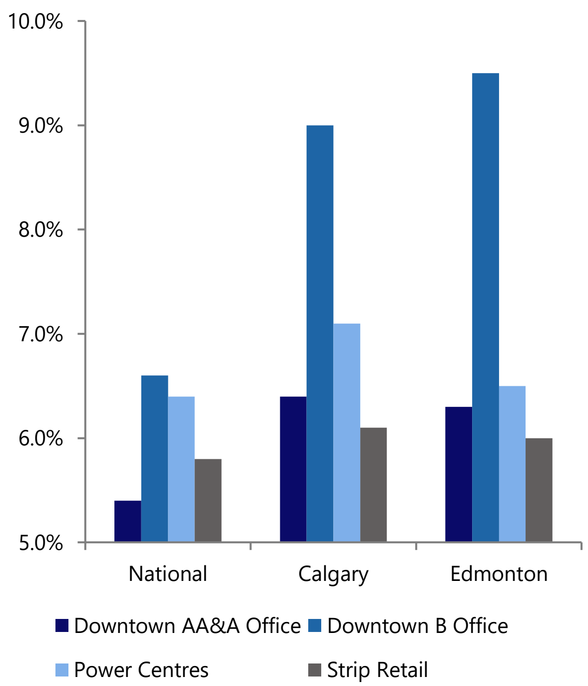
The pandemic has impacted real estate in Calgary more than any other Canadian city. Cap rates have expanded across almost all real estate asset classes, as investors are demanding higher yields to offset the risk related to COVID and the commodity shock that has occurred in the past months. Lenders have also become more stringent with their approach to underwriting Alberta-based assets. This has impacted the equity requirements required to invest in Calgary real estate, which in turn has impacted the levered returns one could achieve in the city. These factors have made it less appealing to invest in real estate in Calgary, driving cap rates upwards.

Post Pandemic Recovery

Looking forward, once oil production reaches pre-pandemic levels, cap rates in Alberta will likely stabilize. This will return value back to many of Morguard's Alberta properties. Apart from Obsidian Energy, Bombardier, and a few smaller retailers, Morguard's tenants are all posed to survive the pandemic and well beyond. Morguard's Alberta properties have shown resilience to the commodity shock and pandemic, and it is unlikely that occupancy rates will be an issue for these properties.

EXHIBIT XXIII

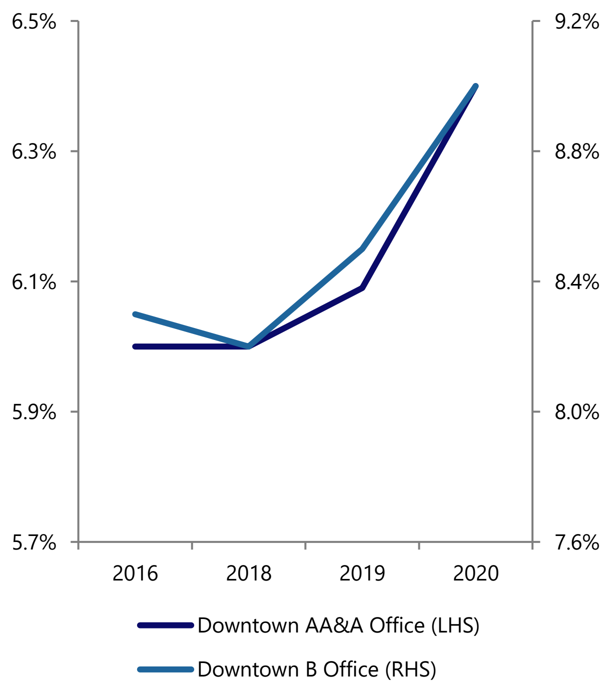
Average Cap Rates by Use and City



Source(s): CBRE

EXHIBIT XXIV

Historical Calgary Cap Rates by Use



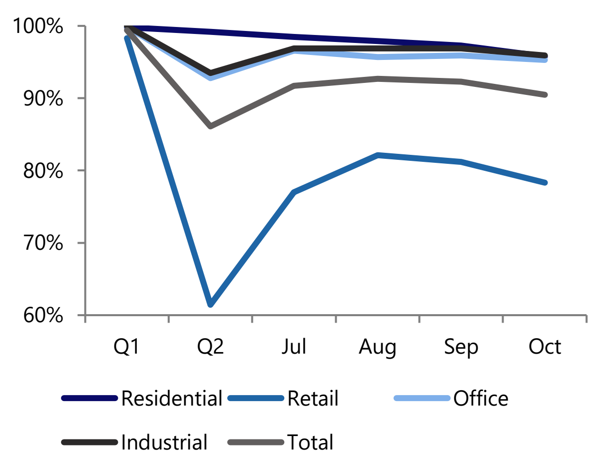
Source(s): CBRE

Risk III: Rental Collection & Occupancy

Across Morguard's portfolio, rental collection and occupancy levels have declined due to COVID-19. Notably, Morguard's retail portfolio was severely impacted over the past fiscal year. Between June and December 2019, the retail portfolio's occupancy levels rose from 88.9% to 91.4%. The impact of COVID-19 on the mall-retail industry was severe in plateauing this trend, however there relative consistency in occupancy being 90.7% - 91.2% since March 2020. However, rental revenue collection rates have declined substantially due to COVID-19, with only 61.4% of Q2 2020's rental revenues and only 78.3% of October's rental revenues collected as of November 5, 2020 despite government wage and rent subsidies. Due to non-essential business closure orders issued by the various provinces in Canada, the majority of Morguard's retail tenants were closed during the second quarter, resulting in payment deferral arrangements with tenants facing poor liquidity/ solvency. While all of Morguard's enclosed malls are now open and most tenants are allowed to operate, social-distancing measures inside malls combined with increased E-commerce sales reduced sales. In Morguard's office portfolio, buildings have generally remained open during the pandemic, however most tenants have implemented work-from-home protocols. One major risk for future office occupancy is whether work-from-home will trend beyond the pandemic, potentially resulting in future lease-renewal cancellations. In terms of Morguard's residential portfolio, occupancy remains stable in Canada and the U.S. despite reduced leasing traffic, largely due to Morguard's with the exception of properties directly impacted by university and local business closures. As 0.9% of residential tenants deferred payment plans, and the pandemic extends and government moratoriums for rent begin to end, combined with less demand for urban rentals, occupancy rates in the residential portfolio declined from 96.8% to 94%. Despite recent government shutdowns across North America, as the COVID-19 vaccine rollout accelerates and social-distancing measures are gradually lifted, Morguard's rental revenue collection and occupancy rates should recover.

EXHIBIT XXV

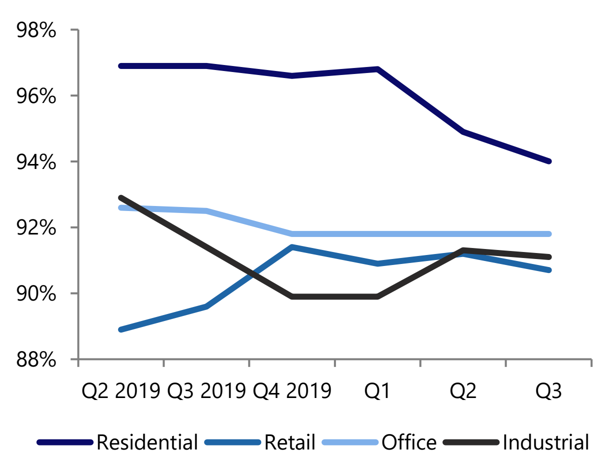
Rental Revenue Collection Rates (Nov. 5, 2020)



Source(s): Company Filings

EXHIBIT XXVI

Average Occupancy by Asset Class



Source(s): Company Filings

Valuation

The FIG team valued MRC using a SoTP analysis, assessing the following parts: (1) MRC's owned real estate, (2) public equity stakes (MRG, MRT, and PLZ), (3) external REIT management contracts (MRT and MRG), (4) MIL and Lincluden management fee revenue.

Due to the large number of assets across all five real estate subsectors (hotel, residential, retail, office, industrial) and many diverse geographic regions across the U.S. and Canada, the team felt it was impractical to perform cap rate and NOI stabilizations for all of MRC's assets. Instead, the team applied highly punitive discounts to reported IFRS values. The severity of these discounts was adjusted based on the team's qualitative judgement of risk associated with each geography and asset class. For example, hotels were discounted most severely, while industrial was unaffected; Alberta and the Prairie provinces were discounted most severely, while Ontario, Quebec and B.C. were affected the least. The weighted average discounts for each asset class are as follows: residential – 2.5%; hotels – 43.7%; retail – 28.6%; office – 17.2%; and industrial – 0.0%.

For MRC's public equity stakes, the team's bottom-up NAV model for MRG was used to establish an intrinsic value (using a 5% discount to NAVPU), while the PLZ and MRT stakes were valued at a moderate discount to historical P/NAV multiples (0.85x and 0.35x, respectively). The PV of one year of dividends from each REIT was also included (n.b., 5% discount rate).

The external management contracts were valued individually by applying revenue multiples. For MRG's contract, a stabilized management revenue was calculated based on our NAV model's assumptions. Acquisitions, capex, and financing fees were excluded for conservatism. MRT's contract was valued using 2019A revenue and a substantially lower revenue multiple to account for the REIT's higher level of operational disruption and long-term risk. The multiples applied were roughly in line with revenue multiples for comparable asset managers (n.b., 12.5x for MRG and 8.3x for MRT).

MIL and Lincluden were valued using the same approach and a 12.5x revenue multiple.

EXHIBIT XXVII

SoTP Valuation Summary Table

SoTP Valuation

Item	Value	/ Share	%	Cum. Total ($)	% Current	Cum. Total (%)
MRC Non-Consolidated Equity Value	$ 1,193,297	$ 105.94	45.3%	$ 105.94	92%	92%
(+) MRG Stake	535,935	$ 47.58	20.4%	$ 153.52	41%	134%
(+) MRT Stake	262,218	$ 23.28	10.0%	$ 176.80	20%	154%
(+) PLZ Stake	52,860	$ 4.69	2.0%	$ 181.49	4%	158%
(+) PV MRG Dividends	16,769	$ 1.49	0.6%	$ 182.98	1%	159%
(+) PV MRT Dividends	17,591	$ 1.56	0.7%	$ 184.54	1%	160%
(+) PV PLZ Dividends	4,015	$ 0.36	0.2%	$ 184.90	0%	161%
(+) PV MRG Fees	225,232	$ 20.00	8.6%	$ 204.90	17%	178%
(+) PV MRT Fees	133,433	$ 11.85	5.1%	$ 216.74	10%	188%
(+) PV MIL + Linculden Fees	191,513	$ 17.00	7.3%	$ 233.75	15%	203%
FL MRC NAV	**$ 2,632,862**	**$233.75**	**100.0%**			
(+) Premium/(Discount)	$ (131,643)	$ (11.69)				
Adjusted MRC NAV	**$ 2,501,219**	**$ 222.06**				

Source(s): FIG Team Model

EXHIBIT XXVIII

MRC Valuation Matrix

Set Up		(-) 10%	(-) 5%	**Last Close**	(+) 5%	(+) 10%
Share Price		$103.49	$109.24	**$114.99**	$120.74	$126.49
FDSO		11,264	11,264	**11,264**	11,264	11,264
Market Cap.		$1,166	$1,230	**$1,295**	$1,360	$1,425
(+) Net Debt		$2,558	$2,558	**$2,558**	$2,558	$2,558
TEV		$3,724	$3,789	**$3,854**	$3,918	$3,983
Valuation						
Price /	Stat.					
NAV	$233.75	0.44x	0.47x	**0.49x**	0.52x	0.54x
FFO (2019A)	$22.23	4.66x	4.91x	**5.17x**	5.43x	5.69x
FFO (Q3 2020A Annualized)	$15.36	6.74x	7.11x	**7.49x**	7.86x	8.23x
TEV /						
EBITDA (2019A)	$311	11.97x	12.18x	**12.39x**	12.60x	12.81x
EBITDA (LTM Q3 2020A)	$294	12.67x	12.89x	**13.11x**	13.33x	13.55x
Returns						
Price /	Stat.					
MRC Non-Consolidated NAV	$105.94	2.4%	(3.0%)	**(7.9%)**	(12.3%)	(16.2%)
(+) MRG Stake	$47.58	48.3%	40.5%	**33.5%**	27.2%	21.4%
(+) MRT Stake	$23.28	70.8%	61.8%	**53.8%**	46.4%	39.8%
(+) PLZ Stake	$4.69	75.4%	66.1%	**57.8%**	50.3%	43.5%
(+) PV MRG Dividends	$1.49	76.8%	67.5%	**59.1%**	51.6%	44.7%
(+) PV MRT Dividends	$1.56	78.3%	68.9%	**60.5%**	52.8%	45.9%
(+) PV PLZ Dividends	$0.36	78.7%	69.3%	**60.8%**	53.1%	46.2%
(+) PV MRG Fees	$20.00	98.0%	87.6%	**78.2%**	69.7%	62.0%
(+) PV MRT Fees	$11.85	109.4%	98.4%	**88.5%**	79.5%	71.4%
(+) PV MIL + Linculden Fees	$17.00	125.9%	114.0%	**103.3%**	93.6%	84.8%
Target Price Implied Multiples						
EBITDA (2019A)	$311			**16.7x**		
EBITDA (LTM Q3 2020)	$294			**17.7x**		
FFO (2019A)	$22.23			**10.5x**		
FFO (Q3 2020A Annualized)	$15.36			**15.2x**		
Leverage						
Debt /	Stat.					
GBV	$4,668			**41.6%**		
Total Debt /						
EBITDA (LTM Q3 2020)	$294			**10.8x**		
Net Debt /						
EBITDA (LTM Q3 2020)	$294			**8.7x**		

Source(s): QUIC FIG Team Model

Capital Allocation

The entire group of Morguard companies have historically traded at significant discounts to NAV. For MRT and MRG, this can largely be attributed to their external management and the presence of a large, controlling unit holder (i.e., MRC). Being externally managed generally causes a REIT to trade cheaper than internally managed comps, and the large number of units held by MRC eliminates any possibility of internalizing management. MRC's controlling position also has the effect of reducing the public float, and therefore trading volumes. This makes it difficult for institutions to accumulate meaningful positions.

MRC's discount is slightly more mysterious. While MRC, too, has a large controlling shareholder (chairman and CEO, Rai Sahi, who owns over 60% of shares), this does not warrant such a discount. The FIG team believes that many relatively small factors collectively contribute to MRC's historical and current discount. In no particular order, they are described here. By any standard, MRC is a complex business. Few, if any, major real estate companies operate in all five major subsectors (hotel, office, industrial, residential, and retail). Even fewer do so across the many geographies that MRC does within the U.S. and Canada. Thus, there is a conglomerate discount. MRC also finances nearly exclusively through TD and RBC, which reduces ER coverage. MRC is non-promotional. Aside from highly generic press releases and 'research' reports, the companies do not place as much effort into IR and promotional activity. All financial reports are provided as secured PDFs, which do not allow analysts to copy and paste financial data, requiring them to hardcode each number by hand. The companies do not publish AFFO figures (only FFO). Lastly, significant exposures to hotels, enclosed malls, and Alberta cause investors to further discount the shares.

With so many factors contributing to MRC's discounted valuation, one naturally asks how the target price will be realized. While MRC has historically traded at a significant discount, COVID and its impacts on the hotel, retail, and office subsectors and the oil-levered Alberta economy have driven this discount even deeper. Thus, the progression of North America's vaccination strategies and subsequent return to relative economic normality should realize value. However, the FIG team always prefers to underwrite tangible catalysts rather than rely on sentiment and macro variables, such as vaccine distribution. Thankfully, under the leadership of Rai Sahi, MRC continues to pursue a thoughtful capital allocation strategy. With the entire Morguard group chronically trading at significant discounts to their respective NAVs, buybacks should be the number one capital allocation priority. But the complex organizational structure and external management of MRT and MRG interferes with this theoretically correct approach.

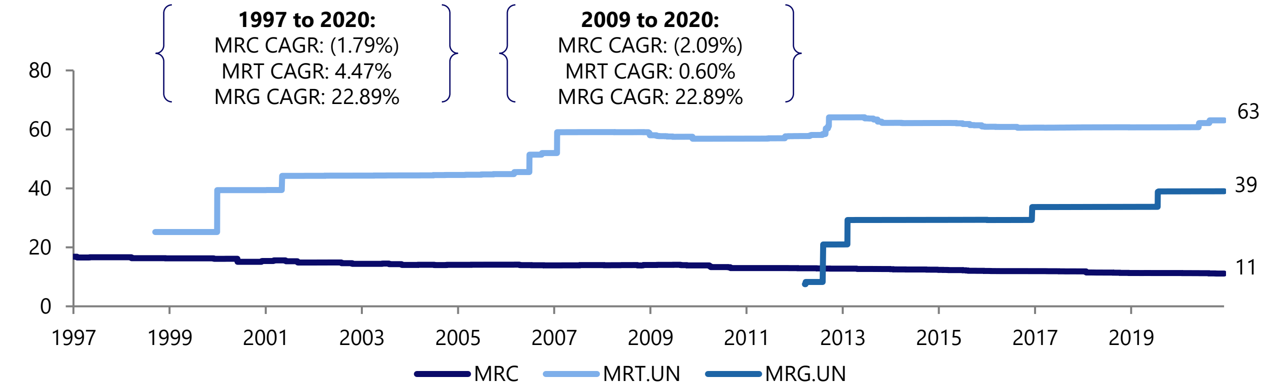
At the MRT and MRG level, capital allocation incentives are not well aligned with each REIT's respective common unitholders. Through the external management agreements, MRC is compensated in relationship to the size of each REIT's gross asset values (or revenue, which is a function of the GAV) and acquisitions volume. Buying back units (even at discounted prices) would reduce the gross asset values and make less cash available for acquisitions. Furthermore, when MRC trades at a larger relative discount than MRT or MRG, it becomes more efficient to buyback MRC stock (which amounts to buying discounted MRG and MRT shares at a further discount). The team believes these factors explain why MRC is the only company in the Morguard group which is a net repurchaser. When we also consider the expensive external management contracts, it becomes clear that it is unattractive to own either MRG or MRT compared to MRC. Even if one wanted to own MRG for its assets, it is more advantageous to do so through MRC shares.

The level of buyback activity at MRC over the past 23 years has been impressive, and a key contributor to the company's ~30% share price CAGR since 2009. MRC's program of repurchasing deeply discounted shares will itself compound intrinsic value over time, while also serving as a catalyst to reduce the gap with our target price.

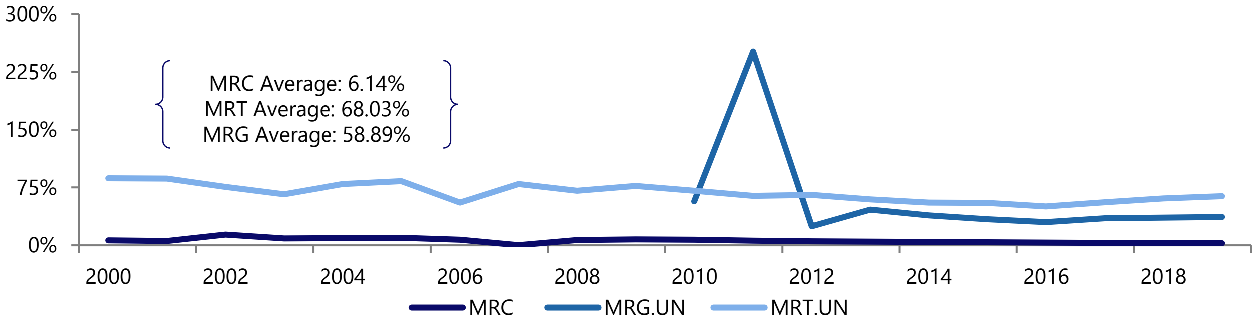
Capital Allocation

EXHIBIT XXIX

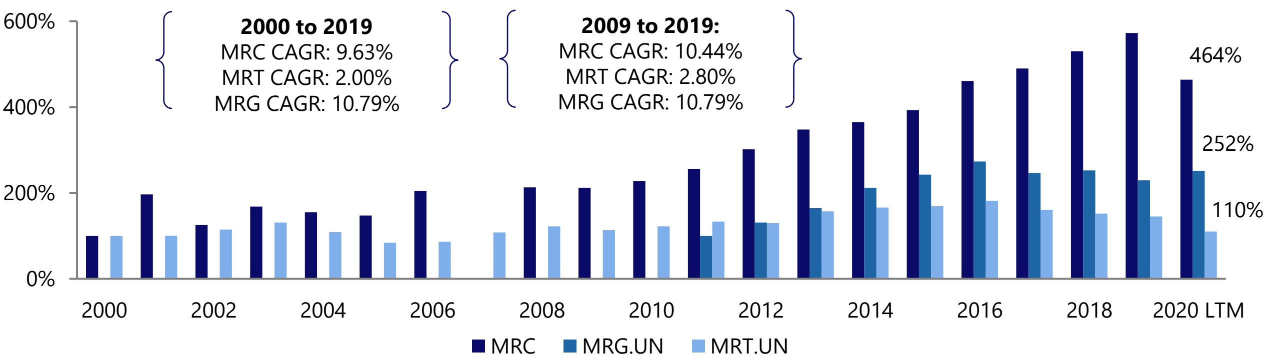
Share Count (in Millions)



FFO Payout Ratio



FFO Per Share (Indexed to Year 2000)



Source(s): Company Filings

Capital Allocation

MRC has grown FFO per unit at 9.63% annually from 2000 to 2019. However, MRC's FFO payout ratio (in the form of dividends) accounts for a very small percentage of total FFO. On average, it has been 6.14% from 2000 to 2020. In addition, it has been declining since 2009. Instead of paying large dividends as most real estate companies do, MRC places a large emphasis on acquisitions and buybacks. Total acquisition spend is nearly double the total FFO from 2000 to 2020. The additional acquisition spend has been predominately financed through debt issuances.

MRC has been a consistent net repurchaser of shares. Shares outstanding have declined at 1.79% p.a. over the life of the corporation. In 2012 and 2013, the company issued $211.9 million worth of shares to finance acquisitions, however, the corporation bought back shares in every other year. This strategy has proven to be successful, shown by the strong FFO/share growth over the past 20 years and commensurate increase in share price.

EXHIBIT XXX

MRC Capital Allocation (in Millions)

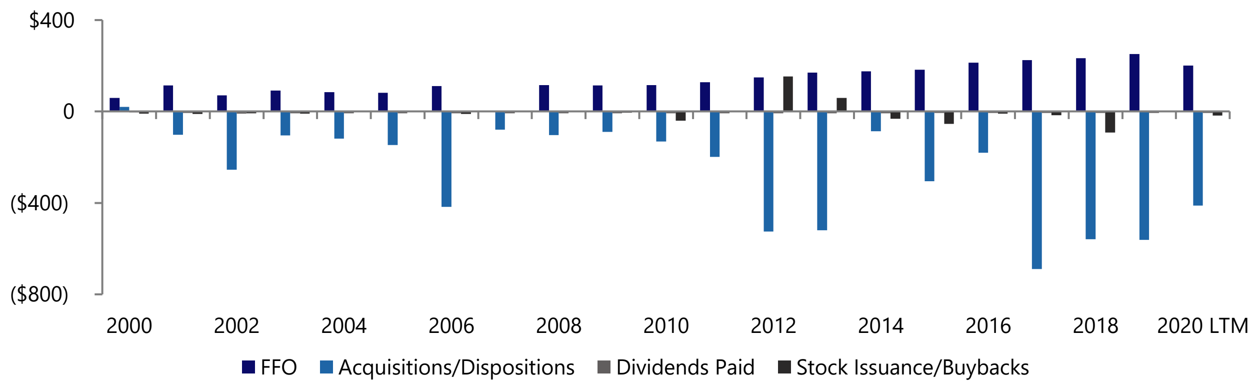
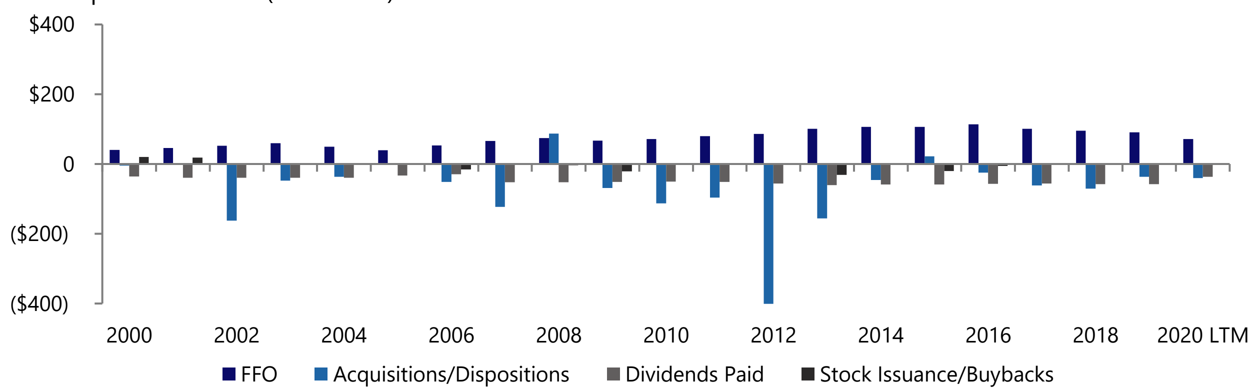


EXHIBIT X

MRT Capital Allocation (in Millions)



Source(s): Company Filings

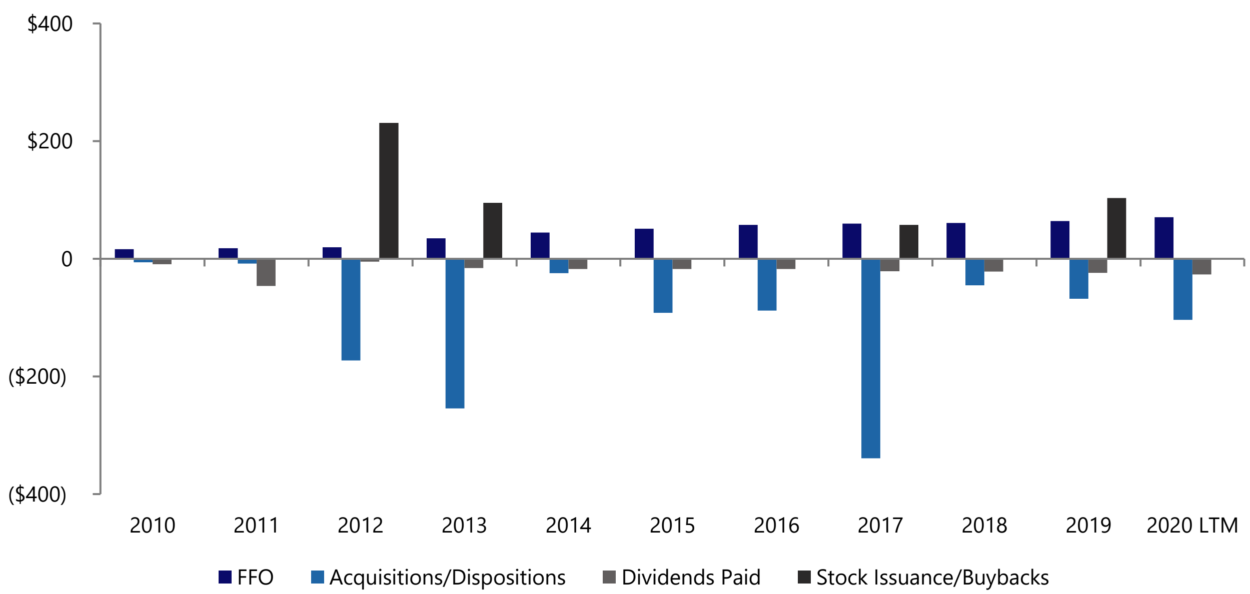
Capital Allocation

MRT has grown FFO per unit at 2.00% annually from 2000 to 2019. In addition, MRT's average FFO payout ratio is 68.03% from 2000 to 2020. MRT has regularly conducted acquisitions – total acquisition spend is nearly equal to total FFO from 2000 to 2020. The acquisitions were financed largely through debt as well as the balance of FFO (after dividends) and new equity issuances. Shares outstanding have grown at 4.47% annually over the life of MRT. MRT's FFO growth is slower than MRC due to the higher FFO payout ratio (less funds available for accretive acquisitions) as well as the lower asset quality, given that MRT has significant retail exposure.

MRG has grown FFO per unit at 10.79% from 2011 to 2019. In addition, the Trust has an average FFO payout ratio of 58.89% from 2010 to 2020, the life of the Trust to date. MRG places a large emphasis on acquisitions, as total acquisition spend from 2010 to 2020 is nearly 2.5 times the total FFO over the same period. Acquisitions were financed through a near even split between debt and equity issuances, in addition to the surplus FFO (after dividends were paid out). Given the large emphasis on acquisitions and new issuances of debt and equity, MRG's share count has grown at 22.89% annually over the life of the Trust. MRG's FFO growth is much stronger than MRT, given the larger emphasis placed on acquisitions as well as the higher quality of real estate, as MRG solely deals in residential apartment buildings.

EXHIBIT XXXI

MRG Capital Allocation (in Millions)



Source(s): Company Filings

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