Real Estate Potential. Realized.

MORGUARD CORPORATION

MARCH 31, 2021

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

BALANCE SHEETS
In thousands of Canadian dollars

As at	Note	March 31, 2021	December 31, 2020
ASSETS			
Non-current assets			
Real estate properties	4	**$9,688,976**	$9,680,408
Hotel properties	5	**541,293**	545,041
Equity-accounted and other fund investments	6	**210,773**	216,278
Other assets	7	**357,570**	338,126
		10,798,612	10,779,853
Current assets			
Amounts receivable	8	**98,589**	92,923
Prepaid expenses and other		**49,609**	37,824
Cash		**120,880**	142,088
		269,078	272,835
		$11,067,690	$11,052,688
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable	9	**$3,599,306**	$3,789,034
Debentures payable	10	**902,452**	902,464
Lease liabilities	12	**161,874**	162,456
Morguard Residential REIT units	11	**435,620**	446,091
Deferred income tax liabilities		**687,762**	648,225
		5,787,014	5,948,270
Current liabilities			
Mortgages payable	9	**622,854**	480,340
Debentures payable	10	**314,659**	314,010
Loans payable	20	**42,000**	20,000
Accounts payable and accrued liabilities	13	**256,617**	220,568
Bank indebtedness	14	**126,602**	156,802
		1,362,732	1,191,720
Total liabilities		**7,149,746**	7,139,990
EQUITY			
Shareholders’ equity		**3,378,029**	3,372,352
Non-controlling interest		**539,915**	540,346
Total equity		**3,917,944**	3,912,698
		$11,067,690	$11,052,688

Contingencies 24

See accompanying notes to the condensed consolidated financial statements.

On behalf of the Board:

(Signed) “K. Rai Sahi” *(Signed) “Bruce K. Robertson”*

K. Rai Sahi,
Director

Bruce K. Robertson,
Director

STATEMENTS OF INCOME (LOSS)

In thousands of Canadian dollars, except per common share amounts

For the three months ended March 31	Note	2021	2020
Revenue from real estate properties	16	**$211,364**	$228,266
Revenue from hotel properties	16	**22,148**	47,805
Property operating expenses			
Property operating costs	8	**(47,061)**	(48,750)
Utilities		**(15,221)**	(15,241)
Realty taxes		**(66,666)**	(66,943)
Hotel operating expenses	8	**(18,090)**	(42,536)
Net operating income		**86,474**	102,601
OTHER REVENUE			
Management and advisory fees	16	**10,126**	12,197
Interest and other income		**3,324**	4,042
		13,450	16,239
EXPENSES			
Interest	17	**55,966**	61,362
Property management and corporate	8, 15(c)	**19,296**	10,176
Amortization of hotel properties and other		**8,358**	9,124
Provision for impairment		**—**	23,891
		83,620	104,553
OTHER INCOME (EXPENSE)			
Fair value gain (loss), net	18	**38,926**	(36,822)
Equity income (loss) from investments	6	**429**	(2,504)
Other income (expense)	19	**2,024**	(2,958)
		41,379	(42,284)
Income (loss) before income taxes		**57,683**	(27,997)
Provision for (recovery of) income taxes	21		
Current		**832**	6,868
Deferred		**38,903**	(25,995)
		39,735	(19,127)
Net income (loss) for the period		**$17,948**	($8,870)
Net income (loss) attributable to:			
Common shareholders		**$15,155**	$33,412
Non-controlling interest		**2,793**	(42,282)
		$17,948	($8,870)
Net income per common share attributable to:			
Common shareholders - basic and diluted	22	**$1.37**	$2.97

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
In thousands of Canadian dollars

For the three months ended March 31	2021	2020
Net income (loss) for the period	**$17,948**	($8,870)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may be reclassified subsequently to net income (loss):		
Unrealized foreign currency translation gain (loss)	**(18,774)**	157,195
Deferred income tax recovery (provision)	**843**	(393)
	(17,931)	156,802
Items that will not be reclassified subsequently to net income (loss):		
Actuarial gain (loss) on defined benefit pension plans	**13,856**	(23,985)
Deferred income tax recovery (provision)	**(3,619)**	6,326
	10,237	(17,659)
Other comprehensive income (loss)	**(7,694)**	139,143
Total comprehensive income for the period	**$10,254**	$130,273
Total comprehensive income (loss) attributable to:		
Common shareholders	**$8,351**	$164,684
Non-controlling interest	**1,903**	(34,411)
	$10,254	$130,273

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Canadian dollars

	Note	Retained Earnings	Accumulated Other Comprehensive Income	Share Capital	Total Shareholders' Equity	Non-controlling Interest	Total
Shareholders' equity, January 1, 2020		$3,238,576	$207,904	$102,426	$3,548,906	$756,811	$4,305,717
Changes during the period:							
Net income (loss)		33,412	—	—	33,412	(42,282)	(8,870)
Other comprehensive loss		—	131,272	—	131,272	7,871	139,143
Dividends		(1,689)	—	—	(1,689)	—	(1,689)
Distributions		—	—	—	—	(6,740)	(6,740)
Issuance of common shares		—	—	21	21	—	21
Repurchase of common shares		(6,433)	—	(323)	(6,756)	—	(6,756)
Change in ownership of Temple Hotels Inc.		(23,235)	—	—	(23,235)	(20,914)	(44,149)
Tax impact of increase in subsidiary ownership interest		11	—	—	11	—	11
Shareholders' equity, March 31, 2020		$3,240,642	$339,176	$102,124	$3,681,942	$694,746	$4,376,688
Changes during the period:							
Net loss		(132,330)	—	—	(132,330)	(108,850)	(241,180)
Other comprehensive loss		—	(176,858)	—	(176,858)	(9,191)	(186,049)
Dividends		(5,025)	—	—	(5,025)	—	(5,025)
Distributions		—	—	—	—	(11,362)	(11,362)
Issuance of common shares		—	—	78	78	—	78
Repurchase of common shares		(14,533)	—	(1,260)	(15,793)	—	(15,793)
Change in ownership of Morguard REIT		24,044	—	—	24,044	(24,997)	(953)
Tax impact of increase in subsidiary ownership interest		(3,706)	—	—	(3,706)	—	(3,706)
Shareholders' equity, December 31, 2020		$3,109,092	$162,318	$100,942	$3,372,352	$540,346	$3,912,698
Changes during the period:							
Net income		**15,155**	**—**	**—**	**15,155**	**2,793**	**17,948**
Other comprehensive loss		**—**	**(6,804)**	**—**	**(6,804)**	**(890)**	**(7,694)**
Dividends	15(a)	**(1,665)**	**—**	**—**	**(1,665)**	**—**	**(1,665)**
Distributions		**—**	**—**	**—**	**—**	**(2,334)**	**(2,334)**
Issuance of common shares	15(a)	**—**	**—**	**23**	**23**	**—**	**23**
Repurchase of common shares	15(a)	**(926)**	**—**	**(81)**	**(1,007)**	**—**	**(1,007)**
Tax impact of increase in subsidiary ownership interest		**(25)**	**—**	**—**	**(25)**	**—**	**(25)**
Shareholders' equity, March 31, 2021		**$3,121,631**	**$155,514**	**$100,884**	**$3,378,029**	**$539,915**	**$3,917,944**

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	2021	2020
OPERATING ACTIVITIES			
Net income (loss) for the period		**$17,948**	($8,870)
Add items not affecting cash	23(a)	**34,539**	75,149
Distributions from equity-accounted and other fund investments	6	**1,242**	10,750
Additions to tenant incentives and leasing commissions	4	**(1,391)**	(1,438)
Net change in operating assets and liabilities	23(b)	**(11,461)**	(15,595)
Cash provided by operating activities		**40,877**	59,996
INVESTING ACTIVITIES			
Additions to real estate properties and tenant improvements	4	**(7,956)**	(16,141)
Additions to hotel properties	5	**(2,614)**	(1,873)
Additions to capital and intangible assets		**(106)**	(956)
Proceeds from the sale of real estate properties, net	4	**—**	28,079
Investment in properties under development	4	**(2,511)**	(11,271)
Investment in equity-accounted and other fund investments, net	6	**(4,087)**	(6,192)
Cash used in investing activities		**(17,274)**	(8,354)
FINANCING ACTIVITIES			
Proceeds from new mortgages		**—**	100,000
Financing costs on new mortgages		**(70)**	(420)
Repayment of mortgages			
Principal instalment repayments		**(29,934)**	(28,866)
Repayments on maturity		**—**	(20,661)
Repayments due to mortgage extinguishments		**—**	(111,774)
Principal payment of lease liabilities		**(449)**	(472)
Proceeds from bank indebtedness		**16,122**	243,210
Repayment of bank indebtedness		**(46,322)**	(91,604)
Proceeds from (repayments of) loans payable, net		**22,000**	(13,233)
Dividends paid		**(1,642)**	(1,668)
Distributions to non-controlling interest, net		**(1,656)**	(4,560)
Common shares repurchased for cancellation	15(a)	**(1,007)**	(6,756)
Investment in subsidiaries	15(b)	**—**	(44,149)
Decrease (increase) in restricted cash		**(544)**	887
Cash provided by (used in) financing activities		**(43,502)**	19,934
Net increase (decrease) in cash during the period		**(19,899)**	71,576
Net effect of foreign currency translation on cash balance		**(1,309)**	3,057
Cash, beginning of period		**142,088**	123,168
Cash, end of period		**$120,880**	$197,801

See accompanying notes to the condensed consolidated financial statements.

NOTES

For the three months ended March 31, 2021 and 2020

In thousands of Canadian dollars, except per common share and unit amounts and unless otherwise noted

NOTE 1

NATURE AND DESCRIPTION OF COMPANY

Morguard Corporation (the "Company" or "Morguard") is a real estate investment and management corporation formed under the laws of Canada. Morguard's principal activities include property ownership, development and investment advisory services. Property ownership encompasses interests in multi-suite residential, commercial and hotel properties. The common shares of the Company trade on the Toronto Stock Exchange ("TSX") under the symbol "MRC." The Company owns a diverse portfolio of properties in Canada and the United States. The Company's head office is located at 55 City Centre Drive, Suite 1000, Mississauga, Ontario, L5B 1M3.

NOTE 2

STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

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

The condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on May 4, 2021.

These condensed consolidated financial statements use the same accounting policies and methods of their application as the most recent annual audited consolidated financial statements and should be read in conjunction with the most recent annual audited consolidated financial statements which include the significant accounting policies most affected by estimates and judgments.

At this time, the duration and impact of the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19" is unknown as is the effectiveness of the government and central bank interventions. Any estimate of the length and severity of these measures are 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 Company's operations, financial results and condition in future periods are also subject to significant uncertainty. Management believes it is currently not possible to estimate the long-term impacts the outbreak of COVID-19 will have in determining estimates of fair market value for the Company's real estate properties, investments in joint arrangements and the valuation of financial instruments. In a long-term scenario, the significant assumptions used in the assessment of fair value and impairment, including estimates of future operating cash flows, the time period over which they will occur, an appropriate discount and capitalization rate and stabilized net operating income (which is primarily influenced by revenue growth, vacancy rates, inflation rates and operating costs), could potentially be impacted, which ultimately impact the underlying valuation of the Company's real estate properties and equity-accounted investments.

The foreign exchange rates for the current and prior reporting periods are as follows:

	2021	2020
Canadian dollar to United States dollar exchange rates:		
- As at March 31	**$0.7952**	$0.7049
- As at December 31	—	0.7854
- Average for the three months ended March 31	**0.7899**	0.7435
United States dollar to Canadian dollar exchange rates:		
- As at March 31	**1.2575**	1.4187
- As at December 31	—	1.2732
- Average for the three months ended March 31	**1.2660**	1.3449

NOTE 3

SUBSIDIARIES WITH NON-CONTROLLING INTEREST

Morguard North American Residential Real Estate Investment Trust ("Morguard Residential REIT" or "MRG")

As at March 31, 2021, and December 31, 2020, the Company owned a 44.7% effective interest in Morguard Residential REIT through its ownership of 7,944,166 units and 17,223,090 Class B LP units. The Company continues to consolidate its investment in Morguard Residential REIT on the basis of *de facto* control in accordance with IFRS 10, Consolidated Financial Statements ("IFRS 10"). Refer to the Company's most recent annual audited consolidated financial statements for the factors that continue to support the conclusion that the Company has *de facto* control of Morguard Residential REIT.

During the three months ended March 31, 2021, Morguard Residential REIT recorded distributions of $6,826, or $0.1749 per unit (2020 - $6,819, or $0.1749 per unit), of which $1,389 was paid to the Company (2020 - $1,390) and $5,437 was paid to the remaining unitholders (2020 - $5,429). In addition, during the three months ended March 31, 2021, Morguard Residential REIT paid distributions to the Company on the Class B LP units of $3,012 (2020 - $3,012).

Morguard Real Estate Investment Trust ("Morguard REIT" or "MRT")

As at March 31, 2021, and December 31, 2020, the Company owned 39,040,641 units of Morguard REIT, which represents a 60.9% ownership interest.

During the three months ended March 31, 2021, Morguard REIT recorded distributions of $5,132 or $0.08 per unit (2020 - $14,578, or $0.24 per unit), of which $3,123 (2020 - $8,525) was paid to the Company and $2,009 was paid to the remaining unitholders (2020 - $6,053).

The following summarizes the results of Morguard REIT and Morguard Residential REIT before any intercompany eliminations and the corresponding non-controlling interest in the equity of Morguard REIT and Morguard Residential REIT. The units issued by Morguard Residential REIT that are not held by the Company are presented as equity on Morguard Residential REIT's balance sheet, but are classified as a liability on the Company's consolidated balance sheets (Note 11).

As at	March 31, 2021		December 31, 2020	
	MRT	**MRG**	MRT	MRG
Non-current assets	**$2,508,999**	**$3,047,107**	$2,519,270	$3,034,246
Current assets	**39,618**	**43,322**	36,958	50,112
Total assets	**$2,548,617**	**$3,090,429**	$2,556,228	$3,084,358
Non-current liabilities	**$916,619**	**$1,560,256**	$934,873	$1,580,870
Current liabilities	**481,908**	**171,192**	471,904	155,869
Total liabilities	**$1,398,527**	**$1,731,448**	$1,406,777	$1,736,739
Equity	**$1,150,090**	**$1,358,981**	$1,149,451	$1,347,619
Non-controlling interest	**$451,990**	**$750,837**	$451,716	$744,559

The following summarizes the results of the operations and cash flows for the following periods as presented in Morguard REIT's and Morguard Residential REIT's financial statements before any intercompany eliminations and the corresponding non-controlling interest in their net income (loss):

For the three months ended March 31	2021		2020	
	MRT	**MRG**	MRT	MRG
Revenue	**$60,970**	**$60,322**	$66,373	$62,297
Expenses	**(40,792)**	**(66,922)**	(46,398)	(63,432)
Fair value gain (loss) on real estate properties, net	**(14,449)**	**27,451**	(121,117)	10,457
Fair value gain on Class B LP units	**—**	**6,544**	—	87,838
Net income (loss) for the period	**$5,729**	**$27,395**	($101,142)	$97,160
Non-controlling interest	**$2,241**	**$15,136**	($41,994)	$53,653

For the three months ended March 31		2021		2020
	MRT	MRG	MRT	MRG
Cash provided by operating activities	**$19,811**	**$14,725**	$20,818	$5,002
Cash used in investing activities	**(3,259)**	**(5,662)**	(12,018)	(7,792)
Cash provided by (used in) financing activities	**(15,958)**	**(16,629)**	(7,420)	5,921
Net increase (decrease) in cash during the period	**$594**	**($7,566)**	$1,380	$3,131

NOTE 4
REAL ESTATE PROPERTIES

Real estate properties consist of the following:

As at	March 31, 2021	December 31, 2020
Income producing properties	**$9,592,834**	$9,568,219
Properties under development	**7,995**	25,416
Land held for development	**88,147**	86,773
	$9,688,976	$9,680,408

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

	Income Producing Properties	Properties Under Development	Land Held for Development	Total
Balance as at December 31, 2020	**$9,568,219**	**$25,416**	**$86,773**	**$9,680,408**
Additions:				
Capital expenditures	**6,334**	**—**	**—**	**6,334**
Development expenditures	**—**	**2,325**	**186**	**2,511**
Tenant improvements, incentives and leasing commissions	**3,013**	**—**	**—**	**3,013**
Transfers	**19,746**	**(19,746)**	**—**	**—**
Fair value gain, net	**29,965**	**—**	**1,364**	**31,329**
Foreign currency translation	**(35,717)**	**—**	**(176)**	**(35,893)**
Other	**1,274**	**—**	**—**	**1,274**
Balance as at March 31, 2021	**$9,592,834**	**$7,995**	**$88,147**	**$9,688,976**

Transactions completed during the three months ended March 31, 2021

During the three months ended March 31, 2021, the Company completed no material acquisitions or dispositions.

Reconciliation of the carrying amounts for real estate properties for the year ended December 31, 2020, is set out below:

	Income Producing Properties	Properties Under Development	Land Held for Development	Total
Balance as at December 31, 2019	$10,074,175	$43,650	$83,458	$10,201,283
Additions:				
Acquisitions	2,848	—	—	2,848
Capital expenditures	40,845	—	—	40,845
Development expenditures	—	29,310	346	29,656
Tenant improvements, incentives and leasing commissions	16,718	—	—	16,718
Transfers	42,079	(48,079)	6,000	—
Dispositions	(40,185)	—	(5,192)	(45,377)
Fair value gain (loss), net	(513,895)	—	2,423	(511,472)
Foreign currency translation	(57,508)	535	(262)	(57,235)
Other	3,142	—	—	3,142
Balance as at December 31, 2020	$9,568,219	$25,416	$86,773	$9,680,408

Transactions completed during the year ended December 31, 2020

Acquisitions

During the year ended December 31, 2020, the Company completed no material acquisitions.

Dispositions

On March 25, 2020, the Company sold its 50% interest in an industrial property, comprising 284,000 square feet located in Puslinch, Ontario, for gross proceeds of $38,577, including closing costs, and the purchaser assumed the mortgage secured by the property in the amount of $10,498. In addition, the Company's equity-accounted investment, MIL Industrial Fund II LP, sold its interest in the property.

On August 18, 2020, the Company sold a retail property and an adjacent parcel of land classified as held for development located in Ottawa, Ontario, comprising 10,000 square feet, for net proceeds of $6,800, including closing costs.

Capitalization Rates

As at March 31, 2021, and December 31, 2020, the Company had its portfolio internally appraised. In addition, the Company's U.S. portfolio is appraised by independent U.S. real estate appraisal firms on a three-year cycle.

The Company determined the fair value of each income producing property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the applicable consolidated balance sheet dates, less future cash outflow pertaining to the respective leases. The Company's multi-suite residential properties are appraised using the direct capitalization of income method. The retail, office and industrial properties are appraised using a number of approaches that typically include a discounted cash flow analysis, a direct capitalization of income method and a direct comparison approach. The discounted cash flow analysis is primarily based on discounting the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows.

As at March 31, 2021, the duration and impact of the COVID-19 pandemic is unknown. The impact of COVID-19 on estimating fair values for the Company's properties at March 31, 2021, required judgment based on evolving facts and available information, particularly for the retail properties, which have experienced significantly lower collections and higher tenant failure rates. In addition, it is not possible to estimate the long-term impacts COVID-19 will have on the Company's valuation of income producing properties as the length and severity of these developments are subject to significant uncertainty.

As at March 31, 2021, using the direct capitalization approach, the multi-suite residential, retail, office and industrial properties were valued using capitalization rates in the range of 3.3% to 9.8% (December 31, 2020 - 3.3% to 9.8%), resulting in an overall weighted average capitalization rate of 5.4% (December 31, 2020 - 5.4%).

The stabilized capitalization rates by asset type are set out in the following table:

	March 31, 2021					December 31, 2020				
As at	Occupancy Rates		Capitalization Rates			Occupancy Rates		Capitalization Rates		
	Max.	Min.	Max.	Min.	Weighted Average	Max.	Min.	Max.	Min.	Weighted Average
Multi-suite residential	**98.0%**	**92.0%**	**6.8%**	**3.3%**	**4.3%**	98.0%	92.0%	6.8%	3.3%	4.3%
Retail	**99.0%**	**85.0%**	**9.8%**	**5.3%**	**7.0%**	99.0%	85.0%	9.8%	5.3%	6.9%
Office	**100.0%**	**90.0%**	**7.8%**	**4.3%**	**6.1%**	100.0%	90.0%	8.5%	4.3%	6.2%
Industrial	**100.0%**	**95.0%**	**6.8%**	**4.8%**	**5.3%**	100.0%	95.0%	6.8%	4.8%	5.3%

The key valuation metrics used in the discounted cash flow method for the retail, office and industrial properties are set out in the following table:

As at	March 31, 2021			December 31, 2020		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
Retail						
Discount rate	**10.5%**	**6.0%**	**7.3%**	10.5%	6.0%	7.3%
Terminal cap rate	**9.5%**	**5.3%**	**6.2%**	9.5%	5.3%	6.2%
Office						
Discount rate	**8.0%**	**5.3%**	**6.4%**	8.0%	5.3%	6.4%
Terminal cap rate	**7.5%**	**4.3%**	**5.7%**	7.5%	4.3%	5.7%
Industrial						
Discount rate	**6.5%**	**6.0%**	**6.1%**	6.5%	6.0%	6.1%
Terminal cap rate	**6.0%**	**5.0%**	**5.4%**	6.0%	5.0%	5.4%

Fair values are most sensitive to changes in discount rates, capitalization rates and stabilized or forecast net operating income. Generally, an increase in stabilized 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 stabilized net operating income, with a lower capitalization rate resulting in a greater impact on the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rates were to increase or decrease by 25 basis points (assuming no change in stabilized net operating income), the value of the income producing properties as at March 31, 2021, would decrease by $425,927 and increase by $470,722, respectively.

The sensitivity of the fair values of the Company's income producing properties as at March 31, 2021, and December 31, 2020, is set out in the table below:

As at	March 31, 2021		December 31, 2020	
Change in capitalization rate:	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Multi-suite residential	**($261,868)**	**$293,332**	($255,541)	$285,352
Retail	**(69,784)**	**75,004**	(70,078)	75,329
Office	**(88,073)**	**95,569**	(88,986)	96,443
Industrial	**(6,202)**	**6,817**	(5,988)	6,578
	($425,927)	**$470,722**	($420,593)	$463,702

NOTE 5
HOTEL PROPERTIES

Hotel properties consist of the following:

As at March 31, 2021	**Cost**	**Accumulated Impairment Provision**	**Accumulated Amortization**	**Net Book Value**
Land	**$93,251**	**($2,407)**	**$—**	**$90,844**
Buildings	**559,308**	**(89,312)**	**(60,296)**	**409,700**
Furniture, fixtures, equipment and other	**109,475**	**(8,940)**	**(61,252)**	**39,283**
Right-of-use asset - land lease	**1,596**	**—**	**(130)**	**1,466**
	$763,630	**($100,659)**	**($121,678)**	**$541,293**

As at December 31, 2020	Cost	Accumulated Impairment Provision	Accumulated Amortization	Net Book Value
Land	$93,251	($2,407)	$—	$90,844
Buildings	559,221	(89,312)	(57,315)	412,594
Furniture, fixtures, equipment and other	106,948	(8,940)	(57,885)	40,123
Right-of-use asset - land lease	1,596	—	(116)	1,480
	$761,016	($100,659)	($115,316)	$545,041

Transactions in hotel properties for the three months ended March 31, 2021, are summarized as follows:

As at March 31, 2021	Opening Net Book Value	Additions	Amortization	Closing Net Book Value
Land	**$90,844**	**$—**	**$—**	**$90,844**
Buildings	**412,594**	**87**	**(2,981)**	**409,700**
Furniture, fixtures, equipment and other	**40,123**	**2,527**	**(3,367)**	**39,283**
Right-of-use asset - land lease	**1,480**	**—**	**(14)**	**1,466**
	$545,041	**$2,614**	**($6,362)**	**$541,293**

Transactions in hotel properties for the year ended December 31, 2020, are summarized as follows:

As at December 31, 2020	Opening Net Book Value	Additions	Impairment Provision	Dispositions	Amortization	Closing Net Book Value
Land	$94,704	$—	$—	($3,860)	$—	$90,844
Buildings	476,360	1,754	(33,892)	(18,967)	(12,661)	412,594
Furniture, fixtures, equipment and other	56,181	5,388	(3,149)	(3,683)	(14,614)	40,123
Right-of-use asset - land lease	1,538	—	—	—	(58)	1,480
	$628,783	$7,142	($37,041)	($26,510)	($27,333)	$545,041

Transactions completed during the year ended December 31, 2020

Dispositions

On July 6, 2020, the Company sold a hotel located in Sydney, Nova Scotia, for gross proceeds of $10,763 (including a promissory note receivable of $500), resulting in aggregate net cash proceeds of $2,973 after deducting the repayment of first mortgage loan of $6,666 and working capital adjustments. On disposition the recoverable amount exceeded the carrying value of the property of $8,072, resulting in a gain of $2,067, including closing costs.

On November 2, 2020, the Company sold a hotel located in Red Deer, Alberta, for gross proceeds of $18,533 (including a promissory note receivable of $14,500), resulting in aggregate net cash proceeds of $3,938 after deducting working capital adjustments. On disposition the carrying value of the property of $19,011 exceeded net proceeds including closing costs, resulting in a provision for impairment of $573.

Impairment Provision

The Company identified each hotel property as a cash-generating unit for impairment purposes. The recoverable amounts of the hotel properties have been estimated using the value-in-use method or fair value less costs to sell. Under these calculations, discount rates are applied to the forecasted cash flows reflecting the assumptions for hotel activity. The key assumptions are the first year net operating income and the discount rate applied over the useful life of the hotel property. IFRS permits an impairment provision to be reversed in the subsequent accounting periods if recoverability analysis at that time supports reversal.

During the year ended December 31, 2020, impairment indicators were identified including interruptions to business operations at certain hotel properties resulting from emergency measures enacted to combat COVID-19. A recoverability analysis was completed in accordance with the procedures specified by IFRS, which indicated that an impairment provision of $37,041 should be recorded. The tables below provide details of first year net operating income (loss) and the discount rates used for valuing the hotel properties.

	Northwest Territories	Alberta	Saskatchewan	Ontario	Nova Scotia
Recoverable amount	$8,800	$60,700	$51,500	$38,850	$69,800
Impairment provision	$1,550	$15,521	$8,407	$4,024	$6,966
Cumulative impairment provision	$1,550	$48,088	$35,937	$4,024	$6,966
Projected first year net operating loss	($248)	($2,846)	($2,097)	($1,172)	($830)
Discount rate (range)	9.3%	9.3% - 12.8%	9.8% - 10.8%	7.3% - 8.8%	9.3% - 9.8%

NOTE 6

EQUITY-ACCOUNTED AND OTHER FUND INVESTMENTS

(a) Equity-accounted and Other Real Estate Fund Investments consist of the following:

As at	March 31, 2021	December 31, 2020
Joint ventures	**$45,810**	$44,474
Associates	**84,254**	83,105
Equity-accounted investments	**130,064**	127,579
Other real estate fund investments	**80,709**	88,699
Equity-accounted and other fund investments	**$210,773**	$216,278

The following are the Company's significant equity-accounted investments as at March 31, 2021, and December 31, 2020:

				Company's Ownership		Carrying Value	
Property/Investment	Principal Place of Business	Investment Type	Asset Type	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Petroleum Plaza	Edmonton, AB	Joint Venture	Office	**50.0%**	50.0%	**$20,207**	$20,496
Quinte Courthouse	Belleville, ON	Joint Venture	Office	**50.0%**	50.0%	**2,876**	2,896
Greypoint Capital L.P.[1]	Toronto, ON	Joint Venture	Other	**22.7%**	22.4%	**11,930**	10,064
Courtyard by Marriott	Ottawa, ON	Joint Venture	Hotel	**50.0%**	50.0%	**7,056**	7,295
Marriott Residence Inn	London, ON	Joint Venture	Hotel	**50.0%**	50.0%	**3,741**	3,723
Lumina Hollywood	Los Angeles, CA	Associate	Residential	**59.1%**	59.1%	**65,333**	64,180
MIL Industrial Fund II LP[2]	Various	Associate	Industrial	**18.8%**	18.8%	**18,921**	18,925
						$130,064	$127,579

(1) Comprises an investment in Greypoint Capital L.P. of 36.4% and Greypoint Capital L.P. II of 15.6%.
(2) The Company accounts for its investment using the equity method since the Company has the ability to exercise significant influence as a result of its role as general partner; however, it does not control the fund.

Equity-accounted investments

The following table presents the change in the balance of equity-accounted investments:

As at	March 31, 2021	December 31, 2020
Balance, beginning of period	**$127,579**	$138,953
Additions	**4,087**	15,532
Share of net income (loss)	**429**	(7,470)
Distributions received	**(1,242)**	(18,115)
Foreign exchange loss	**(789)**	(1,321)
Balance, end of period	**$130,064**	$127,579

The following tables present the financial results of the Company's equity-accounted investments on a 100% basis:

As at	March 31, 2021			December 31, 2020		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Non-current assets	**$174,478**	**$354,220**	**$528,698**	$174,935	$352,959	$527,894
Current assets	**64,265**	**6,723**	**70,988**	59,828	9,491	69,319
Total assets	**$238,743**	**$360,943**	**$599,686**	$234,763	$362,450	$597,213
Non-current liabilities	**$62,337**	**$22,171**	**$84,508**	$111,007	$42,984	$153,991
Current liabilities	**56,586**	**128,936**	**185,522**	4,261	111,687	115,948
Total liabilities	**$118,923**	**$151,107**	**$270,030**	$115,268	$154,671	$269,939
Net assets	**$119,820**	**$209,836**	**$329,656**	$119,495	$207,779	$327,274
Equity-accounted investments	**$45,810**	**$84,254**	**$130,064**	$44,474	$83,105	$127,579

For the three months ended March 31			2021			2020
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Revenue	**$6,529**	**$2,042**	**$8,571**	$8,455	$2,580	$11,035
Expenses	**(4,267)**	**(4,499)**	**(8,766)**	(5,652)	(1,193)	(6,845)
Fair value gain (loss) on real estate properties, net	**(90)**	**2,170**	**2,080**	(2,812)	(230)	(3,042)
Net income (loss) for the period	**$2,172**	**($287)**	**$1,885**	($9)	$1,157	$1,148
Income (loss) in equity-accounted investments	**$666**	**($237)**	**$429**	($384)	($2,120)	($2,504)

(b) Income Recognized from Other Fund Investments:

Other Real Estate Fund Investments

For the three months ended March 31	2021	2020
Distribution income	**$174**	$102
Fair value gain (loss) for the period (Note 18)	**(6,895)**	723
Income (loss) from other real estate fund investments	**($6,721)**	$825

The Company's two fund investments hold multi-suite residential, retail and office investment properties located in the U.S. The funds are classified and measured at FVTPL. Gains or losses arise from the change in the fair value of the underlying real estate properties held by the funds (Level 3) and from foreign exchange currency translation. Distributions received from these funds are recorded in other income (expense) on the consolidated statements of income (loss).

NOTE 7

OTHER ASSETS

Other assets consist of the following:

As at	March 31, 2021	December 31, 2020
Investment in marketable securities	**$123,927**	$115,823
Accrued pension benefit asset	**68,623**	55,186
Finance lease receivable	**57,331**	57,185
Intangible assets, net	**30,689**	32,195
Restricted cash	**26,527**	26,159
Goodwill	**24,488**	24,488
Capital assets, net	**19,364**	19,626
Inventory	**2,360**	2,922
Right-of-use asset - office lease	**1,752**	1,926
Other	**2,509**	2,616
	$357,570	$338,126

NOTE 8

AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

As at	March 31, 2021	December 31, 2020
Tenant receivables	**$47,556**	$48,951
Unbilled other tenant receivables	**8,366**	10,399
Receivables from related parties (Note 20(c))	**5,425**	5,502
Income taxes receivable	**11,319**	8,131
Other receivables	**33,314**	30,705
Allowance for expected credit loss	**(17,469)**	(16,702)
	88,511	86,986
Canada Emergency Wage Subsidy ("CEWS")	**10,078**	5,937
	$98,589	$92,923

Government grants

Canada Emergency Wage Subsidy

On April 11, 2020, the Canada Emergency Wage Subsidy was enacted, which provides a subsidy for each employee employed between March 15 to June 6, 2020. Subsequently, the Government of Canada extended CEWS to September 25, 2021. The subsidy for the claim periods ending on July 4, 2020 is equal to 75% of an employee's weekly remuneration, up to a maximum of $847 (in actual dollars) per week per employee and the subsidy rate varies, depending on the decline in revenue for subsequent claim periods. A company, or a group of companies under common control, will become eligible for the program if they've experienced a reduction in revenue during the qualification period.

The Company and associated related party group under common control with the Company, including Morguard's parent company, Paros Enterprises Limited, have satisfied certain eligibility criteria, including (among others) a significant decline in revenue due to the temporary closures of non-essential services. The Company will continue to assess its eligibility for subsequent claim periods.

For the three months ended March 31, 2021, the Company recorded $7,595 (2020 - $nil) as a deduction of the related expense, of which $1,100 (2020 - $nil), $4,523 (2020 - $nil) and $1,972 (2020 - $nil) are a deduction of property operating costs, hotel operating expenses and property management and corporate expenses, respectively.

NOTE 9

MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at	March 31, 2021	December 31, 2020
Mortgages payable	**$4,234,403**	$4,282,087
Mark-to-market adjustments, net	**6,636**	7,396
Deferred financing costs	**(18,879)**	(20,109)
	$4,222,160	$4,269,374
Current	**$622,854**	$480,340
Non-current	**3,599,306**	3,789,034
	$4,222,160	$4,269,374
Range of interest rates	**2.03 - 7.08%**	2.03 - 7.08%
Weighted average contractual interest rate	**3.55%**	3.58%
Estimated fair value of mortgages payable	**$4,402,677**	$4,552,081

As at March 31, 2021, approximately 91% of the Company's real estate and hotel properties, and related rental revenue, have been pledged as collateral for the mortgages payable.

The aggregate principal repayments and balances maturing of the mortgages payable as at March 31, 2021, together with the weighted average contractual interest rate on debt maturing in the next five years and thereafter, are as follows:

	Principal Instalment Repayments	Balances Maturing	Total	Weighted Average Contractual Interest Rate
2021 (remainder of year)	$86,354	$480,265	$566,619	4.00%
2022	110,574	395,181	505,755	3.52%
2023	88,562	631,491	720,053	3.57%
2024	75,580	394,979	470,559	3.60%
2025	60,369	391,819	452,188	3.30%
Thereafter	159,930	1,359,299	1,519,229	3.49%
	$581,369	$3,653,034	$4,234,403	3.55%

The Company's first mortgages are registered against specific real estate assets and hotel properties. As at March 31, 2021, mortgages payable mature between 2021 and 2058 and have a weighted average term to maturity of 4.6 years (December 31, 2020 - 4.8 years) and approximately 98% of the Company's mortgages have fixed interest rates.

Some of the Company's mortgages payable require it to maintain annual debt service coverage ratios and/or debt to equity ratios and/or debt to appraised value ratios and arrange for capital expenditures in accordance with predetermined limits. As at March 31, 2021, and December 31, 2020, the Company was not in compliance with three debt ratio covenants affecting four mortgage loans, all of which are secured by hotel properties amounting to $101,265 (December 31, 2020 - $102,081). None of the lenders have demanded payment of the mortgage loans. However, IFRS requires that the loan balance of mortgages payable in breach of debt covenants be included in the current portion of mortgages payable. As a result, the current portion of debt includes $44,728 scheduled to retire after March 31, 2022.

NOTE 10
DEBENTURES PAYABLE

The Company's debentures consist of the following:

As at	March 31, 2021	December 31, 2020
Unsecured debentures	**$1,022,491**	$1,022,152
Convertible debentures	**194,620**	194,322
	$1,217,111	$1,216,474
Current	**$314,659**	$314,010
Non-current	**902,452**	902,464
	$1,217,111	$1,216,474

(a) Unsecured debentures

The Company's senior unsecured debentures ("Unsecured Debentures") consist of the following:

As at	Maturity Date	Coupon Interest Rate	March 31, 2021	December 31, 2020
Series C senior unsecured debentures	September 15, 2022	4.333%	**$200,000**	$200,000
Series D senior unsecured debentures	May 14, 2021	4.085%	**200,000**	200,000
Series E senior unsecured debentures	January 25, 2024	4.715%	**225,000**	225,000
Series F senior unsecured debentures	November 27, 2024	4.204%	**225,000**	225,000
Series G senior unsecured debentures	September 28, 2023	4.402%	**175,000**	175,000
Unamortized financing costs			**(2,509)**	(2,848)
			$1,022,491	$1,022,152
Current			**$199,953**	$199,853
Non-current			**822,538**	822,299
			$1,022,491	$1,022,152

On November 18, 2016, the Company issued $200,000 (net proceeds including issuance costs - $199,198) of Series B senior unsecured debentures due on November 18, 2020. On November 18, 2020, the Series B unsecured debentures were fully repaid on maturity.

On September 15, 2017, the Company issued $200,000 (net proceeds including issuance costs - $198,800) of Series C senior unsecured debentures due on September 15, 2022. Interest on the Series C senior unsecured debentures is payable semi-annually, not in advance, on March 15 and September 15 of each year. The Company has the option to redeem the Series C senior unsecured debentures at a redemption price equal to the greater of the Canada Yield Price or par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada Bond Yield with an equal term to maturity plus a spread of 0.635%.

On May 14, 2018, the Company issued $200,000 (net proceeds including issuance costs - $198,805) of Series D senior unsecured debentures due on May 14, 2021. Interest on the Series D senior unsecured debentures is payable semi-annually, not in advance, on May 14 and November 14 of each year. The Company has the option to redeem the Series D senior unsecured debentures at a redemption price equal to the greater of the Canada Yield Price or par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada Bond Yield with an equal term to maturity plus a spread of 0.50%.

On January 25, 2019, the Company issued $225,000 (net proceeds including issuance costs - $223,575) of Series E senior unsecured debentures due on January 25, 2024. Interest on the Series E senior unsecured debentures is payable semi-annually, not in advance, on January 25 and July 25 of each year. Paros Enterprises Limited, a related party, acquired $12,500 aggregate principal amount of the Series E senior unsecured debentures. The Company has the option to redeem the Series E senior unsecured debentures at a redemption price equal to the greater of the Canada Yield Price or par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada Bond Yield with an equal term to maturity plus a spread of 0.70%.

On November 27, 2019, the Company issued $225,000 (net proceeds including issuance costs - $224,000) of Series F senior unsecured debentures due on November 27, 2024. Interest on the Series F senior unsecured debentures is payable semi-annually, not in advance, on May 27 and November 27 of each year. The Company has the option to redeem the Series F senior unsecured debentures at a redemption price equal to the greater of the Canada Yield Price or par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada Bond Yield with an equal term to maturity plus a spread of 0.675%.

On September 28, 2020, the Company issued $175,000 (net proceeds including issuance costs - $174,303) of Series G senior unsecured debentures due on September 28, 2023. Interest on the Series G senior unsecured debentures is payable semi-annually, not in advance, on March 28 and September 28 of each year, commencing on March 28, 2021. The Company has the option to redeem the Series G senior unsecured debentures at a redemption price equal to the greater of the Canada Yield Price or par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada Bond Yield with an equal term to maturity plus a spread of 1.03%.

For the three months ended March 31, 2021, interest on the Unsecured Debentures of $10,999 (2020 - $11,171) is included in interest expense (Note 17).

(b) Convertible debentures

Convertible debentures consist of the following:

As at	Maturity Date	Conversion Price	Coupon Interest Rate	Principal Balance	Principal Owned by the Company	March 31, 2021	December 31, 2020
Morguard REIT	December 31, 2021	$20.40	4.50%	$175,000	$60,000	**$114,706**	$114,157
Morguard Residential REIT(1)	March 31, 2023	$20.20	4.50%	$85,500	$5,000	**79,914**	80,165
						$194,620	$194,322
Current						**$114,706**	$114,157
Non-current						**79,914**	80,165
						$194,620	$194,322

(1) As at March 31, 2021, the liability includes the fair value of the conversion option of $1,154 (December 31, 2020 - $1,577).

Morguard REIT

On December 30, 2016, Morguard REIT issued $175,000 principal amount of 4.50% convertible unsecured subordinated debentures, and incurred issue costs of $5,137 for net proceeds of $169,863. Interest is payable semi-annually, not in advance, on June 30 and December 31 of each year. The convertible debentures, with the exception of $3,242, the value assigned to the holder's conversion option, have been recorded as debt on the consolidated balance sheets. Morguard owns $60,000 aggregate principal amount of the 4.50% convertible unsecured subordinated debentures.

Morguard Residential REIT

On February 13, 2018, Morguard Residential REIT issued $75,000 principal amount of 4.50% convertible unsecured subordinated debentures maturing on March 31, 2023. On February 21, 2018, an additional principal amount of $10,500 was issued pursuant to the exercise of the over-allotment option. Interest is payable semi-annually, not in advance, on March 31 and September 30 of each year. The underwriter's commission attributable to the debentures in the amount of $3,375 has been capitalized and is being amortized over the term to maturity. Morguard owns $5,000 aggregate principal amount of the 4.50% convertible unsecured subordinated debentures.

For the three months ended March 31, 2021, interest on convertible debentures net of accretion of $2,431 (2020 - $2,422) is included in interest expense (Note 17).

NOTE 11

MORGUARD RESIDENTIAL REIT UNITS

The units issued by Morguard Residential REIT that are not held by the Company are classified as equity on Morguard Residential REIT's balance sheet but are classified as a liability on the Company's consolidated balance sheets. Morguard Residential REIT units are redeemable at any time, in whole or in part, on demand by the holders. Upon receipt of the redemption notice by Morguard Residential REIT, all rights to and under the units tendered for redemption shall be surrendered, and the holder shall be entitled to receive a price per unit equal to the lesser of: (i) 90% of the market price of the units on the principal exchange market on which the units are listed or quoted for trading during the 10 consecutive trading days ending immediately prior to the date on which the units were surrendered for redemption; or (ii) 100% of the closing market price on the principal exchange market on which the units are listed or quoted for trading on the redemption date.

As at March 31, 2021, the Company valued the non-controlling interest in the Morguard Residential REIT units at $435,620 (December 31, 2020 - $446,091) and classified the units as a liability on the consolidated balance sheets. Due to the change in the market value of the units and the distributions paid to external unitholders, the Company recorded a fair value gain for the three months ended March 31, 2021 of $5,206 (2020 - $137,081), in the consolidated statements of income (loss) (Note 18).

The components of the fair value gain on Morguard Residential REIT units are as follows:

For the three months ended March 31	2021	2020
Fair value gain on Morguard Residential REIT units	**$10,643**	$142,510
Distributions to external unitholders (Note 3)	**(5,437)**	(5,429)
Fair value gain on Morguard Residential REIT units	**$5,206**	$137,081

NOTE 12

LEASE LIABILITIES

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

As at	March 31, 2021	December 31, 2020
Balance, beginning of period	**$164,255**	$166,144
Interest on lease liabilities (Note 17)	**2,336**	9,440
Payments	**(2,785)**	(11,162)
Foreign exchange gain	**(107)**	(167)
Balance, end of period	**$163,699**	$164,255
Current (Note 13)	**$1,825**	$1,799
Non-current	**161,874**	162,456
	$163,699	$164,255
Weighted average borrowing rate	**5.72%**	5.72%

Future minimum lease payments under lease liabilities are as follows:

As at	March 31, 2021	December 31, 2020
Within 12 months	**$11,114**	$11,120
2 to 5 years	**42,360**	42,585
Over 5 years	**350,862**	353,577
Total minimum lease payments	**$404,336**	$407,282
Less: future interest costs	**(240,637)**	(243,027)
Present value of minimum lease payments	**$163,699**	$164,255

NOTE 13

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	March 31, 2021	December 31, 2020
Accounts payable and accrued liabilities	**$215,344**	$178,828
Tenant deposits	**26,479**	27,931
Stock appreciation rights (“SARs”) liability	**11,235**	10,779
Lease liability (Note 12)	**1,825**	1,799
Other	**1,734**	1,231
	$256,617	$220,568

NOTE 14

BANK INDEBTEDNESS

As at March 31, 2021, the Company has operating lines of credit totalling $593,500 (December 31, 2020 - $593,500), the majority of which can be borrowed in either Canadian or United States dollars and are subject to floating interest rates based on bankers’ acceptance or LIBOR rates. As at March 31, 2021, the maximum amount that can be borrowed on the operating lines of credit is $567,691 (December 31, 2020 - $578,554), which includes deducting issued letters of credit in the amount of $8,742 (December 31, 2020 - $8,742) related to these facilities. The Company’s investments in Morguard REIT and Morguard Residential REIT, marketable securities, amounts receivable, inventory, capital assets and a fixed-charge security on specific properties have been pledged as collateral on these operating lines of credit. As at March 31, 2021, the Company had borrowed $126,602 (December 31, 2020 - $156,802) on its operating lines of credit.

During the year ended December 31, 2020, the Company amended bank credit agreements under its existing credit facilities to provide for an additional availability of $142,500 (of which $100,000 expires during the second quarter of 2021) and where applicable to allow for a higher margin calculation. In addition, the Company entered into a revolving credit facility allowing a maximum of $77,000 that can be borrowed and is secured by specific hotel properties.

The bank credit agreements include certain restrictive undertakings by the Company. As at March 31, 2021, the Company is in compliance with all undertakings.

NOTE 15

SHAREHOLDERS' EQUITY

(a) Share Capital Authorized

Unlimited common shares, no par value.
Unlimited preference shares, no par value, issuable in series.

Issued and Fully Paid Common Shares	Number (000s)	Amount
Balance, December 31, 2019	11,283	$102,426
Common shares repurchased through the Company's NCIB	(174)	(1,583)
Dividend reinvestment plan	—	99
Balance, December 31, 2020	11,109	$100,942
Common shares repurchased through the Company's NCIB	**(9)**	**(81)**
Dividend reinvestment plan	**—**	**23**
Balance, March 31, 2021	**11,100**	**$100,884**

On September 17, 2020, the Company obtained the approval of the TSX under its NCIB to purchase up to 557,812 common shares, being approximately 5% of the issued and outstanding common shares, and the program expires on September 21, 2021. The daily repurchase restriction for the common shares is 1,000. During the three months ended March 31, 2021, 8,870 common shares were purchased for cash consideration of $1,007 at a weighted average price of $113.53 per common share.

Total dividends declared during the three months ended March 31, 2021, amounted to $1,665, or $0.15 per common share (2020 - $1,689, or $0.15 per common share). On May 4, 2021, the Company declared a common share dividend of $0.15 per common share to be paid in the second quarter of 2021.

(b) Contributed Surplus

During the three months ended March 31, 2020, the Company acquired 20,668,856 common shares of Temple Hotels Inc. for cash consideration of $44,149. The difference between the cash consideration and the carrying value of the non-controlling interest acquired for the three months ended March 31, 2020, amounted to $23,235 and the amount has been recorded within retained earnings.

(c) Stock Appreciation Rights Plan

The SARs granted vest equally over 10 years subject to restrictions.

As at March 31, 2021					
Date of Grant	**Exercise Price**	**Issued**	**Redeemed**	**Cancelled**	**Outstanding**
March 20, 2008	$30.74	200,000	(66,000)	(61,500)	72,500
November 2, 2010	$43.39	55,000	(6,500)	(8,500)	40,000
May 13, 2014	$137.90	25,000	(2,000)	(8,000)	15,000
May 13, 2015	$153.82	10,000	—	—	10,000
January 11, 2017	$179.95	90,000	(1,500)	(3,500)	85,000
May 18, 2018	$163.59	125,000	—	—	125,000
August 8, 2018	$168.00	20,000	—	—	20,000
November 8, 2018	$184.00	10,000	—	—	10,000
Total		**535,000**	**(76,000)**	**(81,500)**	**377,500**

During the three months ended March 31, 2021, the Company recorded a fair value adjustment to increase compensation expense of $456 (2020 - reduce compensation expense of $10,787). The fair value adjustment is included in property management and corporate expenses in the consolidated statements of income (loss), and the liability is classified as accounts payable and accrued liabilities (Note 13).

The fair value for the SARs was calculated using the Black-Scholes option pricing model. In determining the fair value of the SARs, management is required to make assumptions that could have a material impact on the valuation. The following are the assumptions that were used in determining the fair value as at March 31, 2021: a dividend yield of 0.51% (2020 - 0.45%), expected volatility of approximately 29.96% (2020 - 25.34%) and the 10-year Bank of Canada Bond Yield of 1.55% (2020 - 0.88%).

(d) Accumulated Other Comprehensive Income

As at March 31, 2021, and December 31, 2020, accumulated other comprehensive income consists of the following amounts:

As at	March 31, 2021	December 31, 2020
Actuarial gain on defined benefit pension plans	**$39,119**	$28,882
Unrealized foreign currency translation gain	**116,395**	133,436
	$155,514	$162,318

NOTE 16

REVENUE

The components of revenue from real estate properties are as follows:

For the three months ended March 31	2021	2020
Rental income	**$118,247**	$126,857
Realty taxes and insurance	**34,604**	36,183
Common area maintenance recoveries	**20,229**	26,764
Property management and ancillary income	**38,284**	38,462
	$211,364	$228,266

The components of revenue from hotel properties are as follows:

For the three months ended March 31	2021	2020
Room revenue	**$16,493**	$34,362
Other hotel revenue	**5,655**	13,443
	$22,148	$47,805

The components of management and advisory fees are as follows:

For the three months ended March 31	2021	2020
Property and asset management fees	**$8,573**	$9,314
Other fees	**1,553**	2,883
	$10,126	$12,197

NOTE 17

INTEREST EXPENSE

The components of interest expense are as follows:

For the three months ended March 31	2021	2020
Interest on mortgages	**$38,021**	$41,425
Interest on debentures payable, net of accretion (Note 10)	**13,430**	13,593
Interest on bank indebtedness	**844**	1,579
Interest on loans payable and other	**282**	1,046
Interest on lease liabilities (Note 12)	**2,336**	2,371
Amortization of mark-to-market adjustments on mortgages, net	**(760)**	(1,264)
Amortization of deferred financing costs	**1,971**	2,775
	56,124	61,525
Less: Interest capitalized to properties under development	**(158)**	(163)
	$55,966	$61,362

NOTE 18
FAIR VALUE GAIN (LOSS), NET

The components of fair value gain (loss) are as follows:

For the three months ended March 31	2021	2020
Fair value gain (loss) on real estate properties, net (Note 4)	**$31,329**	($122,603)
Financial assets (liabilities):		
Fair value gain on conversion option of MRG convertible debentures (Note 10)	**423**	3,127
Fair value gain on MRG units (Note 11)	**5,206**	137,081
Fair value gain (loss) on other real estate fund investments (Note 6(b))	**(6,895)**	723
Fair value gain (loss) on investment in marketable securities	**8,863**	(55,150)
Total fair value gain (loss), net	**$38,926**	($36,822)

NOTE 19
OTHER INCOME (EXPENSE)

The components of other income (expense) are as follows:

For the three months ended March 31	2021	2020
Foreign exchange loss	**($465)**	($2,769)
Other income (expense)	**2,489**	(189)
	$2,024	($2,958)

NOTE 20
RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Notes 6 and 10(a), related party transactions also include the following:

(a) Paros Enterprises Limited (“Paros”)

Paros is the majority shareholder and ultimate parent of the Company. Paros is owned by the Company’s Chairman and Chief Executive Officer, Mr. K. Rai Sahi. The Company entered into a demand loan agreement with Paros that provides for the Company to borrow up to $22,000. The total loan payable as at March 31, 2021 was $22,000 (December 31, 2020 - $nil). During the three months ended March 31, 2021, the Company incurred net interest expense of $33 (2020 - $nil).

(b) TWC Enterprises Limited (“TWC”)

The Company provides TWC with managerial and consulting services for its business and the business of its subsidiaries. Mr. K. Rai Sahi is Chairman and Chief Executive Officer and the majority shareholder of TWC through his personal holding companies, which include Paros. Pursuant to contractual agreements between the Company and TWC, for the three months ended March 31, 2021, the Company received a management fee of $319 (2020 - $328), and paid rent and operating expenses of $152 (2020 - $167).

The Company has a revolving demand loan agreement with TWC that provides for either party to borrow up to $50,000 at either the prime rate or the bankers’ acceptance rate plus applicable stamping fees. The total loan payable as at March 31, 2021 was $20,000 (December 31, 2020 - $20,000). During the three months ended March 31, 2021, the Company paid net interest of $86 (2020 - $189).

(c) Share/unit Purchase and Other Loans

As at March 31, 2021, share/unit purchase and other loans to officers and employees of the Company and its subsidiaries of $5,425 (December 31, 2020 - $5,502) are outstanding. The loans are collateralized by their common shares of the Company, units of Morguard REIT and units of Morguard Residential REIT and are interest-bearing computed at the Canadian prime interest rate and are due on January 10, 2024. Other loans are secured against the underlying asset. The loans are classified as amounts receivable in the consolidated balance sheets. As at March 31, 2021, the fair market value of the common shares/units held as collateral is $59,511.

NOTE 21
INCOME TAXES
(a) Tax Provision
For the three months ended March 31, 2021, the Company recorded income tax expense of $39,735 (2020 - recovery of $19,127). The effective tax rate of the current and the prior period was impacted by the tax rate differential.

(b) Unrecognized Deductible Temporary Differences
As at March 31, 2021, the Company's U.S. subsidiaries have total net operating losses of approximately US$66,736 (December 31, 2020 - US$66,736) of which no deferred tax assets were recognized as it is not probable that taxable income will be available against which the deductible temporary difference can be utilized. The net operating losses expire in varying years commencing 2030.

As at March 31, 2021, the Company's Canadian subsidiaries have total net operating losses of approximately $236,693 (December 31, 2020 - $234,422) of which no deferred tax assets were recognized as it is not probable that taxable income will be available against which they can be utilized. These losses expire in various years commencing 2022. The Company has other Canadian temporary differences for which no deferred tax asset was recognized for approximately $63,290 (December 31, 2020 - $63,928). These other temporary differences have no expiration date.

(c) Recognized Deductible Temporary Differences
As at March 31, 2021, the Company's U.S. subsidiaries have total net operating losses of US$29,582 (December 31, 2020 - US$26,808) of which deferred tax assets were recognized. These net operating losses have no expiration date.

As at March 31, 2021, the Company's U.S. subsidiaries have total unutilized interest expense deductions of US$8,534 (December 31, 2020 - US$5,046) of which deferred tax assets were recognized.

NOTE 22
NET INCOME PER COMMON SHARE

For the three months ended March 31	2021	2020
Net income attributable to common shareholders	**$15,155**	$33,412
Weighted average number of common shares outstanding (000s) - basic and diluted	**11,101**	11,262
Net income per common share - basic and diluted	**$1.37**	$2.97

NOTE 23
CONSOLIDATED STATEMENTS OF CASH FLOWS
(a) Items Not Affecting Cash

For the three months ended March 31	2021	2020
Fair value loss on real estate properties, net	**$526**	$154,453
Fair value gain on conversion option of MRG convertible debentures (Note 18)	**(423)**	(3,127)
Fair value gain on MRG units (Note 11)	**(10,643)**	(142,510)
Fair value loss (gain) on other real estate investment funds (Note 18)	**6,895**	(723)
Fair value loss (gain) on investment in marketable securities (Note 18)	**(8,863)**	55,150
Equity loss (income) from investments	**(429)**	2,504
Amortization of hotel properties and other	**8,358**	9,124
Amortization of deferred financing costs (Note 17)	**1,971**	2,775
Amortization of mark-to-market adjustments on mortgages, net (Note 17)	**(760)**	(1,264)
Amortization of tenant incentive	**463**	500
Stepped rent - adjustment for straight-line method	**(1,726)**	118
Deferred income taxes	**38,903**	(25,995)
Accretion of convertible debentures	**267**	253
Provision for impairment	**—**	23,891
	$34,539	$75,149

(b) Net Change in Operating Assets and Liabilities

For the three months ended March 31	2021	2020
Amounts receivable	**($10,265)**	($1,094)
Prepaid expenses and other	**(11,038)**	(13,264)
Accounts payable and accrued liabilities	**9,842**	(1,237)
Net change in operating assets and liabilities	**($11,461)**	($15,595)

(c) Supplemental Cash Flow Information

For the three months ended March 31	2021	2020
Interest paid	**$54,954**	$56,782
Interest received	**150**	543
Income taxes paid	**3,934**	4,428

During the three months ended March 31, 2021, the Company issued non-cash dividends under the distribution reinvestment plan of $23 (2020 - $21).

(d) Reconciliation of Liabilities Arising from Financing Activities

The following provides a reconciliation of liabilities arising from financing activities:

	Mortgages payable	Unsecured debentures	Convertible debentures	Lease liabilities	Loans payable	Bank indebtedness	Total
Balance, beginning of period	**$4,269,374**	**$1,022,152**	**$194,322**	**$164,255**	**$20,000**	**$156,802**	**$5,826,905**
Repayments	**(29,934)**	**—**	**—**	**(449)**	**—**	**(46,322)**	**(76,705)**
New financing, net	**(70)**	**—**	**—**	**—**	**22,000**	**16,122**	**38,052**
Non-cash changes	**418**	**339**	**298**	**—**	**—**	**—**	**1,055**
Foreign exchange	**(17,628)**	**—**	**—**	**(107)**	**—**	**—**	**(17,735)**
Balance, March 31, 2021	**$4,222,160**	**$1,022,491**	**$194,620**	**$163,699**	**$42,000**	**$126,602**	**$5,771,572**

NOTE 24

CONTINGENCIES

The Company is contingently liable 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 final outcome of these matters cannot be predicted with certainty, in the opinion of management, any uninsured liability that may arise from such contingencies would not have a material adverse effect on the financial position or results of operations of the Company. Any settlement of claims in excess of amounts recorded will be charged to operations as and when such determination is made.

NOTE 25

MANAGEMENT OF CAPITAL

Refer to the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2020, for an explanation of the Company's capital management policy.

The total managed capital for the Company as at March 31, 2021, and December 31, 2020, is summarized below:

As at	March 31, 2021	December 31, 2020
Mortgages payable, principal balance	**$4,234,403**	$4,282,087
Unsecured Debentures, principal balance	**1,025,000**	1,025,000
Convertible debentures, principal balance	**195,500**	195,500
Loans payable	**42,000**	20,000
Bank indebtedness	**126,602**	156,802
Lease liabilities	**163,699**	164,255
Shareholders' equity	**3,378,029**	3,372,352
	$9,165,233	$9,215,996

The Company monitors its capital structure based on an interest coverage ratio and a debt to gross book value ratio. These ratios are used by the Company to manage an acceptable level of leverage and are calculated in accordance with the terms of the specific agreements with creditors and are not considered measures in accordance with IFRS, nor is there an equivalent IFRS measure.

The Company's Unsecured Debentures contain covenants that are calculated on a non-consolidated basis, which represents the Company's consolidated results prepared in accordance with IFRS as shown on the Company's most recently published annual audited consolidated financial statements, adjusted, as required, to account for the Company's public entity investments in Morguard Residential REIT and Morguard REIT using the equity method. The covenants that the Company must maintain are a non-consolidated interest coverage ratio above 1.65 times, a non-consolidated debt to gross book value ratio not to exceed 65% and a minimum non-consolidated equity requirement of at least $300,000. If the Company does not meet these covenants, the Unsecured Debentures will become immediately due and payable unless the Company is able to remedy the default or obtain a waiver from debenture holders. The Company is in compliance with all Unsecured Debenture covenants.

NOTE 26

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer to the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2020, for an explanation of the Company's risk management policy as it relates to financial instruments.

Fair Value of Financial Assets and Financial Liabilities

The fair values of cash, restricted cash, amounts receivable, accounts payable and accrued liabilities and bank indebtedness approximate their carrying values due to the short-term maturity of those instruments.The fair values of mortgages and loans receivable are based on the current market conditions for financing loans with similar terms and risks. The loans payable are reflected at fair value since they are based on a floating interest rate and reflect the terms of current market conditions.

Mortgages payable, Unsecured Debentures, convertible debentures, lease liabilities and finance lease receivable are carried at amortized cost using the effective interest rate method of amortization. The estimated fair values of long-term borrowings have been determined 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 Company.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using March 31, 2021, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at March 31, 2021, of the mortgages payable before deferred financing costs and mark-to-market adjustments is estimated at $4,402,677 (December 31, 2020 - $4,552,081), compared with the carrying value of $4,234,403 (December 31, 2020 - $4,282,087). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

The fair value of the Unsecured Debentures liability is based on its closing bid price (Level 1). As at March 31, 2021, the fair value of the Unsecured Debentures has been estimated at $1,039,393 (December 31, 2020 - $1,039,322) compared with the carrying value of $1,025,000 (December 31, 2020 - $1,025,000).

The fair value of the convertible debentures liability is based on their market trading prices (Level 1). As at March 31, 2021, the fair value of the convertible debentures before deferred financing costs has been estimated at $196,923 (December 31, 2020 - $196,539), compared with the carrying value of $195,500 (December 31, 2020 - $195,500).

The fair value of the finance lease receivable is determined by discounting the cash flows of the finance lease receivable using March 31, 2021, market rates for debt on similar terms (Level 3). Based on these assumptions, as at March 31, 2021, the fair value of the finance lease receivable has been estimated at $57,331 (December 31, 2020 - $57,185).

The fair value hierarchy of financial instruments and real estate properties measured at fair value in the consolidated balance sheets is as follows:

	March 31, 2021			December 31, 2020		
As at	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$9,688,976**	$—	$—	$9,680,408
Investments in marketable securities	**123,927**	**—**	**—**	115,823	—	—
Investments in real estate funds	**—**	**—**	**80,709**	—	—	88,699
Financial liabilities:						
Morguard Residential REIT units	**—**	**435,620**	**—**	—	446,091	—
Conversion option on MRG convertible debentures	**—**	**1,154**	**—**	—	1,577	—

NOTE 27

SEGMENTED INFORMATION

(a) Operating Segments

The Company has the following five reportable segments after aggregation: (i) multi-suite residential, (ii) retail, (iii) office, (iv) industrial, and (v) hotel. The Company 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.

The following summary presents certain financial information regarding the Company's operating segments:

For the three months ended March 31, 2021	**Multi-suite Residential**	**Retail**	**Office**	**Industrial**	**Hotel**	**Total**
Revenue from real estate/hotel properties	**$92,866**	**$57,455**	**$58,057**	**$2,986**	**$22,148**	**$233,512**
Property/hotel operating expenses	**(69,976)**	**(33,229)**	**(24,538)**	**(1,205)**	**(18,090)**	**(147,038)**
Net operating income	**$22,890**	**$24,226**	**$33,519**	**$1,781**	**$4,058**	**$86,474**

For the three months ended March 31, 2020	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
Revenue from real estate/hotel properties	$99,962	$62,226	$63,175	$2,903	$47,805	$276,071
Property/hotel operating expenses	(68,986)	(32,586)	(28,415)	(947)	(42,536)	(173,470)
Net operating income	$30,976	$29,640	$34,760	$1,956	$5,269	$102,601

	Multi-suite Residential	**Retail**	**Office**	**Industrial**	**Hotel**	**Total**
As at March 31, 2021						
Real estate/hotel properties	**$4,983,627**	**$2,289,335**	**$2,263,700**	**$152,314**	**$541,293**	**$10,230,269**
Mortgages payable	**$2,065,755**	**$887,210**	**$1,086,975**	**$19,731**	**$162,489**	**$4,222,160**
For the three months ended March 31, 2021						
Additions to real estate/hotel properties	**$6,862**	**$4,102**	**$774**	**$120**	**$2,614**	**$14,472**
Fair value gain (loss) on real estate properties	**$42,882**	**($1,984)**	**($13,315)**	**$3,746**	**$—**	**$31,329**

	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
As at December 31, 2020						
Real estate/hotel properties	$4,965,659	$2,291,329	$2,285,085	$138,335	$545,041	$10,225,449
Mortgages payable	$2,093,904	$895,502	$1,096,121	$19,867	$163,980	$4,269,374
For the three months ended March 31, 2020						
Additions to real estate/hotel properties	$11,771	$12,454	$4,583	$42	$1,873	$30,723
Fair value gain (loss) on real estate properties	$11,514	($117,701)	($22,469)	$6,053	$—	($122,603)

(b) Regional Segments

The following summary presents financial information by the regions in which the Company operates:

As at	March 31, 2021	December 31, 2020
Real estate and hotel properties		
Canada	**$7,338,651**	$7,337,757
United States	**2,891,618**	2,887,692
	$10,230,269	$10,225,449

For the three months ended March 31	2021	2020
Revenue from real estate and hotel properties		
Canada	**$168,967**	$205,204
United States	**64,545**	70,867
	$233,512	$276,071

NOTE 28

COMPARATIVE AMOUNTS

Certain prior period comparative amounts have been reclassified to conform to the current period's presentation.

NOTE 29

SUBSEQUENT EVENTS

On April 29, 2021, the Company completed a second mortgage financing secured by a Canadian multi-suite residential property in the amount of $90,000 for a term of approximately four years, bearing interest at 2.22%. As a condition of the second-mortgage financing, the Company reduced one of its temporary lines of credit in the amount of $50,000, originally obtained at the onset of the COVID-19 pandemic, which was scheduled to expire during the second quarter of 2021.

On April 30, 2021, the Company completed the financing of two office properties located in Oakville and Ottawa, Ontario, in the amount of $21,000 at an interest rate of 2.399% and for a term of five years.

On May 3, 2021, the Company completed the refinancing of a retail property located in Prince George, British Columbia, at its maturing amount. The new non-revolving term credit facility bears floating rate of interest at bankers' acceptance plus 215 basis points or prime plus 115 basis points for a two year term.