2025 Fourth Quarter Report

MORGUARD CORPORATION

Management's Discussion and Analysis & Consolidated Financial Statements

Morguard

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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PART I

Morguard Corporation ("Morguard" or the "Company") is pleased to provide this review of operations and update on our financial performance for the year ended December 31, 2025. Unless otherwise noted, dollar amounts are stated in thousands of Canadian dollars, except per common share amounts.

The following Management's Discussion and Analysis ("MD&A") sets out the Company's strategies and provides an analysis of the financial performance for the year ended December 31, 2025, and significant risks facing the business. Historical results, including trends that might appear, should not be taken as indicative of future operations or results.

This MD&A should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the years ended December 31, 2025 and 2024. This MD&A is based on financial information prepared in accordance with IFRS Accounting Standards ("IFRS") and is dated February 19, 2026. Disclosure contained in this document is current to that date unless otherwise noted.

Additional information relating to Morguard Corporation, including the Company's Annual Information Form, can be found at www.sedarplus.ca and www.morguard.com.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

SPECIFIED FINANCIAL MEASURES

Morguard Corporation reports its financial results in accordance with IFRS. However, this MD&A also uses specified financial measures that are not defined by IFRS, which follow the disclosure requirements established by National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure*. Specified financial measures are categorized as non-GAAP financial measures, non-GAAP ratios and other financial measures, which are capital management measures, supplementary financial measures and total of segments measures.

NON-GAAP FINANCIAL MEASURES

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

The following discussion describes the non-GAAP financial measures the Company uses in evaluating its operating results:

ADJUSTED NOI

Net operating income ("NOI") and Adjusted NOI are important measures in evaluating the operating performance of the Company's real estate properties and are a key input in determining the fair value of the Company's properties. Adjusted NOI represents NOI (an IFRS measure) adjusted to exclude the impact of realty taxes accounted for under IFRIC 21 as noted below.

NOI includes the impact of realty taxes accounted for under the International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 21, Levies ("IFRIC 21"). IFRIC 21 states that an entity recognizes a levy liability in accordance with the relevant legislation. The obligating event for realty taxes for the U.S. municipalities in which the Company operates is ownership of the property on January 1 of each year for which the tax is imposed and, as a result, the Company records the entire annual realty tax expense for its U.S. properties on January 1, except for U.S. properties acquired during the year in which the realty taxes are not recorded in the year of acquisition. Adjusted NOI records realty taxes for all properties on a *pro rata* basis over the entire fiscal year.

A reconciliation of Adjusted NOI is presented in Part III, "Review of Operational Results."

COMPARATIVE NOI

Comparative NOI is presented in this MD&A because management considers this non-GAAP financial measure to be an important measure of the Company's operating performance for properties owned by the Company continuously for the current and comparable reporting period and does not take into account the impact of the operating performance of property acquisitions and dispositions as well as properties subject to significant change as a result of recently completed development. In addition, Comparative NOI is presented in local currency, isolating any impact of foreign exchange fluctuations, and eliminates the impact of straight-line rents, realty taxes accounted for under IFRIC 21, lease cancellation fees and other non-cash and non-recurring items.

A reconciliation of Comparative NOI is presented in Part III, "Review of Operational Results."

FUNDS FROM OPERATIONS ("FFO") AND NORMALIZED FFO

FFO (and FFO per common share) is a non-GAAP financial measure widely used as a real estate industry standard that supplements net income (loss) and evaluates operating performance but is not indicative of funds available to meet the Company's cash requirements. FFO can assist with comparisons of the operating performance of the Company's real estate between periods and relative to other real estate entities. FFO is computed by the Company in accordance with the current definition of the Real Property Association of Canada ("REALPAC") and is defined as net income (loss) attributable to common shareholders adjusted for: (i) deferred income taxes, (ii) unrealized changes in the fair value of real estate properties, (iii) realty taxes accounted for under IFRIC 21, (iv) internal leasing costs, (v) gains/losses from the sale of real estate or hotel property (including income tax on the sale of real estate or hotel property), (vi) transaction costs expensed as a result of a business combination, (vii) gains/losses on business combination, (viii) the non-controlling interest of Morguard North American Residential Real Estate Investment Trust ("Morguard Residential REIT"), (ix) amortization of depreciable real estate assets (including right-of-use assets), (x) amortization of intangible assets, (xi) principal payments of lease liabilities, (xii) FFO adjustments for equity-accounted investments, (xiii) provision for (recovery of) impairment, and (xiv) other fair value adjustments and non-cash items. The Company considers FFO to be a useful measure for reviewing its comparative operating and financial performance. FFO per common share is calculated as FFO divided by the weighted average number of common shares outstanding during the period.

Normalized FFO (and Normalized FFO per common share) is computed as FFO excluding non-recurring items on a net of tax basis and other non-cash fair value adjustments. The Company believes it is useful to provide an analysis of Normalized FFO which excludes non-recurring items on a net of tax basis and other non-cash fair value adjustments excluded from REALPAC's definition of FFO described above.

A reconciliation of net income (loss) attributable to common shareholders (an IFRS measure) to FFO and Normalized FFO is presented in Part III, "Funds From Operations."

NON-CONSOLIDATED MEASURES

The Trust Indenture and subsequent Supplemental Indentures (collectively, the "Indenture") that govern the Company's senior unsecured debentures ("Unsecured Debentures") are subject to the following definitions and covenants, and are calculated based on the Company's financial results prepared in accordance with IFRS, adjusted to account for Morguard Real Estate Investment Trust ("Morguard REIT") and Morguard Residential REIT (collectively the Company's "Public Entity Investments"), using the equity method of accounting and other adjustments as defined by the Indenture described below ("Non-Consolidated Basis" or "Morguard Non-Consolidated Basis"). The presentation of Non-Consolidated Basis measures represents a non-GAAP financial measure and may not accurately depict the legal and economic implications to the Company.

The Company calculates an interest coverage ratio, an indebtedness to aggregate assets ratio and an adjusted shareholders' equity covenant on a Non-Consolidated Basis, and they are presented in this MD&A because management considers these non-GAAP financial measures to be an important measure to evaluate and monitor the Company's compliance with its Indenture.

Non-Consolidated Basis adjustments include the following:

- An adjustment (as defined in the Indenture) to account for the Company's Public Entity Investments using the equity method of accounting. The adjustment requires the Public Entity Investments which are consolidated under IFRS to each respective financial statement line presented within the balance sheet and statement of income (loss) to be presented on a single line within equity-accounted investments;
- An adjustment (as defined in the Indenture) to the balance sheet to exclude deferred tax assets and liabilities, goodwill, and to add back accumulated amortization of hotel properties; and
- An adjustment (as defined in the Indenture) to the statement of income (loss) to exclude other non-cash items (such as the Company's stock-based compensation expense (Stock Appreciation Rights ("SARs") and Stock Option Plan ("SOP")), IFRIC 21 and any gain or loss attributed to the sale or disposition of any asset or liability), non-recurring items (such as acquisition-related costs and debt settlement or other costs), and to include the distributions received from Morguard REIT and Morguard Residential REIT.

The presentation of the non-consolidated balance sheet does not classify short-term and long-term assets and liabilities. In addition, other assets as presented in the non-consolidated balance sheet, group amounts receivable, and prepaid expenses and other that are presented as a separate financial statement line in the Company's consolidated balance sheet, and loans payable and bank indebtedness that are presented as a separate financial statement line in the Company's consolidated balance sheet, have been grouped as a single financial statement line in the non-consolidated balance sheet.

Non-GAAP financial measures that are calculated on a Non-Consolidated Basis are as follows. A reconciliation of the Non-Consolidated Basis inputs (discussed below) used in calculating the covenants from their most directly comparable IFRS financial measure are presented in Part IV, "Balance Sheet Analysis."

Non-Consolidated EBITDA
Non-consolidated EBITDA is defined as net income (loss) on a Non-Consolidated Basis before interest expense, income taxes, amortization, fair value adjustments to real estate properties, acquisition-related costs, debt settlement or other costs, any gain or loss attributed to the sale or disposition of any asset or liability, provision for (recovery of) impairment, other non-cash items and non-recurring items, plus the distributions received from Morguard REIT and Morguard Residential REIT. Non-consolidated EBITDA is presented in this MD&A because management considers this non-GAAP financial measure to be an important input to the Company's compliance measure on a Non-Consolidated Basis.

Non-Consolidated Interest Expense
Non-consolidated interest expense is defined as interest expense and interest capitalized to development properties on a Non-Consolidated Basis. Non-consolidated interest expense is presented in this MD&A because management considers this non-GAAP financial measure to be an important input to the Company's compliance measure on a Non-Consolidated Basis.

Non-Consolidated Indebtedness
Non-consolidated indebtedness (as defined in the Indenture) is a measure of the amount of debt financing utilized by the Company on a Non-Consolidated Basis. Indebtedness is presented in this MD&A because management considers this non-GAAP financial measure to be an important input to the Company's compliance measure on a Non-Consolidated Basis.

Non-Consolidated Aggregate Assets
Non-consolidated aggregate assets (as defined in the Indenture) is a measure of the value of the Company's assets on a Non-Consolidated Basis, adjusted to exclude goodwill and deferred income tax assets and to add back accumulated amortization of hotel properties. Non-consolidated aggregate assets is presented in this MD&A because management considers this non-GAAP financial measure to be an important input to the Company's compliance measure on a Non-Consolidated Basis.

Non-Consolidated Adjusted Shareholders' Equity
Non-consolidated adjusted shareholders' equity is defined as shareholders' equity computed on a Non-Consolidated Basis adjusted to exclude deferred tax assets and liabilities and to add back accumulated amortization of hotel properties. Non-consolidated adjusted shareholders' equity is presented in this MD&A because management considers this non-GAAP financial measure to be an important compliance measure and establishes a minimum equity requirement for the Company.

NON-GAAP RATIOS

Non-GAAP ratios do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS. The Company’s management uses these measures to aid in assessing the Company’s underlying core performance and provides these additional measures so that investors may do the same. Management believes that the non-GAAP ratios described below provide readers with a more comprehensive understanding of management’s perspective on the Company’s operating results and performance.

The following discussion describes the non-GAAP ratios the Company uses in evaluating its operating results:

NON-CONSOLIDATED INTEREST COVERAGE RATIO

Non-consolidated interest coverage ratio measures the amount of cash flow available to meet annual interest payments on the Company’s indebtedness on a Non-Consolidated Basis and is defined as non-consolidated EBITDA divided by non-consolidated interest expense. Generally, the higher the interest coverage ratio, the lower the credit risk. Non-consolidated interest coverage ratio is presented in this MD&A because management considers this non-GAAP measure to be an important compliance measure of the Company’s operating performance.

NON-CONSOLIDATED INDEBTEDNESS TO AGGREGATE ASSETS RATIO

Non-consolidated indebtedness to aggregate assets ratio is a compliance measure and establishes the limit for financial leverage of the Company on a Non-Consolidated Basis. Non-consolidated indebtedness to aggregate assets ratio as well as non-consolidated indebtedness to gross book value (defined below) ratio are presented in this MD&A because management considers these non-GAAP measures to be an important compliance measure of the Company’s financial position.

SUPPLEMENTARY FINANCIAL MEASURES

Supplementary financial measures represent a component of a financial statement line item (including ratios that are not non-GAAP ratios) that are presented in a more granular way outside the financial statements, calculated in accordance with the accounting policies used to prepare the line item presented in the financial statements.

The following discussion describes the supplementary financial measures the Company uses in evaluating its operating results:

TOTAL REVENUE

Total revenue is calculated as the sum of revenue from real estate properties, revenue from hotel properties, management and advisory fees and interest and other income, and is presented in this MD&A because management considers this supplementary financial measure to be an important measure in evaluating the operating performance of the Company’s income generating assets and services.

GROSS BOOK VALUE

Gross book value is a measure of the value of the Company’s assets and is calculated as total assets less right-of-use assets accounted for under IFRS 16, Leases. Gross book value is presented in this MD&A because management considers this supplementary financial measure to be an important measure of the Company’s asset base and financial position.

INDEBTEDNESS

Indebtedness is defined as the sum of the current and non-current portion of: (i) mortgages payable, (ii) Unsecured Debentures, (iii) convertible debentures, (iv) construction financing payable, (v) bank indebtedness, and (vi) loans payable. Indebtedness is a measure of the amount of debt financing utilized by the Company. Indebtedness is presented in this MD&A because management considers this supplementary financial measure to be an important measure of the Company’s financial position.

INDEBTEDNESS TO GROSS BOOK VALUE RATIO

Indebtedness to gross book value ratio is defined as indebtedness divided by gross book value, and is presented in this MD&A because management considers this supplementary financial measure to be an important measure of the Company’s financial leverage.

CAPITAL MANAGEMENT MEASURES

The Company's capital management is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions, as well as existing debt covenants, while continuing to build long-term shareholder value and maintain sufficient capital for contingencies.

The following discussion describes the Company's capital management measures:

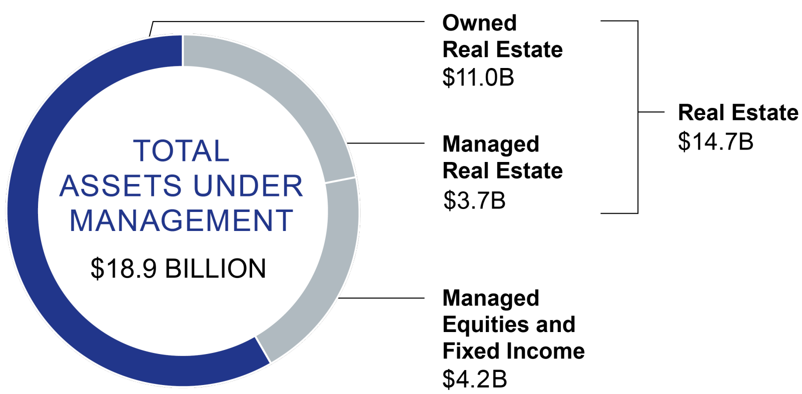
LIQUIDITY

Liquidity is calculated as the sum of cash, amounts available under its revolving credit facilities and any committed net additional mortgage financing proceeds, and is presented in this MD&A because management considers this capital management measure to be an important measure of the Company's financial position, as well as for determining the annual level of dividends to common shareholders.

PART II

BUSINESS OVERVIEW

Morguard Corporation 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's total assets under management (including both owned and managed assets) were valued at $18.9 billion as at December 31, 2025. The Company's common shares are publicly traded and listed on the Toronto Stock Exchange ("TSX") under the symbol "MRC." The Company's primary goal is to accumulate a portfolio of high-quality real estate assets and then deliver the benefits of such real estate ownership to shareholders.



MANAGEMENT AND ADVISORY SERVICES

The Company, through its wholly owned subsidiary, Morguard Investments Limited ("MIL"), provides real estate management services to Canadian institutional investors. Services include acquisitions, development, dispositions, leasing, performance measurement, and asset and property management. For over 50 years, MIL has positioned itself as one of Canada's leading providers of real estate portfolio and asset and property management services. In addition, Morguard, through its wholly owned subsidiary, Morguard Lincluden Global Investments Limited ("Morguard Lincluden") offers institutional clients and private investors a broad range of global investment products across equity, fixed-income and balanced portfolios.

As of December 31, 2025, MIL together with Morguard Lincluden manages a portfolio (excluding Morguard's corporately owned assets and assets owned by Morguard REIT and Morguard Residential REIT) of assets having an estimated value of $7.9 billion.

BUSINESS STRATEGY

Morguard's strategy is to acquire a diversified portfolio of commercial and multi-suite residential real estate assets both for its own accounts and for its institutional clients. The Company's cash flows are well diversified, given the revenue stream earned from its management and advisory services platform, the Company's corporately owned assets and the distributions received from its investment in Morguard REIT and Morguard Residential REIT. Diversification of the portfolio, by both asset type and location, serves to reduce investment risk. The Company will divest itself of non-core assets when proceeds can be reinvested to improve returns. A primary element of the Company's business strategy is to generate stable and increasing cash flow and asset value by improving the performance of its real estate investment portfolio and by acquiring or developing real estate properties in sound economic markets.

The Company's business strategy consists of the following elements:

- Increase property values and cash flow through aggressive leasing of available space and of space becoming available;
- Take advantage of long-standing relationships with national and regional tenants;
- Target and execute redevelopment and expansion projects that will generate substantial returns;
- Pursue opportunities to acquire or develop strategically located properties;
- Minimize operating costs by utilizing internalized functions, including property and asset management, leasing, finance, accounting, legal and information technology services; and
- Dispose of properties where the cash flows and values have been maximized.

Morguard's strategically diversified asset portfolio and healthy, conservative debt ratios and financial resources provide strength against economic and real estate cycles. Morguard has always been driven by our commitment to real estate for the long term. Our experience has proven that this persistence has driven greater value for our shareholders year over year, and our diversified portfolio and conservative debt level position us well against any potential challenges. We will continue to follow this approach.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

As at December 31	2025	2024	2023
Real estate properties	**$10,944,914**	$11,048,485	$10,493,655
Real estate properties held for sale	**148,170**	—	125,307
Hotel properties	**85,864**	85,999	87,376
Hotel properties held for sale	**—**	—	254,728
Equity-accounted and other fund investments	**48,710**	63,064	95,525
Gross book value(1)	**11,697,626**	11,610,686	11,483,769
Indebtedness	**$5,287,425**	$5,269,028	$5,638,032
Indebtedness to gross book value (%)	**45.2**	45.4	49.1
Non-consolidated indebtedness to gross book value (%)(2)	**36.8**	37.7	43.2
Total equity	**$4,768,668**	$4,719,256	$4,343,090
Shareholders' equity per common share	**410.70**	400.36	359.51

(1) As at December 31, 2025, gross book value is calculated as total assets less right-of-use assets in the amount of $144,752 (2024 - $148,742, 2023 - $139,319).
(2) Represents a non-GAAP financial ratio that does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. As at December 31, 2025, non-consolidated gross book value is calculated (on a non-consolidated basis) as aggregate assets less right-of-use assets in the amount of $123,236 (2024 - $126,878, 2023 - $120,228). This measure should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS. Additional information on this non-GAAP financial ratio can be found in Part I, "Specified Financial Measures."

For the years ended December 31	2025	2024	2023
Revenue from real estate properties	**$1,033,007**	$1,032,802	$1,000,726
Revenue from hotel properties	**31,430**	35,242	161,601
Management and advisory fees	**41,243**	39,679	43,572
Total revenue	**1,123,582**	1,127,083	1,224,018
Net operating income	**561,611**	566,903	595,416
Adjusted NOI(1)	**561,611**	566,903	594,367
Fair value loss, net	**(26,646)**	(121,407)	(215,264)
Net income attributable to common shareholders	**174,870**	261,799	74,176
Per common share - basic and diluted	**16.34**	24.23	6.80
Funds from operations(1)	**221,599**	206,651	214,122
Per common share - basic and diluted(1)	**20.71**	19.12	19.64
Normalized FFO(1)	**220,491**	220,361	239,700
Per common share - basic and diluted(1)	**20.61**	20.39	21.98
Distributions received from Morguard REIT	**10,638**	12,638	9,932
Distributions received from Morguard Residential REIT	**19,386**	18,839	18,226
Dividends declared/paid	**(8,560)**	(7,010)	(6,518)

(1) Represents a non-GAAP financial measure/ratio that does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. This measure should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS. Additional information on this non-GAAP financial measure/ratio can be found in Part I, "Specified Financial Measures."

Total assets as at December 31, 2025 were $11,842,378, compared to $11,759,428 as at December 31, 2024. Total assets increased by $82,950, primarily due to the following:

- An increase in real estate properties (including properties held for sale) of $44,599, mainly due to an increase in capital and development expenditures of $213,485, tenant incentives and leasing commissions of $33,603, and a net fair value gain of $1,063, partially offset by a decrease of $201,568 due to the change in the U.S. dollar exchange rate and dispositions of $5,995;
- An increase in amounts receivable of $36,982;
- A decrease in equity-accounted and other fund investments of $14,354;
- A decrease in other assets and prepaid expense of $28,035; and
- An increase in cash of $43,893.

Total revenue during the year ended December 31, 2025 decreased by $3,501 to $1,123,582, compared to $1,127,083 in 2024, primarily due to the following:

- An increase in revenue from real estate properties in the amount of $205, primarily due to higher average monthly rent ("AMR"), net of an increase in vacancy within the multi-suite residential segment and an increase in vacancy at Penn West Plaza, Calgary. In addition, revenue increased from the change in foreign exchange rate and from the net impact of acquisition and disposition of properties;
- An increase in management and advisory fees in the amount of $1,564, primarily due to higher leasing, property and asset management fees earned, partially offset by a decrease in disposition and project management fees earned; and
- A decrease in revenue from hotel properties in the amount of $3,812, primarily due to the sale of 14 hotel properties on January 18, 2024 ("Hotel Portfolio Disposition").

PROPERTY PROFILE

As at December 31, 2025, the Company and its subsidiaries own a diversified portfolio of 156 multi-suite residential, retail, office, industrial and hotel properties located in Canada and the United States.

PORTFOLIO COMPOSITION BY ASSET TYPE

The composition of the Company's real estate properties by asset type as at December 31, 2025 is as follows:

Asset Type	Number of Properties	GLA Square Feet (000s)(1)	Apartment Suites/Hotel Rooms(2)	Real Estate/ Hotel Properties
Multi-suite residential	56	—	17,798	$6,715,393
Retail	36	8,000	—	2,193,540
Office(3)	61	8,415	—	1,768,787
Hotel	2	—	472	85,864
Properties and land held for and under development	—	—	—	267,194
Total real estate properties	**155**	**16,415**	**18,270**	**$11,030,778**
Assets held for sale (4)	1	328	—	148,170
Total including assets held for sale	**156**	**16,743**	**18,270**	**$11,178,948**

(1) Total GLA is shown on a proportionate basis; on a 100% basis, total GLA of the Company's commercial properties is 20.8 million square feet.
(2) Total suites include non-controlling interest. The Company on a proportionate basis has ownership of 17,353 suites.
(3) Includes industrial properties with 1,014,500 square feet of GLA and a fair value of $221,611.
(4) Includes one office property located in Ottawa.

The Company's multi-suite residential portfolio comprises 25 Canadian properties located primarily throughout the Greater Toronto Area ("GTA") and 31 U.S. properties located in California, Colorado, Texas, Louisiana, Illinois, Georgia, Florida, North Carolina, Virginia and Maryland. The combined multi-suite residential portfolio represents 17,798 suites.

The Company's retail portfolio includes two broad categories of income producing properties: (i) enclosed full-scale, regional shopping centres with 5.1 million square feet of gross leaseable area ("GLA"); and (ii) neighbourhood and community shopping centres that are primarily anchored by food retailers and discount department stores with 2.9 million square feet of GLA. The retail portfolio comprises 24 properties located in Canada and 12 properties located in Florida, Louisiana and Maryland. The combined retail portfolio represents 8.0 million square feet of GLA.

The Company's office portfolio is focused on well-located, high-quality office buildings in major Canadian urban centres primarily located throughout the GTA, downtown Ottawa, Calgary and Vancouver. 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 the Company to benefit from increased rent on lease renewals. This segment comprises 7.7 million square feet of office GLA and 1.0 million square feet of industrial GLA.

The Company's hotel portfolio is comprised of one dual branded Hilton hotel located in downtown Ottawa, Ontario, and one independently operated hotel located in New Westminster, British Columbia. The hotel portfolio represents 472 rooms.

AVERAGE OCCUPANCY LEVELS

COMPARATIVE AVERAGE OCCUPANCY LEVELS

	Suites/GLA Square Feet	Dec. 2025	Sep. 2025	Jun. 2025	Mar. 2025	Dec. 2024
Multi-suite residential	17,798	92.4%	93.5%	94.9%	96.0%	95.5%
Retail	7,758,000 (1)	89.7%	90.6%	90.0%	92.2%	93.1%
Office(2)	8,695,000	82.6%	82.7%	84.9%	86.9%	89.4%

(1) Retail occupancy has been adjusted to exclude development space of 416,637 square feet of GLA.
(2) Office includes industrial properties with 1,014,500 square feet of GLA.

On February 1, 2025, Obsidian Energy's lease expired at Penn West Plaza, an office building located in Calgary, Alberta ("Obsidian Lease Expiry"). As at December 31, 2025, the occupancy percentage for Penn West Plaza was 80.8% compared to 100% at December 31, 2024.

THE HUDSON'S BAY COMPANY ("The Bay")

On March 7, 2025, The Hudson's Bay Company ("HBC" or "The Bay") filed for creditor protection under the Companies' Creditors Arrangement Act. The Company had four Bay locations comprising a total of 439,250 square feet of GLA on a proportionate ownership basis (Centerpoint Mall, Toronto, Bramalea City Centre (20.7%), Brampton, St. Laurent Centre, Ottawa and Cambridge Centre, Cambridge). The Company's annualized gross rent earned from The Bay leases is approximately $2,500 on a proportionate ownership basis. On June 15, 2025, the Company's lease with The Bay at Cambridge Centre was disclaimed, which resulted in a decrease of 1.7% of retail occupancy as at June 30, 2025 when compared to March 31, 2025.

On October 24, 2025, the Ontario Superior Court of Justice rejected a proposal from HBC to assign 25 department store leases across the country to B.C.-based businesswoman Ruby Liu for the creation of a new Canadian department store chain. On November 27, 2025, the Company's remaining three leases at Bramalea City Centre (20.7%), St. Laurent Centre and Centerpoint Mall were disclaimed, which resulted in a decrease of 2.4% of retail occupancy as at December 31, 2025 when compared to September 30, 2025, excluding 122,237 of GLA at the former Bay location at Centerpoint Mall that has been taken offline for future development.

PART III

REVIEW OF OPERATIONAL RESULTS

The Company's operational results for the years ended December 31, 2025, and 2024 are summarized below:

For the years ended December 31	2025	2024
Revenue from real estate properties	**$1,033,007**	$1,032,802
Revenue from hotel properties	**31,430**	35,242
Property operating expenses		
Property operating costs	**(262,418)**	(255,450)
Utilities	**(66,976)**	(62,421)
Realty taxes	**(151,554)**	(157,272)
Hotel operating expenses	**(21,878)**	(25,998)
Net operating income	**561,611**	566,903
OTHER REVENUE		
Management and advisory fees	**41,243**	39,679
Interest and other income	**17,902**	19,360
	59,145	59,039
EXPENSES		
Interest	**255,928**	256,743
Property management and corporate	**91,783**	87,867
Amortization of hotel properties and other	**6,861**	11,013
	354,572	355,623
OTHER INCOME (EXPENSE)		
Fair value loss, net	**(26,646)**	(121,407)
Gain on sale of hotel properties	**—**	150,587
Equity income (loss) from investments	**966**	(717)
Other income (expense)	**(89)**	(311)
	(25,769)	28,152
Income before income taxes	**240,415**	298,471
Provision for income taxes		
Current	**6,475**	26,078
Deferred	**55,038**	32,759
	61,513	58,837
Net income for the year	**$178,902**	$239,634
Net income (loss) attributable to:		
Common shareholders	**$174,870**	$261,799
Non-controlling interest	**4,032**	(22,165)
	$178,902	$239,634
Net income per common share attributable to:		
Common shareholders - basic and diluted	**$16.34**	$24.23

NET INCOME

Net income for the year ended December 31, 2025 was $178,902, compared to $239,634 in 2024. The decrease in net income of $60,732 for the year ended December 31, 2025 was primarily due to the following:

- A decrease in net operating income of $5,292, mainly due to a decrease in gross rent and an increase in vacancy costs at Penn West Plaza, resulting from the Obsidian Lease Expiry, partially offset by higher non-recurring property tax refunds received, an increase in AMR, net of higher vacancy at multi-suite residential properties, the change in foreign exchange rate and from the net impact of acquisition and disposition of properties;

- A decrease in non-cash net fair value loss of $94,761, mainly due to a decrease in fair value loss on Morguard Residential REIT units, an increase in fair value gain on real estate properties and an increase in fair value gain on marketable securities;
- A decrease in gain on sale of hotel properties of $150,587 due to the Hotel Portfolio Disposition; and
- An increase in income tax expense (current and deferred) of $2,676, mainly due to a deferred tax increase from a higher fair value gain recorded on the Company's Canadian and U.S. properties, partly offset by a decrease in current taxes resulting from the sale of properties in 2024.

NET OPERATING INCOME

NOI decreased by $5,292, or 0.9%, for the year ended December 31, 2025 to $561,611, compared to $566,903 in 2024, and is further analyzed by asset type below.

NOI BY ASSET TYPE

For the year ended December 31	2025	2024
Multi-suite residential	**$301,504**	$285,696
Retail	**134,041**	134,963
Office(1)	**116,514**	137,000
Hotel	**9,552**	9,244
NOI	**$561,611**	$566,903

(1) Includes industrial properties with NOI for the year ended December 31, 2025 of $9,886 (2024 - $10,631).

NOI from the multi-suite residential portfolio for the year ended December 31, 2025 increased by $15,808, or 5.5%, to $301,504, compared to $285,696 in 2024, primarily due to the following:

- An increase in Canadian multi-suite residential properties of $2,267 primarily resulting from:
  - An increase in AMR of 4.4%, net of higher vacancy. Partially offsetting higher revenue was an increase in operating costs by 1.0% mainly from higher property taxes, salary costs and utilities due to higher consumption, net of a decrease in insurance premiums. In addition, the Company's Canadian portfolio turned over 940 suites, or 11.5% of total suites, achieving AMR growth of 12.8% on suite turnover.
- An increase in U.S. multi-suite residential properties of US$7,184 primarily resulting from:
  - An increase in revenue due to an increase in AMR of 1.9% and an increase in ancillary income. The AMR growth rate is lower than historical average due to a more challenging leasing environment. In addition, operating costs decreased by 1.0% mainly from a decrease in property taxes, insurance premiums and bad debt expense, net of higher administrative expenses, utilities, repairs and maintenance and salary costs. The decrease in property taxes is mainly due to tax rebates received on successful appeals at several properties, and final Chicago tax bills received for the year 2024, which concluded a triennial reassessment cycle, totalling US$2,069. In addition, the Company's U.S. portfolio turned over 3,563 suites, or 37.1% of total suites, with an AMR growth of 0.3% on suite turnover.
- An increase of $6,357 due to the change in the U.S. dollar foreign exchange rate.

NOI from the retail portfolio for the year ended December 31, 2025 decreased by $922, or 0.7%, to $134,041 compared to $134,963 in 2024, primarily due to the following:

- A decrease in Canadian retail properties of $636 primarily resulting from:
  - A decrease of $1,069 from the sale of Heritage Towne Centre, Calgary, during the second quarter of 2024;
  - A decrease of $2,296 primarily due to a lower recovery of operating expenses at two enclosed shopping centres, lower percentage rent, and higher vacancy and higher bad debt expense mainly due to tenant insolvencies; partially offset by
  - An increase of $2,729 due to higher non-recurring property tax refunds received;
- A decrease in U.S. retail properties of US$604.
- An increase of $318 due to the change in the U.S. dollar foreign exchange rate.

NOI from the office portfolio for the year ended December 31, 2025 decreased by $20,486, or 15.0%, to $116,514, compared to $137,000 in 2024, primarily due to the following:

- A decrease of $15,602 primarily due to lower gross rent and higher vacancy at Penn West Plaza, resulting from the Obsidian Lease Expiry;
- A decrease of $4,370 primarily due to higher vacancy, partially offset by lower bad debt expense;
- A decrease of $2,905 due to lower non-recurring lease cancellation fees received compared to 2024;

- An increase of $3,234 from the acquisition of Telus Garden, Vancouver, during the fourth quarter of 2024; and
- A decrease of $843 from the sale of 181 Queen Street, Ottawa, during the first quarter of 2024.

NOI from the hotel portfolio for the year ended December 31, 2025 increased by $308, or 3.3%, to $9,552, compared to $9,244 in 2024, primarily due to the following:

- An increase of $936 due to the Hotel Portfolio Disposition; and
- A decrease of $628 mainly due to an increase in operating expenses. Partially offsetting the increase in operating expenses was an increase in ADR of $7.62 from $206.81 to $214.43 and a decrease in occupancy from 74.3% to 74.1%, resulting in an increase in revenue per available room ("RevPar") of $5.13 from $153.69 to $158.82.

COMPARATIVE NET OPERATING INCOME

Comparative NOI is a non-GAAP financial measure that does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. This measure should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS. Additional information on this non-GAAP financial measure can be found under the section "Part I, Specified Financial Measures."

For the years ended December 31	2025	2024
Multi-suite residential (in local currency)	**$246,797**	$239,086
Retail (in local currency)	**123,413**	125,628
Office(1)	**111,389**	133,060
Hotel	**9,552**	10,180
Exchange amount to Canadian dollars	**60,048**	54,065
Comparative NOI	**551,199**	562,019
Acquired properties	**4,406**	1,172
Dispositions	**53**	1,154
Lease cancellation fees	**1,773**	4,401
Realty tax refund/reassessment	**6,663**	1,049
Other	**(2,483)**	(2,892)
NOI	**$561,611**	$566,903

(1) Includes industrial properties with Comparative NOI for the year ended December 31, 2025 of $9,907 (2024 - $10,503).

The Company believes it is useful to provide an analysis of Comparative NOI, which eliminates non-recurring and non-cash items.

Comparative NOI for the year ended December 31, 2025 decreased by $10,820, or 1.9%, to $551,199 compared to $562,019 in 2024 due to the following:

- Multi-suite residential increased by $7,711 as a result of rental rate growth, net of higher vacancy;
- Retail decreased by $2,215 mainly due to a lower recovery of operating expenses, lower percentage rent and higher vacancy and bad debt expense, partially offset by higher basic rent;
- Office decreased by $21,671 mainly due to lower gross rent and higher vacancy at Penn West Plaza, resulting from the Obsidian Lease Expiry;
- Hotel decreased by $628 mainly due to an increase in operating expenses, partly offset by an increase in ADR and a decrease in occupancy, resulting in an overall increase in RevPar; and
- The change in the foreign exchange rate increased Comparative NOI for the U.S. properties by $5,983.

MANAGEMENT AND ADVISORY FEES

Morguard's management and advisory fees revenue for the year ended December 31, 2025 increased by $1,564, or 3.9%, to $41,243, compared to $39,679 in 2024, primarily due to higher leasing, property and asset management fees earned, partially offset by a decrease in disposition and project management fees earned.

INTEREST AND OTHER INCOME

Interest and other income for the year ended December 31, 2025 decreased by $1,458, or 7.5%, to $17,902, compared to $19,360 in 2024. The decrease was primarily due to lower interest income earned.

INTEREST EXPENSE

Interest expense consists of the following:

For the years ended December 31	2025	2024
Mortgages payable	**$198,703**	$198,772
Debentures payable, net of accretion	**29,410**	35,924
Bank indebtedness	**10,706**	3,112
Construction loans	**113**	—
Loans payable and other	**311**	601
Lease liabilities	**9,929**	9,860
Amortization of mark-to-market adjustments on mortgages, net	**1,005**	272
Amortization of deferred financing costs	**9,428**	8,409
Prepayment fee on mortgage extinguishment	**—**	257
	259,605	257,207
Less: Interest capitalized to properties under development	**(3,677)**	(464)
	$255,928	$256,743

Interest expense for the year ended December 31, 2025 decreased by $815, or 0.3%, to $255,928, compared to $256,743 in 2024, mainly due to a decrease in interest on Debentures, an increase in interest capitalized to properties under development, and lower interest on mortgages payable, partially offset by higher interest on bank indebtedness. The decrease in interest on Debentures is primarily due to the repayment of Series E and Series F senior unsecured debentures on January 25, 2024 and November 27, 2024, respectively, partially offset by the issuance of Series I senior unsecured debentures on October 14, 2025. The increase in interest on bank indebtedness is due to a higher amount borrowed on the Company's operating lines of credit. The decrease in interest on mortgages payable is largely attributable to properties financed at lower fixed and floating rates of interest, partially offset by a change in foreign exchange rates increasing U.S. mortgage interest by $1,570.

PROPERTY MANAGEMENT AND CORPORATE

Property management and corporate expenses for the year ended December 31, 2025 increased by $3,916, or 4.5%, to $91,783, compared to $87,867 in 2024, primarily due to an increase in salary costs, an increase in stock-based compensation of $642 and an increase of $672 due to change in foreign exchange rates.

AMORTIZATION OF HOTEL PROPERTIES AND OTHER

Amortization of hotel properties and other for the year ended December 31, 2025 decreased by $4,152, or 37.7%, to $6,861, compared to $11,013 in 2024.

FAIR VALUE GAIN (LOSS) ON REAL ESTATE PROPERTIES

Fair value adjustments are determined based on the movement of various valuation parameters on a quarterly basis, including changes in projected cash flows as a result of leasing, capitalization rates, discount rates and terminal capitalization rates. During the year ended December 31, 2025, the Company recognized a net fair value gain on real estate properties of $1,063, compared to a net fair value loss of $17,849 in 2024.

Fair value gain (loss) on real estate properties consists of the following:

For the years ended December 31	2025	2024
Multi-suite residential	**$95,731**	$111,298
Retail	**(16,836)**	(11,210)
Office[1]	**(77,832)**	(117,937)
	$1,063	($17,849)

(1) Includes industrial properties with a fair value loss for the year ended December 31, 2025 of $4,363 (2024 - gain of $400).

For the year ended December 31, 2025, the Company recognized the following fair value gain (loss):

- A net fair value gain of $95,731 in the residential portfolio, mainly due to an increase in stabilized NOI across the Company's Canadian residential portfolio, partially offset by a decrease in stabilized at the Company's U.S. residential portfolio and a 25 basis point increase in valuation parameters at four U.S. properties.
- A net fair value loss of $16,836 in the retail portfolio, due to a decrease in projected cash flows at several of the Company's Canadian enclosed malls as well as a result of certain leases being disclaimed through restructuring or insolvency proceedings; and

- A net fair value loss of $77,832 in the office portfolio, primarily due to a 25 to 75 basis point increase in valuation parameters across properties located in Ontario and a decrease in projected cash flows across several properties, partially offset by an increase in the valuation of a property located in Ottawa.

FAIR VALUE LOSS ON MORGUARD RESIDENTIAL REIT UNITS

For the year ended December 31, 2025, the Company recorded a fair value loss on the Morguard Residential REIT units of $28,825, which includes a mark-to-market loss of $7,943 on the units as a result of an increase in trading price and the distributions made to external unitholders of $20,882.

FAIR VALUE LOSS ON OTHER FUND INVESTMENTS

For the year ended December 31, 2025, the Company recorded a fair value loss on other fund investments of $3,854, primarily from a fair value loss on the Company's real estate properties held by the funds.

FAIR VALUE GAIN ON INVESTMENT IN MARKETABLE SECURITIES

For the year ended December 31, 2025, the Company recorded a fair value gain on investment in marketable securities of $4,320 resulting from an increase in trading value of the securities.

GAIN ON SALE OF HOTEL PROPERTIES

On January 18, 2024, the Company sold the common shares of its subsidiary, Morguard Hotels Limited, and the beneficial interest in 14 hotels for net proceeds of $405,801, including closing costs. On disposition, the net proceeds of the 14 hotels exceeded the carrying value of $255,214, resulting in a gain of $150,587.

EQUITY INCOME (LOSS) FROM INVESTMENTS

Equity income from investments for the year ended December 31, 2025 increased by $1,683 to $966, compared to a loss of $717 in 2024, primarily due to lower fair value loss recorded by the investments.

OTHER INCOME (EXPENSE)

Other expense for the year ended December 31, 2025, decreased by $222 to $89, compared to $311 in 2024.

INCOME TAXES

Provision for income taxes consists of the following:

For the years ended December 31	2025	2024
Current	**$6,475**	$26,078
Deferred	**55,038**	32,759
	$61,513	$58,837

For the year ended December 31, 2025, the Company recorded an income tax expense of $61,513, compared to $58,837 in 2024. The increase in income tax expense of $2,676 comprises an increase of $22,279 in deferred tax expense, partially offset by a decrease of $19,603 in current tax expense.

The decrease in current tax expense for the year ended December 31, 2025 is primarily the result of a decrease of $18,826 relating to the disposal of properties that occurred in 2024 and due to the Company undertaking a cost segregation study on specific U.S. properties that impacted the timing of the utilization of net operating losses. In addition, during the year, the One Big Beautiful Bill (OB3) substantively enacted changes to the section 163(j) limitation, which includes the permanent return of EBITDA-based interest deduction limitations that previously expired for the taxation years ended after December 31, 2022. Effective for taxation years commencing on or after December 31, 2024, the OB3 change will increase the amount of deductible business interest expense and reduce taxable income.

The increase in deferred income tax expense for the year ended December 31, 2025 is primarily due to a higher fair value gain recorded on the Company's Canadian and U.S. properties.

EIFEL Rules

The Canadian excessive interest and financing expenses limitation rules ("EIFEL Rules"), applicable to taxation years beginning on or after January 1, 2024, limit the amount of net interest and financing expenses that a corporation may deduct in computing taxable income. For the year ended December 31, 2025, the limitation on the deductibility of interest expense increased the Company's current income tax expense by $4,238 (2024 – $180).

PENSION PLANS

The Company maintains a defined benefit pension plan that provides benefits based on length of service and final average earnings under the Morguard Corporation Employee Retirement Plan (the "Morguard Plan"), as well as a defined benefit plan that provides benefits based on years of service, years of contributions and annual earnings under the Morguard Investments Limited Employees' Retirement Plan (the "MIL Plan"). Effective January 1, 2008, members of the MIL Plan and new employees of the Company commenced participation under the new defined contribution provisions of the Morguard Plan.

During 2024, the MIL Plan merged with the Morguard Plan, which resulted in a net asset transfer from the MIL Plan to the Morguard Plan. The asset transfer of the MIL Plan was completed on July 1, 2024, and treated as a "plan combination". The defined benefit obligation of the MIL Plan was determined as of June 30, 2024, using actuarial assumptions appropriate on that date, and then transferred to the Morguard Plan along with the MIL Plan assets. Members of the Morguard Plan and the MIL Plan will continue to receive the full value of pension benefits accrued prior to the merger. During the year ended December 31, 2024, the Company recorded a gain of $1,260 to other comprehensive income as a result of the merger.

The Company's accounting policy under IFRS is to recognize actuarial gains/losses in the period in which they occur, and these gains/losses are reflected in the consolidated statements of comprehensive income. During the year ended December 31, 2025, an actuarial gain of $10,392 was recorded in the consolidated statements of comprehensive income, compared to $3,347 (including a gain of $1,260 as a result of the merger) in 2024; the gains/losses are primarily due to a change in the trading price of the pension plan's underlying investments.

FUNDS FROM OPERATIONS

FFO (and FFO per common share) is a non-GAAP financial measure that does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. This measure should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS. FFO is computed by the Company in accordance with the current definition of the Real Property Association of Canada ("REALPAC") and is widely used as a real estate industry standard that supplements net income and evaluates operating performance but is not indicative of funds available to meet the Company's cash requirements. Additional information on this non-GAAP financial measure can be found in Part I, "Specified Financial Measures."

The following table provides an analysis of the Company's FFO by component:

	Three months ended December 31		Years ended December 31	
	2025	2024	**2025**	2024
Multi-suite residential	**$77,339**	$72,495	**$301,504**	$285,696
Retail	**35,399**	37,653	**134,041**	134,963
Office	**27,459**	34,652	**116,514**	137,000
Hotel	**2,117**	2,400	**9,552**	9,244
Adjusted NOI[1]	**142,314**	147,200	**561,611**	566,903
Other Revenue				
Management and advisory fees	**11,531**	10,445	**41,243**	39,679
Interest and other income	**4,728**	4,585	**17,902**	19,360
Equity-accounted FFO[2]	**667**	540	**2,562**	2,756
	16,926	15,570	**61,707**	61,795
Expenses and Other				
Interest	**(65,034)**	(64,369)	**(255,928)**	(256,743)
Principal repayment of lease liabilities	**(445)**	(365)	**(1,984)**	(1,392)
Property management and corporate	**(21,718)**	(21,533)	**(91,783)**	(87,867)
Internal leasing costs	**2,888**	900	**6,469**	4,112
Amortization of capital assets	**(342)**	(301)	**(1,441)**	(1,168)
Current income taxes[3]	**(1,560)**	599	**(6,219)**	(6,996)
Non-controlling interests' share of FFO[4]	**(14,652)**	(14,505)	**(51,352)**	(55,739)
Unrealized changes in the fair value of financial instruments	**(182)**	755	**466**	(16,261)
Other income (expense)	**44**	336	**53**	7
FFO	**$58,239**	$64,287	**$221,599**	$206,651
FFO per common share amounts – basic and diluted	**$5.45**	$5.96	**$20.71**	$19.12
Weighted average number of common shares outstanding (in thousands):				
Basic and diluted	**10,678**	10,784	**10,700**	10,806

(1) For the three months ended December 31, 2025, an IFRIC 21 adjustment of $16,535 (2024 - $13,837) was added to the IFRS presentation of realty tax expense.
(2) Equity-accounted FFO excludes fair value adjustments on real estate properties.
(3) Current income taxes for three months and year ended December 31, 2025 excludes $224 (2024 - $nil) and $256 (2024 - $19,082), respectively, of income tax relating to the disposal of properties.
(4) For the three months and year ended December 31, 2025, non-controlling interests' share of FFO includes Morguard Residential REIT's non-controlling interest share of FFO in the amount of $7,879 (2024 - $7,633) and $31,029 (2024 - $30,641), respectively.

For the three months ended December 31, 2025, the Company recorded FFO of $58,239 ($5.45 per common share), compared to $64,287 ($5.96 per common share) in 2024. The decrease in FFO of $6,048 is mainly due to a decrease in Adjusted NOI of $4,886, an increase in interest expense of $665, an increase in current income taxes of $2,159 and a decrease in unrealized changes in the fair value of financial instruments of $937, partially offset by an increase in management and advisory fees of $1,086 and an increase in internal leasing costs of $1,988.

The change in the foreign exchange rate had a positive impact on FFO of $47 ($0.01 per common share).

For the year ended December 31, 2025, the Company recorded FFO of $221,599 ($20.71 per common share), compared to $206,651 ($19.12 per common share) in 2024. The increase in FFO of $14,948 is mainly due to an increase in management and advisory fees of $1,564, an increase in internal leasing costs of $2,357, a decrease in non-controlling interests' share of FFO of $4,387 and an increase in unrealized changes in the fair value of financial instruments of $16,727, partially offset by a decrease in NOI of $5,292, a decrease in interest and other income of $1,458 and an increase in property management and corporate expenses of $3,916.

The change in the foreign exchange rate had a positive impact on FFO of $1,376 ($0.13 per common share).

Normalized FFO (and Normalized FFO per common share) is a non-GAAP financial measure that does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. This measure should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS. Normalized FFO is computed as FFO excluding non-recurring items on a net of tax basis and other non-cash fair value adjustments. The Company believes it is useful to provide an analysis of Normalized FFO which excludes non-recurring items on a net of tax basis and other non-cash fair value adjustments excluded from REALPAC's definition of FFO described above. Additional information on this non-GAAP financial measure can be found in Part I, "Specified Financial Measures."

Normalized FFO	Three months ended December 31		Years ended December 31	
	2025	2024	**2025**	2024
FFO (from above)	**$58,239**	$64,287	**$221,599**	$206,651
Add/(deduct):				
Unrealized changes in the fair value of financial instruments	**182**	(755)	**(466)**	16,261
SARs plan increase (decrease) in fair value	**16**	(532)	**(100)**	578
SOP increase in fair value	**742**	—	**742**	—
Lease cancellation fee and other	**(198)**	(264)	**(1,682)**	(3,954)
Tax effect of above adjustments	**54**	41	**398**	825
Normalized FFO	**$59,035**	$62,777	**$220,491**	$220,361
Per common share amounts – basic and diluted	**$5.53**	$5.82	**$20.61**	$20.39

Normalized FFO for the three months ended December 31, 2025 was $59,035 or $5.53 per common share, compared to $62,777, or $5.82 per common share, for the same period in 2024, which represents a decrease of $3,742, or 6.0%.

Normalized FFO for the year ended December 31, 2025 was $220,491 or $20.61 per common share, compared to $220,361, or $20.39 per common share, for the same period in 2024, which represents an increase of $130, or 0.1%.

The following table provides the Company's net income attributable to common shareholders reconciled to FFO:

	Three months ended December 31		Years ended December 31	
	2025	2024	**2025**	2024
Net income attributable to common shareholders	**$24,890**	$76,997	**$174,870**	$261,799
Add/(deduct):				
Fair value loss on real estate properties, net[1]	**69,048**	74,269	**533**	21,322
Non-controlling interests' share of fair value loss on real estate properties, net[1]	**(7,250)**	(25,155)	**(16,291)**	(47,263)
Fair value loss (gain) on Morguard Residential REIT units	**(18,746)**	(53,115)	**7,943**	66,433
Distribution to Morguard Residential REIT's external unitholders	**5,238**	5,342	**20,882**	21,634
Non-controlling interest - Morguard Residential REIT	**(7,879)**	(7,633)	**(31,029)**	(30,641)
Fair value gain on conversion option of MRG convertible debentures	**(448)**	(1,649)	**(650)**	(770)
Amortization of intangible asset	**348**	1,729	**2,903**	6,915
Amortization of hotel properties	**682**	653	**2,517**	2,930
Foreign exchange loss (gain)	**73**	(181)	**142**	318
Deferred income taxes	**5,243**	5,533	**55,038**	32,759
Principal repayment of lease liabilities	**(445)**	(365)	**(1,984)**	(1,392)
Internal leasing costs	**2,888**	900	**6,469**	4,112
Realty taxes accounted for under IFRIC 21[2]	**(15,627)**	(13,038)	**—**	—
Gain on sale of hotel properties	**—**	—	**—**	(150,587)
Current tax on disposition of properties	**224**	—	**256**	19,082
FFO	**$58,239**	$64,287	**$221,599**	$206,651
FFO per common share – basic and diluted	**$5.45**	$5.96	**$20.71**	$19.12
Weighted average number of common shares outstanding (in thousands):				
Basic and diluted	**10,678**	10,784	**10,700**	10,806

(1) Includes fair value adjustments on real estate properties for equity-accounted investments.
(2) Realty taxes accounted for under IFRIC 21 exclude non-controlling interests' share.

PART IV

BALANCE SHEET ANALYSIS

REAL ESTATE PROPERTIES

The Company's real estate properties, together with hotel properties and equity-accounted and other real estate fund investments, represent approximately 95% of Morguard's total assets. Real estate properties include multi-suite residential, retail, office and industrial properties held to earn rental income and for capital appreciation. Real estate properties also include properties or land being constructed or developed for future use as income producing properties.

The following table details the Company's real estate assets:

As at December 31	2025	2024
Real estate properties		
Multi-suite residential	**$6,715,393**	$6,769,886
Retail	**2,193,540**	2,152,748
Office(1)	**1,916,957**	1,945,766
	10,825,890	10,868,400
Properties under development	**144,306**	55,156
Land held for development	**122,888**	124,929
Real estate properties	**$11,093,084**	$11,048,485
Real estate properties	**$10,944,914**	$11,048,485
Real estate properties held for sale	**148,170**	—
Total	**$11,093,084**	$11,048,485

(1) As at December 31, 2025, includes industrial properties in the amount of $221,611 (2024 - $225,418).

Real estate properties (including real estate properties held for sale) increased by $44,599 at December 31, 2025 to $11,093,084, compared to $11,048,485 at December 31, 2024. The increase is primarily a result of the following:

- Capitalization of property enhancements, including capital expenditures and tenant improvements, totalling $149,937;
- Development expenditures of $97,151;
- A fair value gain on real estate properties of $1,063;
- A decrease of $201,568 due to the change in the U.S. dollar exchange rate; and
- Dispositions of real estate properties of $5,995.

Real estate properties held for sale are assets that the Company intends to sell rather than hold on a long-term basis and meet the criteria established in IFRS 5, Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5") for separate classification. As at December 31, 2025, the Company has a commitment to sell an office property consisting of 328,500 square feet located in Ottawa, Ontario, for gross proceeds of $148,170, excluding closing costs and will repay the mortgage payable secured by the property in the amount of $28,411. The transaction is scheduled to close on August 31, 2026.

DISPOSITIONS

On December 19, 2025, the Company sold two vacant retail parcels at a property located in Slidell, Louisiana, consisting of 161,500 square feet for net proceeds of $5,699 (US$4,086), including closing costs.

On February 7, 2025, the Company sold an industrial property consisting of 4,650 square feet, for net proceeds of $296, including closing costs.

APPRAISAL CAPITALIZATION AND DISCOUNT RATES

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

As at December 31, 2025, and 2024, using the direct capitalization approach, the multi-suite residential, retail and office properties were valued using capitalization rates in the range of 3.4% to 10.3% (2024 - 3.3% to 10.3%), resulting in an overall weighted average capitalization rate of 5.7% (2024 - 5.6%).

The stabilized occupancy and capitalization rates by product type are set out in the following table:

As at December 31	2025 Occupancy Rates		2025 Capitalization Rates			2024 Occupancy Rates		2024 Capitalization Rates		
	Max.	**Min.**	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Max.	Min.	Weighted Average
Multi-suite residential	**98.5%**	**92.0%**	**6.3%**	**3.4%**	**4.4%**	98.5%	92.0%	6.3%	3.3%	4.4%
Retail	**99.0%**	**85.0%**	**10.3%**	**5.0%**	**7.5%**	99.0%	85.0%	10.3%	5.0%	7.4%
Office[1]	**100.0%**	**85.0%**	**10.0%**	**5.0%**	**7.8%**	100.0%	85.0%	9.5%	4.6%	7.7%

(1) Includes industrial properties comprising approximately 12% of the segment's total assets.

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

As at December 31	2025 Maximum	2025 Minimum	2025 Weighted Average	2024 Maximum	2024 Minimum	2024 Weighted Average
Retail						
Discount rate	**11.3%**	**5.8%**	**7.7%**	11.3%	5.8%	7.7%
Terminal cap rate	**10.3%**	**5.3%**	**6.7%**	10.3%	5.3%	6.7%
Office						
Discount rate	**10.0%**	**6.0%**	**7.3%**	10.0%	5.1%	7.2%
Terminal cap rate	**9.3%**	**5.3%**	**6.6%**	9.5%	4.8%	6.5%

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.

The sensitivity of the fair values of the Company's income producing properties as at December 31, 2025, and 2024, is set out in the table below:

As at December 31	2025		2024	
Change in capitalization rate:	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Multi-suite residential	**($347,851)**	**$388,316**	($360,692)	$404,402
Retail	**(63,709)**	**68,099**	(66,253)	71,008
Office[1]	**(60,083)**	**64,118**	(57,961)	61,854
	($471,643)	**$520,533**	($484,906)	$537,264

(1) Includes industrial properties comprising approximately 12% of the segment's total assets.

PROPERTY UNDER DEVELOPMENT – 725 VILLAGE GREEN BOULEVARD

The Company invests in development projects that generate accretive earnings and cash flow and that enhance the overall quality of our portfolio. During the third quarter of 2024, Morguard officially launched the construction of its new purpose-built rental community in the Port Credit area of Mississauga, Ontario. The development will be comprised of one nine-storey and two eight-storey mid-rise residential buildings on a 3.7-acre property and will contain 431 suites, from studios to three-bedroom units, townhomes and penthouse suites. As at December 31, 2025, the Company's cumulative investment amounted to $114,744 (2024 - $33,369) and the project is anticipated to commence occupancies in the second half of 2027.

HOTEL PROPERTIES

Hotel properties consist of the following:

As at December 31	2025	2024
Cost	**$114,829**	$112,447
Accumulated amortization	**(28,965)**	(26,448)
Hotel properties	**$85,864**	$85,999

EQUITY-ACCOUNTED AND OTHER FUND INVESTMENTS

Equity-accounted and other real estate fund investments consist of the following:

As at December 31	2025	2024
Joint ventures	**$6,160**	$6,963
Associates	**—**	69
Equity-accounted investments	**6,160**	7,032
Other real estate fund investments	**42,550**	56,032
Equity-accounted and other fund investments	**$48,710**	$63,064

The Company's interest in joint ventures comprises a 50% interest in a 304,000 square foot office property located in Edmonton, Alberta, and a 50% interest in a 173,000 square foot office property located in Belleville, Ontario.

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

As at December 31	2025	2024
Balance, beginning of year	**$63,064**	$95,525
Share of net income (loss) - joint ventures	**966**	(717)
Distributions received - joint ventures	**(1,838)**	(5,219)
Distributions received - sale of hotel joint ventures	**—**	(26,033)
Fair value loss - other fund investments	**(3,854)**	(3,696)
Contributions - other fund investments	**—**	4,401
Distributions received - other fund investments	**(7,095)**	(5,310)
Foreign exchange gain (loss)	**(2,533)**	4,113
Balance, end of year	**$48,710**	$63,064

On April 16, 2024, the Company sold its 50% interest in two hotel joint ventures for net proceeds of $26,033, including working capital adjustments and closing costs.

CONSTRUCTION FINANCING PAYABLE

The Company has a variable rate, non-revolving construction facility of up to $208,254 collateralized by the Company's multi-suite residential property under development located at 725 Village Green Boulevard. This construction facility matures on April 28, 2028 and has an option to be converted into a Canada Mortgage and Housing Corporation ("CMHC") insured mortgage for a term of ten years. As at December 31, 2025, the Company had borrowed $22,754 on the construction financing facility.

MORTGAGES PAYABLE

Mortgages payable totalled $4,609,911 at December 31, 2025, compared to $4,761,081 at December 31, 2024, a decrease of $151,170, mainly due to mortgage repayments on maturity of $643,867, mortgage repayment on extinguishments of $10,796, scheduled principal repayments of $112,983, and a change in foreign exchange of $87,898, partially offset by net proceeds from new mortgage financing of $696,315.

MORTGAGE CONTINUITY SCHEDULE

As at December 31	2025	2024
Opening mortgage balance	**$4,761,081**	$4,680,092
New mortgage financing	**705,544**	995,233
New mortgage financing costs	**(9,229)**	(11,414)
Mortgages assumed on acquisition	**—**	35,686
Mortgage repayments on maturity	**(643,867)**	(767,690)
Mortgage repayments on extinguishment	**(10,796)**	(214,777)
Scheduled principal repayments	**(112,983)**	(114,126)
Change in foreign exchange rate	**(87,898)**	152,203
Mortgages mark-to-market adjustment, net	**1,005**	(295)
Deferred financing costs (including extinguishment)	**7,054**	6,169
Closing mortgage balance	**$4,609,911**	$4,761,081

The Company's first mortgages are registered against specific real estate assets and hotel properties. As at December 31, 2025, mortgages payable bear interest at rates ranging between 2.03% and 7.75% per annum with a weighted average interest rate of 4.25% (2024 - 4.21%), mature between 2026 and 2058 and have a weighted average term to maturity of 3.9 years (2024 - 4.1 years). Approximately 94% of the Company's mortgages have fixed interest rates.

MORTGAGE REPAYMENT SCHEDULE

As at December 31, 2025	Principal Instalment Repayments	Balance Maturing	Total	Weighted Average Contractual Interest Rate
2026	$105,937	$821,031	$926,968	4.18%
2027	74,189	636,438	710,627	4.50%
2028	61,907	630,935	692,842	4.68%
2029	55,025	566,933	621,958	4.57%
2030	37,416	545,173	582,589	3.66%
Thereafter	127,017	978,990	1,106,007	4.02%
	$461,491	$4,179,500	4,640,991	4.25%
Mark-to-market adjustment, net			(399)	
Deferred financing costs			(30,681)	
			$4,609,911	

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 December 31, 2025, and 2024, the Company is in compliance with all financial covenants.

MORTGAGE MATURITY SCHEDULE

The following table details the Company's contractual maturities over the next two years:

				2026				2027
Asset Type	Number of Properties	Principal Maturing	Weighted Average Interest Rate	Maturing Loan-to-Value Ratio	Number of Properties	Principal Maturing	Weighted Average Interest Rate	Maturing Loan-to-Value Ratio
Multi-suite residential	10	$404,198	4.60%	41.0%	5	$307,623	3.81%	33.4%
Retail	6	172,783	3.78%	45.6%	2	159,286	5.99%	60.1%
Office (1)	8	215,639	3.93%	57.2%	5	169,529	4.37%	43.2%
	24	**$792,620**	**4.23%**	**45.2%**	**12**	**$636,438**	**4.50%**	**40.3%**

(1) Excludes mortgages payable of $28,411 that will be repaid or intended to be repaid on the disposition of real estate properties classified as held for sale.

The following table details the new and refinancing activities completed during the year ended December 31, 2025:

Date	Asset Type	Location	New Interest Rate	Maturing Interest Rate	Term (years)	Mortgage Proceeds	Mortgage Repayment
January 1, 2025	Retail	Ottawa, ON	—%	6.11%	—	$—	$5,356
February 21, 2025	Retail	Toronto, ON	4.56%	4.21%	5.0	43,500	41,114
March 1, 2025	Retail	Winnipeg, MB	5.01%	7.13%	5.0	8,008	8,008
March 1, 2025	Office	St. Laurent, QC	5.10%	6.06%	3.0	70,160	70,160
March 3, 2025	Residential	Kitchener, ON	4.02%	2.25%	10.0	79,413	30,832
April 1, 2025	Office	Mississauga, ON	7.50%	3.70%	2.0	11,000	22,453
June 26, 2025	Retail	Airdrie, AB	4.52%	6.27%	5.0	17,500	16,956
July 2, 2025	Residential	Toronto, ON	4.05%	2.98%	10.0	153,950	116,490
July 21, 2025	Office	Vancouver, BC	4.68%	3.40%	5.0	37,000	34,688
July 31, 2025	Residential	Chicago, IL	5.35%	3.49%	3.0	166,128	155,838
August 1, 2025	Hotel	New Westminster, BC	5.59%	7.71%	5.0	33,000	26,983
August 1, 2025	Office	Ottawa, ON	5.37%	7.05%	2.8	25,251	25,251
October 1, 2025	Office	Vancouver, BC	4.70%	3.73%	3.0	39,634	39,634
October 1, 2025	Office	Ottawa, ON	4.59%	2.70%	5.0	18,000	19,969
October 15, 2025	Office	Mississauga, ON	—%	7.50%	—	—	10,796
October 31, 2025	Office	Calgary, AB	—%	4.69%	—	—	2,500
November 1, 2025	Office	Calgary, AB	4.47%	3.25%	5.0	3,000	2,635
December 30, 2025	Residential	Toronto, ON	—%	6.98%	—	—	25,000
Weighted Averages and Total			**4.77%**	**4.25%**	**5.7**	**$705,544**	**$654,663**

(1) Mortgage repayment includes early mortgage extinguishment of $10,796 that was repaid ahead of their scheduled maturity.

UNSECURED DEBENTURES

The Company's Unsecured Debentures consist of the following:

As at December 31	Maturity Date	Coupon Interest Rate	2025	2024
Series H senior unsecured debentures	September 26, 2026	9.50%	**$175,000**	$175,000
Series I senior unsecured debentures	October 14, 2026	5.00%	**250,000**	—
Unamortized financing costs			**(3,752)**	(1,389)
			$421,248	$173,611

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. On January 25, 2024, the Series E senior unsecured debentures were fully repaid on maturity.

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. On November 27, 2024, the Series F senior unsecured debentures were fully repaid on maturity.

On September 26, 2023, the Company issued $175,000 (net proceeds including issuance costs - $172,600) of Series H senior unsecured debentures due on September 26, 2026. Interest on the Series H senior unsecured debentures is payable semi-annually, not in advance, on March 26 and September 26 of each year. Paros Enterprises Limited ("Paros Enterprises"), a related party, acquired $25,000 aggregate principal amount of the Series H senior unsecured debentures. The Company has the option to redeem the Series H 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 1.235%.

On October 14, 2025, the Company issued $250,000 (net proceeds including issuance costs - $246,592) of Series I senior unsecured debentures due on October 14, 2028. Interest on the Series I unsecured debentures is payable semi-annually, not in advance, on October 14 and April 14 of each year, commencing on April 14, 2026. Paros Enterprises acquired $10,000 aggregate principal amount of the Series I senior unsecured debentures. The Company has the option to redeem the Series I 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 0.615%.

The presentation of Non-Consolidated Basis measures represents a non-GAAP financial measure and is presented in this MD&A because management considers these non-GAAP financial measures to be an important measure to evaluate and monitor the Company's compliance with its Indenture.

The covenants that govern the Unsecured Debentures are calculated using the Company's published results prepared in accordance with IFRS adjusted as required to account for the Company's Public Entity Investments using the equity method of accounting and other adjustments defined by the Indenture. The presentation of the Non-Consolidated balance sheet does not classify short-term and long-term assets and liabilities. In addition, other assets as presented in the non-consolidated balance sheet, group amounts receivable, and prepaid expenses and other that are presented as a separate financial statement line in the Company's consolidated balance sheet, and loans payable and bank indebtedness that are presented as a separate financial statement line in the Company's consolidated balance sheet, have been grouped as a single financial statement line in the non-consolidated balance sheet.

The Company must maintain an interest coverage ratio computed on a Non-Consolidated Basis above 1.65 times, an indebtedness to aggregate assets ratio computed on a Non-Consolidated Basis not to exceed 65% and a minimum equity requirement computed on a Non-Consolidated Basis 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 lenders.

Non-Consolidated Basis adjustments include the following:

- An adjustment (as defined in the Indenture) to account for the Company's Public Entity Investments using the equity method of accounting ("Equity Adjustment"). The adjustment requires the Public Entity Investments which are consolidated under IFRS to each respective financial statement line presented within the balance sheet and statement of income (loss) to be presented on a single line within equity-accounted investments;
- An adjustment (as defined in the Indenture) to the balance sheet to exclude deferred tax assets and liabilities, goodwill and to add back accumulated amortization of hotel properties ("Balance Sheet Indenture Adjustment"); and
- An adjustment (as defined in the Indenture) to the statement of income (loss) to exclude other non-cash items (such as the Company's stock-based compensation expense (SARs and SOP), IFRIC 21 and any gain or loss attributed to the sale or disposition of any asset or liability), non-recurring items (such as acquisition-related costs and debt settlement or other costs), and to include the distributions received from Morguard REIT and Morguard Residential REIT ("Income Statement Indenture Adjustment").

The covenants computed on a Non-Consolidated Basis are as follows:

Non-Consolidated Basis	Covenant Requirements	December 31, 2025	December 31, 2024
Interest coverage ratio(1)(2)	1.65	**2.31**	2.30
Indebtedness to aggregate assets ratio(2)	Less than or equal to 65%	**38.2%**	39.1%
Adjusted shareholders' equity(2)	Not less than $300,000	**$3,874,886**	$3,743,327

(1) Calculated on a trailing twelve-month basis.
(2) Represents a non-GAAP financial measure/ratio that does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. This measure should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS. Additional information on this non-GAAP financial measure/ratio can be found in Part I, "Specified Financial Measures."

As at December 31, 2025, on a Non-Consolidated Basis, the Company's unencumbered assets, which include real estate, hotel properties and other investments, amounted to $753,828 (2024 - $774,922).

The Company's financial results on a Non-Consolidated Basis are as follows:

MORGUARD NON-CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

As at December 31	Morguard Consolidated	Morguard REIT	Morguard Residential REIT	Equity Adjustment	Balance Sheet Indenture Adjustment	2025 Morguard Non-Consolidated Basis	2024 Morguard Non-Consolidated Basis
ASSETS							
Real estate properties	$10,944,914	($2,138,207)	($4,312,165)	($171,508)	$—	**$4,323,034**	$4,387,632
Real estate properties held for sale	148,170	—	—	—	—	**148,170**	—
Hotel properties	85,864	—	—	—	28,965	**114,829**	112,447
Equity-accounted and other fund investments	48,710	(3,423)	(72,640)	1,429,175	—	**1,401,822**	1,389,344
Other assets	430,102	(14,274)	(36,464)	73,675	(24,488)	**428,551**	400,690
Cash	184,618	(7,085)	(114,634)	(853)	—	**62,046**	80,855
Total assets	$11,842,378	($2,162,989)	($4,535,903)	$1,330,489	$4,477	**$6,478,452**	$6,370,968
LIABILITIES							
Mortgages payable	$4,609,911	($924,994)	($1,700,117)	($103,279)	$—	**$1,881,521**	$1,968,803
Construction financing payable	22,754	—	—	—	—	**22,754**	—
Bank indebtedness and loans	87,973	(137,973)	—	62,000	—	**12,000**	210,000
Class B LP units	—	—	(299,165)	299,165	—	**—**	—
Unsecured debentures	421,248	—	—	—	—	**421,248**	173,611
Convertible debentures	145,539	(156,470)	(53,536)	64,467	—	**—**	—
Lease liabilities	169,598	(16,426)	(16,939)	452	—	**136,685**	137,819
Morguard Residential REIT units	419,105	—	—	(419,105)	—	**—**	—
Deferred income tax liabilities	950,092	—	(296,204)	—	(653,888)	**—**	—
Accounts payable and accrued liabilities	247,490	(62,405)	(63,967)	8,240	—	**129,358**	137,408
Total liabilities	7,073,710	(1,298,268)	(2,429,928)	(88,060)	(653,888)	**2,603,566**	2,627,641
Equity/Adjusted shareholders' equity	4,768,668	(864,721)	(2,105,975)	1,418,549	658,365	**3,874,886**	3,743,327
Total liabilities and equity	$11,842,378	($2,162,989)	($4,535,903)	$1,330,489	$4,477	**$6,478,452**	$6,370,968

COMPUTATION FOR INTEREST COVERAGE RATIO

Years ended December 31	Morguard Consolidated	Morguard REIT	Morguard Residential REIT	Equity Adjustment	Income Statement Indenture Adjustment	2025 Morguard Non-Consolidated Basis	2024 Morguard Non-Consolidated Basis
Revenue from real estate properties	$1,033,007	($239,339)	($354,648)	($16,853)	$—	**$422,167**	$413,852
Revenue from hotel properties	31,430	—	—	—	—	**31,430**	35,242
Property operating expenses	(480,948)	127,518	164,914	(9,993)	—	**(198,509)**	(191,957)
Hotel operating expenses	(21,878)	—	—	—	—	**(21,878)**	(25,998)
Net operating income	561,611	(111,821)	(189,734)	(26,846)	—	**233,210**	231,139
Management and advisory fees/distributions	41,243	—	—	48,400	—	**89,643**	86,208
Interest and other income	17,902	—	—	1,721	—	**19,623**	24,666
Property management and corporate(1)	(91,783)	3,904	23,240	(26,087)	642	**(90,084)**	(86,525)
Other income (expense)(2)	53	(90)	(6,156)	6,372	—	**179**	143
Distributions from Morguard REIT and Morguard Residential REIT	—	—	—	—	30,024	**30,024**	31,477
EBITDA	$529,026	($108,007)	($172,650)	$3,560	$30,666	**$282,595**	$287,108
Interest expense	$255,928	($63,461)	($91,917)	$18,595	$—	**$119,145**	$124,695
Interest capitalized to development projects	3,677	(533)	—	—	—	**3,144**	—
Interest expense for interest coverage ratio	$259,605	($63,994)	($91,917)	$18,595	$—	**$122,289**	$124,695

(1) Morguard consolidated property management and corporate expense for the year ended December 31, 2025 includes a non-cash fair value adjustment relating to the Company's stock-based compensation expense and has been adjusted to remove the net impact of an increase in stock-based compensation expense of $642 (2024 - $578).

(2) Excludes acquisition-related costs, debt settlement or other costs, any gain or loss attributed to the sale or disposition of any asset or liability, other non-cash items and non-recurring items.

CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

As at December 31	Maturity Date	Conversion Price	Coupon Interest Rate	Principal Balance	Principal Owned by the Company	2025	2024
Morguard Residential REIT(1)	March 31, 2028	$24.15	6.00%	$56,000	$5,000	**$48,536**	$47,830
Morguard REIT	December 31, 2026	$7.80	5.25%	$159,000	$60,000	**97,003**	95,173
						$145,539	$143,003

(1) As at December 31, 2025, the liability includes the fair value of the conversion option of $711 (2024 - $1,361).

Morguard Residential REIT

On March 9, 2023, Morguard Residential REIT issued $50,000 principal amount of 6.00% convertible unsecured subordinated debentures maturing on March 31, 2028. On March 17, 2023, an additional principal amount of $6,000 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. Underwriters' commission, legal and other issue costs attributable to the debentures in the amount of $2,410 have been capitalized and are being amortized over the term to maturity. As at December 31, 2025, Morguard and Paros Enterprises, related parties, own $5,000 (2024 - $5,000) and $2,000 (2024 - $2,000) aggregate principal amount of the 6.00% convertible unsecured subordinated debentures, respectively.

Morguard REIT

On December 7, 2021, Morguard REIT issued $150,000 principal amount of 5.25% convertible unsecured subordinated debentures maturing on December 31, 2026. On December 13, 2021, an additional principal amount of $9,000 was issued pursuant to the exercise of the over-allotment option. Interest is payable semi-annually, not in advance, on June 30 and December 31 of each year. Underwriters' commissions, legal and other issue costs attributable to the debentures in the amount of $4,213 have been capitalized and are being amortized over their term to maturity. The convertible debentures, with the exception of $4,213, the value assigned to the holder's conversion option, have been recorded as debt on the consolidated balance sheets. As at December 31, 2025, Morguard owns $60,000 (2024 - $60,000) aggregate principal amount of the 5.25% convertible unsecured subordinated debentures.

MORGUARD RESIDENTIAL REIT UNITS

As at December 31, 2025, the Company owns a 48.6% (2024 - 47.4%) effective interest in Morguard Residential REIT through its ownership of 8,120,666 units and 17,223,090 Class B LP units. Although the Company owns less than 50% of Morguard Residential REIT, it continues to consolidate its investment on the basis of *de facto* control.

The non-controlling interest in Morguard Residential REIT units has been presented as a liability. 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 December 31, 2025, the Company valued the non-controlling interest in the Morguard Residential REIT units at $419,105 (2024 - $434,721) and classifies 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 loss for the year ended December 31, 2025 of $28,825 (2024 - $88,067) in the consolidated statements of income.

BANK INDEBTEDNESS

As at December 31, 2025, the Company has borrowed $87,973 (2024 - $168,079) on its operating lines of credit and has issued letters of credit in the amount of $3,093 (2024 - $3,254). The Company has seven revolving lines of credit, of which six are subject to borrowing limitations that are based on the performance metrics of the underlying security. As at December 31, 2025, the maximum amount that can be borrowed on the operating lines of credit is $386,340 (2024 - $360,391). As at December 31, 2025, the Company has operating lines of credit totalling $438,330 (2024 - $436,350).

The Company's investments in Morguard REIT and Morguard Residential REIT, marketable securities, amounts receivable, inventory, capital assets and a fixed charge on eleven properties have been pledged as collateral on these operating lines of credit. As at December 31, 2025, the majority of the Company's lines of credit can be borrowed in either Canadian or United States dollars and are subject to floating interest rates based on the prime lending rate, Canadian Overnight Repo Rate Average ("CORRA") for amounts borrowed in Canadian dollars or the Secured Overnight Financing Rate ("SOFR") on amounts borrowed in United States dollars.

The bank credit agreements, which renew annually and are due on demand, include certain restrictive undertakings by the Company. As at December 31, 2025, the Company is in compliance with all undertakings.

LEASE LIABILITIES

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

As at December 31	2025	2024
Balance, beginning of year	**$171,463**	$170,753
Interest on lease liabilities	**9,929**	9,860
Payments	**(11,913)**	(11,252)
Additions	**958**	685
Foreign exchange loss (gain)	**(839)**	1,417
Balance, end of year	**$169,598**	$171,463

Future minimum lease payments under lease liabilities are as follows:

As at December 31	2025	2024
Within 12 months	**$11,649**	$11,469
2 to 5 years	**54,800**	55,351
Over 5 years	**321,973**	332,453
Total minimum lease payments	**388,422**	399,273
Less: future interest costs	**(218,824)**	(227,810)
Present value of minimum lease payments	**$169,598**	$171,463

CONTRACTUAL MATURITIES

The contractual maturities and repayment obligations of the Company's financial liabilities for upcoming periods as at December 31, 2025 are as follows:

As at December 31, 2025	2026	2027	2028	2029	2030	Thereafter	Total
Mortgages payable	$926,968	$710,627	$692,842	$621,958	$582,589	$1,106,007	**$4,640,991**
Mortgage interest	176,716	137,264	108,514	85,361	51,841	138,079	**697,775**
Convertible debentures	99,000	—	51,000	—	—	—	**150,000**
Interest on convertible debentures	8,258	3,060	753	—	—	—	**12,071**
Unsecured debentures	175,000	—	250,000	—	—	—	**425,000**
Interest on Unsecured Debentures	24,752	12,500	9,829	—	—	—	**47,081**
Construction financing payable	22,754	—	—	—	—	—	**22,754**
Bank indebtedness	87,973	—	—	—	—	—	**87,973**
Accounts payable and accrued liabilities	247,490	—	—	—	—	—	**247,490**
Lease liabilities (including interest)	11,649	10,878	12,244	20,971	10,707	321,973	**388,422**
	$1,780,560	**$874,329**	**$1,125,182**	**$728,290**	**$645,137**	**$1,566,059**	**$6,719,557**

EQUITY

Total equity increased by $49,412 to $4,768,668 at December 31, 2025, compared to $4,719,256 at December 31, 2024.

The increase in equity was primarily the result of:

- Net income for the year ended December 31, 2025 of $178,902;
- Non-controlling interest distributions of $5,986;
- Repurchase of common shares through the Company's NCIB (defined below) amounting to $5,245;
- Change in ownership of Morguard REIT of $7,097;
- Increase in Morguard Lincluden ownership interest of $4,000;
- Dividends paid of $8,560; and
- Unrealized foreign currency translation loss of $119,408.

On January 31, 2025, the Company acquired the remaining 40% ownership interest in Morguard Lincluden for a purchase price of $4,000, including closing costs.

During the year ended December 31, 2025, 43,600 common shares were repurchased through the Company's normal course issuer bid ("NCIB") for cash consideration of $5,245 at a weighted average price of $120.30 per common share.

As at December 31, 2025 and February 19, 2026, 10,678,094 common shares are outstanding.

PART V

LIQUIDITY

Morguard uses a combination of existing cash, cash generated from operations, mortgages, bank indebtedness, project-specific financing and equity to finance its activities. For the year ended December 31, 2025, Morguard received $31,862 in recurring distributions and dividends from subsidiaries and affiliated entities.

The Company has liquidity of $483,000, comprised of approximately $184,500 in cash and $298,500 available under its revolving credit facilities and approximately $133,500 of additional net mortgage financing proceeds expected to close in the first and second quarters of 2026. In addition, the Company has $1,126,000 of unencumbered income producing properties and other investments which could be utilized for financing.

The Company has approximately $1,429,000 of mortgages payable maturing during 2026 and 2027, having an aggregate loan-to-value ratio of 43%, which management expects to be able to refinance at similar or favourable terms. In addition, the Company has $175,000 of senior unsecured debentures maturing in September 2026 and $99,000 of unsecured convertible debentures maturing in December 2026. The Company expects to be able to issue new debt instruments and use current liquidity to permit the repayment of the 2026 and 2027 maturities.

Net cash flows provided by operating activities represent the primary source of liquidity to fund dividends and maintenance capital expenditures (excluding new acquisition and development spending) on the Company's real estate properties. The Company's net cash flows provided by operating activities are dependent upon the occupancy level of its rental properties, rental rates on its leases, collectibility of rent from its tenants, level of operating expenses and other factors. Accordingly, the Company does not repay maturing debt from cash flows but rather with proceeds from refinancing such debt or financing unencumbered properties. Material changes in these factors may adversely affect the Company's cash flows provided by operating activities and liquidity.

YEAR ENDED DECEMBER 31, 2025

Cash Provided by Operating Activities

Cash provided by operating activities during the year ended December 31, 2025 was $214,438, compared to $250,195 in 2024. Cash provided by operating activities has been used to meet the Company's liquidity requirements, which consisted primarily of property re-leasing costs, maintenance costs and dividends to shareholders.

Cash Provided by (Used in) Investing Activities

Cash used in investing activities during the year ended December 31, 2025 totalled $205,824, compared to cash provided by investing activities of $384,684 in 2024. The cash used in investing activities reflects:

- Additions to real estate properties and tenant improvements of $131,000;
- Additions to hotel properties of $2,459;
- Additions to capital and intangible assets of $2,691;
- Additions to properties under development of $87,682;
- Net proceeds from the sale of real estate properties of $5,995;
- Net decrease in mortgages and loans receivable of $4,918; and
- Net distributions from equity-accounted and other fund investments of $7,095.

Cash Provided by (Used in) Financing Activities

Cash provided by financing activities during the year ended December 31, 2025 totalled $38,619, compared to cash used in financing activities of $613,370 in 2024. The cash provided by financing activities reflects:

- Proceeds from new mortgages, net of financing cost, of $696,315;
- Mortgage principal repayments of $112,983;
- Repayment of mortgages on maturity of $643,867;
- Repayment of mortgages due to early extinguishments of $10,796;
- Net repayment of bank indebtedness of $80,106;
- Net proceeds from issuance of debentures payable of $246,592;
- Repayment of loans payable of $20,000;
- Dividends paid of $8,521;
- Distributions to non-controlling interest of $6,137;
- Morguard Residential REIT units repurchased for cancellation of $24,335;
- Common shares repurchased for cancellation of $5,245; and
- Investment in subsidiaries of $11,097.

PART VI

TRANSACTIONS WITH RELATED PARTIES

Related party transactions that are in the normal course of operations are subject to the same processes and controls as other transactions; that is, they are subject to standard approval procedures and management oversight, but are also considered by management for reasonability against fair value. Related party transactions that are material are subject to review and approval by a committee of independent Directors.

PAROS HOLDINGS CORPORATION AND PAROS ENTERPRISES LIMITED

Paros Holdings Corporation (“Paros Holdings”) and Paros Enterprises are owned by the Company’s Executive Chairman, Mr. K. Rai Sahi. As at December 31, 2025, Paros Holdings owns a 62.9% interest in Morguard through its ownership of 6,717,150 common shares. As at December 31, 2025, Paros Enterprises owns $25,000 (2024 - $25,000) Series H senior unsecured debentures, $10,000 Series I senior unsecured debentures and $2,000 (2024 - $2,000) of Morguard Residential REIT’s 6.00% convertible unsecured subordinated debentures. As at December 31, 2025, and 2024, the Company has a demand loan agreement with Paros Enterprises that provides for the Company to borrow up to $50,000. As at December 31, 2025, and 2024, no amounts were drawn and no net interest expense was incurred.

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. Pursuant to contractual agreements between the Company and TWC, for the year ended ended December 31, 2025, the Company received a management fee of $1,379 (2024 - $1,325) and paid rent and operating expenses of $1,076 (2024 - $909).

As at December 31, 2025, and 2024, the Company has a revolving demand loan agreement with TWC that provides for either party to borrow up to $50,000 at floating rates of interest consistent with the entity’s borrowing cost. The total loan payable as at December 31, 2025 was $nil (2024 - $20,000). During the year ended December 31, 2025, the Company paid net interest of $84 (2024 - $70).

SHARE/UNIT PURCHASE AND OTHER LOANS

As at December 31, 2025, share/unit purchase and other loans to officers and employees of the Company and its subsidiaries of $3,042 (2024 - $2,960) are outstanding. The loans are collateralized by their common shares and Unsecured Debentures of the Company, units and convertible debentures of Morguard REIT, and units of Morguard Residential REIT, are interest-bearing, computed at the prescribed interest rate and are due on January 12, 2027. Other loans are secured against the underlying asset. The loans are classified as amounts receivable on the consolidated balance sheets. As at December 31, 2025, the fair market value of the common shares/units held as collateral is $3,752.

PART VII

SUMMARY OF MATERIAL ACCOUNTING POLICIES AND ESTIMATES

The Company's consolidated financial statements for the years ended December 31, 2025 and 2024, have been prepared in accordance with IFRS. A summary of the material accounting policies is described in Note 2 to the audited consolidated financial statements for the year ended December 31, 2025.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods.

In determining estimates of fair market value for the Company's real estate properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Estimates used in determining fair value of the Company's real estate properties include capitalization rates and stabilized net operating income (which is influenced by vacancy rates, inflation rates and operating costs). Should any of these underlying assumptions change, actual results could differ from the estimated amounts.

Property and equipment and investments in joint arrangements are assessed for impairment. Assumptions are 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 rate, appropriate growth rates (revenues and costs) and changes in market valuation parameters. Management considers various factors in its assessment, including the historical performance of property and equipment and investments in joint arrangements, expected trends in each specific market, as well as local and macroeconomic conditions.

The estimated useful lives and related amortization method are determined for each component of hotel properties. The selected amortization method and estimate of useful life impact the amount of amortization expense recognized. In establishing useful lives and the related amortization method, management considers its capital maintenance plans.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

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

Real Estate Properties

Real estate properties include multi-suite residential, retail, office and industrial properties held to earn rental income and for capital appreciation and properties or land that are under construction or being developed for future use as income producing properties. Real estate properties are recorded at fair value, determined based on available market evidence, at the balance sheet date. The Company determined the fair value of each real estate property based upon, among other things, rental income from current leases and assumptions about rental income from future leases, reflecting market conditions at the applicable balance sheet dates, less future cash outflow pertaining to the respective leases. The residential properties are appraised using the direct capitalization income method. The retail, office and industrial properties are appraised using a number of approaches that typically include a discounted cash flow analysis 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. To assist with the evaluation of fair value, the Company has its properties appraised by Morguard's appraisal division. Morguard's appraisal division is staffed with accredited members of the AIC who, collectively, in 2025 valued approximately $13 billion of real estate properties in Canada and the U.S. for institutional and corporate clients.

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

Joint Arrangements

The Company reviews its interests in joint arrangements and accounts for those joint arrangements in which the Company is entitled only to the net assets of the arrangement as joint ventures using the equity method of accounting and for those joint arrangements in which the Company is entitled to its share of the assets and liabilities as joint operations, and recognizes its rights to and obligations of the assets, liabilities, revenue and expenses of the joint operation.

The Company applies judgment in determining whether the joint arrangements provided it with joint control, significant influence or no influence and whether the arrangements are joint operations or joint ventures.

Fair Value of Financial Instruments

The fair value of financial instruments approximates amounts at which these instruments could be exchanged between knowledgeable and willing parties. The estimated fair value may differ in amount from that which could be realized on an immediate settlement of the instruments. The Company estimates the fair value of mortgages payable by discounting the cash flows of these financial obligations using market rates for debts of similar terms.

FINANCIAL INSTRUMENTS

The following describes the Company's recognized and unrecognized financial instruments.

The Company's financial assets and financial liabilities comprise cash, restricted cash, amounts receivable, finance lease receivable, accounts payable and accrued liabilities, bank indebtedness, mortgages payable, construction financing payable, loans payable, lease liabilities, Unsecured Debentures and convertible debentures (excluding any conversion option).

Financial assets must be classified and measured on the basis of both the business model by which the assets are managed and the contractual cash flow characteristics of the asset. Financial assets subsequent to initial recognition are classified and measured based on three categories: amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL"). Financial liabilities are classified and measured based on two categories: amortized cost and FVTPL. Fair values of financial assets and financial liabilities are presented as follows:

Fair Value of Financial Assets and Financial Liabilities

The fair values of cash, restricted cash, amounts receivable, accounts payable and accrued liabilities, bank indebtedness and constructions financing payable 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 Company's construction financing payable and 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 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 mortgages payable has been determined by discounting the cash flows of these financial obligations using December 31, 2025 market rates for debt of similar terms. Based on these assumptions, the fair value as at December 31, 2025 of mortgages payable before deferred financing costs and mark-to-market adjustments is estimated at $4,578,285 (2024 - $4,656,335), compared to the carrying value of $4,640,991 (2024 - $4,791,513). The fair value of 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 their closing bid price. As at December 31, 2025, the fair value of Unsecured Debentures has been estimated at $437,294 (2024 - $186,555), compared to the carrying value of $425,000 (2024 - $175,000).

The fair value of the convertible debentures liability is based on their market trading price. As at December 31, 2025, the fair value of convertible debentures before deferred financing costs has been estimated at $153,260 (2024 - $152,244), compared to the carrying value of $150,000 (2024 - $150,000).

The fair value of the finance lease receivable is determined by discounting the cash flows of the finance lease receivable using December 31, 2025 market rates for debt of similar terms. Based on these assumptions, as at December 31, 2025, the fair value of the finance lease receivable is estimated at $59,811 (2024 - $59,335).

RISKS AND UNCERTAINTIES

An investment in securities of the Company involves significant risks. Investors should carefully consider the risks described below, the other information described elsewhere in this MD&A (as updated by any subsequent interim MD&A) and those risks set out in the Company's Annual Information Form ("AIF") for the year ended December 31, 2025, dated February 19, 2026, before making a decision to buy securities of the Company. If any of the following or other risks occur, the Company's business, prospects, financial condition, financial performance and cash flows could be materially adversely impacted. In that case, the trading price of securities of the Company could decline and investors could lose all or part of their investment in such securities. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

There are certain risks inherent in an investment in the securities of the Company and in the activities of the Company, including those set out in the Company's publicly filed disclosure available on SEDAR+.

The following are business risks the Company expects to face in the normal course of its operations and management's strategy to reduce the potential impact.

Operating Risk

Real estate has a high fixed cost associated with ownership and income lost due to vacancies that cannot easily be minimized through cost reduction. Substantially all of our multi-suite residential leases are for a term of one year or less. Because these leases generally permit residents to leave at the end of the lease without penalty, our rental revenues are impacted by declines in market rents more quickly than if our leases were for longer terms.

Tenant retention and leasing vacant suites are critical to maintaining occupancy levels. Through well-located and professionally managed properties, management seeks to increase tenant loyalty and become the landlord of choice. The Company reduces operating risk through diversification of its portfolio by tenants, lease maturities, product and location.

Shifting consumer preferences toward e-commerce may result in a decrease in the demand for physical space by retail tenants. The failure of the Company to adapt to changes in the retail landscape, including finding new tenants to replace any lost income stream from existing tenants that reduce the amount of physical space they lease from the Company, could adversely affect the Company's financial performance.

Concerns about uncertainty over whether the economy will be adversely affected by inflation and the systemic impact of unemployment, volatile energy costs, geopolitical issues and the availability and cost of credit could contribute to increased market volatility and weakened business and consumer confidence. This difficult operating environment could adversely affect the Company's ability to generate revenues, thereby reducing its operating income and earnings. It could also have a material adverse effect on the ability of the Company's operators to maintain occupancy rates at the properties, which could harm the Company's financial condition. If these economic conditions transpire, the Company's tenants may be unable to meet their rental payments and other obligations owing to the Company, which could have a material adverse effect on the Company.

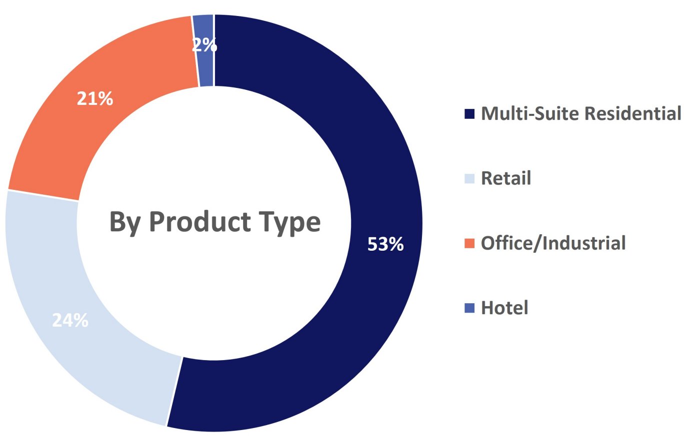
Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the Company is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

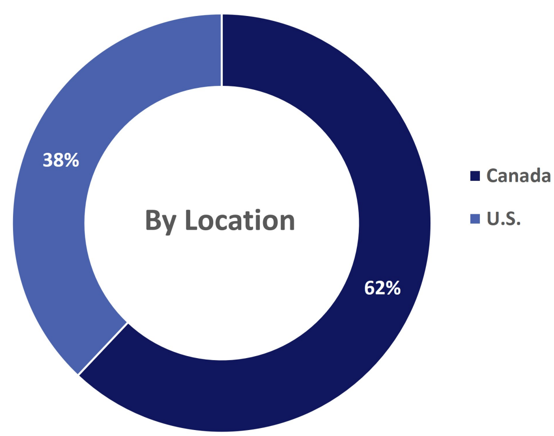
The Company is also subject to utility and property tax risk relating to increased costs that the Company may experience as a result of higher resource prices, as well as its exposure to significant increases in property taxes. There is a risk that property taxes may be raised as a result of revaluations of municipal properties and their adherent tax rates. In some instances, enhancements to properties may result in a significant increase in property assessments following a revaluation. Additionally, utility expenses, mainly consisting of natural gas, water and electricity service charges, have been subject to considerable price fluctuations over the past several years. Unlike commercial leases, which generally are "net" leases and allow a landlord to recover expenditures, residential leases are generally "gross" leases, and the landlord has limited ability to pass on costs to its tenants.

The Company currently relies on third-party vendors, developers, co-owners and strategic partners to provide the Company with various services or to complete projects. The lack of an effective process for developing joint venture arrangements or for contract tendering, drafting, review, approval and monitoring may pose a risk for the Company. The Company may not be able to negotiate contract terms, service levels and rates that are optimal for the Company. In addition, co-owners or joint venture partners may fail to fund their share of capital, may not comply with the terms of any governing agreements or may incur reputational damage which could negatively impact the Company. Inefficient, ineffective or incomplete vendor management/partnership strategies, policies and procedures could impact the Company's reputation, operations and/or financial performance.

In connection with the prudent management of its properties, the Company makes significant property capital investments (for example, to upgrade and maintain building structure, balconies, parking garages, roofing, and electrical and mechanical systems). The Company commissioned building condition reports in connection with the acquisition of each of the properties and has committed to a multi-year property capital investment plan based on the findings of such reports. The Company continually monitors its properties to ensure appropriate and timely capital repairs and replacements are carried out in accordance with its property capital investment programs. The Company requires sufficient capital to carry out its planned property capital investment and repair and refurbishment programs to upgrade its properties or it could be exposed to operating business risks arising from structural failure, electrical or mechanical breakdowns, fire or water damage, etc., which may result in significant loss of earnings to the Company.

For the year ended December 31, 2025, the Company's portfolio diversification as a percentage of net operating income is as follows:





Pandemic or Epidemic Risks

Pandemic or epidemic risks may at various times lead to prolonged voluntary and mandatory building closures, business closures, government restrictions on travel, movement and gatherings, quarantines, curfews, self-isolation and physical distancing. The impact of these measures may lead to a general shutdown of economic activity and may disrupt workforce and business operations both in North America and other parts of the world. Such occurrences could have a material adverse effect on the demand for real estate, the ability of tenants to pay rent, and the debt and equity capital markets. The duration of pandemic or epidemic closures is unknown, as is the efficacy of any government and central bank interventions. The permanence of recovery following such occurrences cannot be accurately predicted, nor can the impact on the Company's business and operations, real estate and hotel property valuations, securities, cash flows, results of operations, and the Company's ability to obtain additional financing or refinancing and to make dividends to shareholders.

Other outbreaks of pandemics and epidemics may have similar impacts on our business, operations, financial condition and ability to make dividends to shareholders.

Credit Risk

The Company's primary business is the ownership and operation of multi-suite residential, retail, office, industrial and hotel properties. The income stream generated by tenants paying rent can be affected by general and local economic conditions and by a change in the credit and financial stability of tenants. Examples of local conditions that could adversely affect income include oversupply of space or reduced demand for rental space, the attractiveness of the Company's properties compared to other space, and fluctuations in real estate taxes, insurance and other operating costs. The Company may be adversely affected if tenants become unable to meet their financial obligations under their leases, including as a result of pandemic, epidemic and related financial conditions that impact their creditworthiness.

Retail shopping centres traditionally rely on anchor tenants (department stores, junior department stores or grocery stores) as a source of significant revenue and in terms of generating traffic for the centre. Accordingly, the risk is present that an anchor tenant will move out or experience a failure, which would have a negative impact on the subject property.

As at December 31, 2025, the Company's multi-suite residential properties account for 51.6% of the Company's total rental revenue from real estate properties.

As at December 31, 2025, the Company's ten largest tenants account for 14.3% of the Company's total rental revenue from real estate properties as follows:

Tenants as at December 31, 2025	Rental Revenue(1)	GLA Square Feet (000s)	% of Total GLA(2)(3)
Federal and provincial government	6.9%	1,652	10.1%
TD Canada Trust	1.3%	412	2.5%
Loblaw Companies Ltd.	1.2%	335	2.1%
Bombardier Inc.	1.0%	242	1.5%
Genetec Inc.	0.8%	273	1.7%
Canadian Tire Corporation Ltd.	0.7%	384	2.4%
Brookfield BPR Canada Corporation	0.7%	126	0.8%
Kinaxis Inc.	0.6%	163	1.0%
GoodLife Fitness	0.6%	226	1.4%
Wood Canada Limited	0.5%	108	0.7%
	14.3%	**3,921**	**24.2%**

(1) Rental revenue excludes hotel properties.
(2) The total GLA excludes multi-suite residential and hotel properties.
(3) Retail square feet has been adjusted to exclude development space of 416,637 square feet of GLA.

Commercial Lease Rollover Risk

Lease rollover risk results from the possibility that the Company may experience difficulty in renewing leases as they expire or in re-leasing space vacated by a tenant upon expiry. Management attempts to stagger the lease expiry profile so that the Company is not exposed to disproportionate amounts of space expiring in any one year, as set out in the following table. Management further mitigates this risk by maintaining a diversified portfolio mix by both asset type and location.

The table below provides a summary of the lease maturities for the next three years:

Summary of Lease Expiries by Year (000s)		2026		2027		2028	
As at December 31, 2025	Total SF	SF	%	SF	%	SF	%
Retail(1)	7,583	1,432 (3)	19%	991	13%	890	12%
Office(2)	8,695	1,248	14%	954	11%	652	7%
Total	16,278	2,680	16%	1,945	12%	1,542	9%

(1) Retail square feet has been adjusted to exclude development space of 416,637 square feet of GLA.
(2) Includes industrial properties with 1,014,500 square feet of GLA.
(3) Includes 638,683 square feet of GLA on short-term leases.

Environmental Risk

As an owner and manager of real property, the Company is subject to various laws relating to environmental matters. These laws impose liability for the cost of removal and remediation of certain hazardous materials released or deposited on properties owned or managed by the Company or on adjacent properties. The failure to remove or remediate such substances or locations, if any, could adversely affect the Company's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the Company. As a result, Phase 1 environmental site assessments are completed prior to the acquisition of any property. Once the property is acquired, environmental assessment programs ensure continued compliance with all laws and regulations governing environmental and related matters. The Company's management is responsible for ensuring compliance with environmental legislation and is required to report quarterly to the Company's Board of Directors. The Company has certain properties that contain hazardous substances, and management has concluded that the necessary remediation costs will not have a material impact on its operations. The Company has obtained environmental insurance on certain assets to further manage risk.

Climate Change Risk

The Company is exposed to risks associated with inclement winter weather, including increased need for maintenance and repair and/or energy costs at its properties. Any of these events could have a material adverse effect on the Company's business, cash flows, financial condition and results of operations, and ability to make dividends to shareholders.

Morguard has a sustainability program which helps the Company structure its efforts to act on the environmental, social and governance risks and opportunities that are most important to its stakeholders. These major areas of focus are:

- decreasing energy and water use; reducing waste and emissions;
- creating excellence in energy and environmental management that results in green building certifications;
- collecting consistent data that tracks and validates its performance towards its objectives;
- reporting transparency;
- engaging investors, employees and tenants to support its initiatives; and
- driving new sustainability ideas and policies that align with this focus area.

Risk of Loss Not Covered by Insurance

The Company generally maintains insurance policies related to its business, including casualty, general liability and other policies covering the Company's business operations, employees and assets; however, the Company would be required to bear all losses that are not adequately covered by insurance, as well as any insurance deductibles. In the event of a substantial property loss, insurance coverage may not be sufficient to pay the full current market value or current replacement cost of the property. In the event of an uninsured loss, the Company could lose some or all of its capital investment, cash flow and anticipated profits related to one or more properties. Although the Company believes that its insurance programs are adequate, assurance cannot be provided that the Company will not incur losses in excess of insurance coverage or that insurance can be obtained in the future at acceptable levels and reasonable cost.

Risk of Natural Disaster

While the Company has insurance to cover a substantial portion of damages to properties caused by hurricanes and other natural disasters, the insurance includes deductible amounts, and certain items may not be covered by insurance. The Company's operations and properties may be significantly affected by future natural disasters, which may expose the Company to loss of rent and incur additional storm and other natural disaster cleanup costs.

Risk Related to Insurance Renewals

Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for terrorism. When the Company's current insurance policies expire, the Company may encounter difficulty in obtaining or renewing property or casualty insurance on its properties at the same levels of coverage and under similar terms, including limits and deductibles customarily carried for similar properties. Such insurance may be more limited and, for catastrophic risks (for example, earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. Even if the Company were able to renew its policies at levels and with limitations consistent with its current policies, the Company cannot be sure that it will be able to obtain such insurance at premium rates that are commercially reasonable. If the Company were unable to obtain adequate insurance on its properties for certain risks, it could cause the Company to be in default under specific covenants on certain of its indebtedness or other contractual commitments that require the Company to maintain adequate insurance on its properties to protect against the risk of loss. If this were to occur or if the Company were unable to obtain adequate insurance and its properties experienced damages that would otherwise have been covered by insurance, it could adversely affect the Company's financial condition and the operations of its properties.

Liquidity and Capital Availability Risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Although a portion of the cash flows generated by the properties is devoted to servicing such outstanding debt, there can be no assurance that the Company will continue to generate sufficient cash flows from operations to meet interest payments and principal repayment obligations upon an applicable maturity date. If the Company is unable to meet interest payments and principal repayment obligations, it could be required to renegotiate such payments or issue additional equity or debt or obtain other financing. The failure of the Company to make or renegotiate interest or principal payments or issue additional equity or debt, or obtain other financing, could have a material adverse effect on the Company's business, cash flows, financial condition and results of operations, and ability to make dividends to shareholders.

The real estate industry is highly capital intensive. The Company requires access to capital to fund operating expenses, maintain its properties, fund its growth strategy and certain other capital expenditures from time to time, and refinance indebtedness. Although the Company expects to have access to the existing revolving credit facilities, there can be no assurance that it will otherwise have access to sufficient capital or access to capital on favourable terms. Failure by the Company to access required capital could have a material adverse effect on the Company's business, cash flows, financial condition and results of operations, and ability to make dividends to shareholders. Liquidity and capital availability risks are mitigated by maintaining appropriate levels of liquidity, diversifying the Company's sources of funding, maintaining a well-diversified debt maturity profile and actively monitoring market conditions.

Reporting Investment Property at Fair Value

The Company holds investment property to earn rental income or for capital appreciation, or both. All investment properties are measured using the fair value model under IFRS, whereby changes in fair value are recognized for each reporting period in the consolidated statements of income and comprehensive income. Management values each investment property based on the most probable price that a property would be sold for in a competitive and open market as of the specified date under all conditions requisite to a fair sale, such as the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Each investment property has been valued on a highest-and-best-use basis.

There is a risk that general declines in real estate markets or sales of assets by the Company under financial or other hardship would have an impact on the fair values reported. Market assumptions applied for valuation purposes do not necessarily reflect the Company's specific history or experience, and the conditions for realizing the fair values through a sale may change or may not be realized. Consequently, there is a risk that the actual fair values may differ, and the differences may be material. In addition, there is an inherent risk related to the reliance on and use of a single appraiser because this approach may not adequately capture the range of fair values that market participants would assign to the investment properties. Certain ratios and covenants could be negatively affected by downturns in the real estate market and could have a significant impact on the Company's operating revenues and cash flows, as well as the fair values of the investment properties.

Financing Risk

The Company is subject to the risks associated with debt financing, including the risk that mortgages and credit facilities secured by the Company's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness. To minimize this risk, the Company has structured its debt maturities over a number of years and has negotiated fixed interest rates on approximately 94% of its total indebtedness.

As at December 31, 2025, the majority of the Company's multi-suite residential mortgages are insured in Canada under the *National Housing Act* ("NHA") and administered by CMHC and in the U.S. with the Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") or the U.S. Department of Housing and Urban Development ("HUD"). The Company seeks to manage its financing risk by maintaining a balanced maturity profile with no significant debts coming due in any single period.

The use of CMHC, Fannie Mae, Freddie Mac or HUD insured mortgages ("insured mortgages") will assist the Company in managing its renewal risk, allowing the Company to increase the overall credit quality of the mortgage and, as such, enable the Company to obtain preferential interest rates as well as facilitating easier renewal on its due dates. However, there can be no assurance that the renewal of debt will be on as favourable terms as the Company's existing debt. Insured mortgages are major sources of financing for the multi-family residential sector and any potential reduction in loans, guarantees and credit enhancement arrangements could limit the availability of financing, increase the cost of financing or otherwise decrease the liquidity and credit available to the multi-family residential sector generally and the Company specifically. To the extent that any insured mortgage financing requires consent or approval that is not obtained or that such consent or approval is only available on unfavourable terms, the Company may be required to finance a conventional mortgage, which may be less favourable to the Company than an insured mortgage.

Foreign Exchange Risk

A portion of the Company's real estate properties are located in the United States. As a result, the Company is exposed to foreign currency exchange rate risk with respect to future cash flows derived from the properties located in the United States. The Company's exposure to exchange rate risk could increase if the proportion of income from properties located in the United States increases as a result of future property acquisitions.

The Company mitigates its foreign currency exposure by offsetting certain revenues earned in United States dollars from its U.S. properties against expenses and liabilities undertaken by the Company in United States dollars.

Volatile Market Price for the Company's Securities

The market price for the Company's securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following: (i) actual or anticipated fluctuations in the Company's financial performance and future prospects; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the Company; (iv) addition to or departure of the Company's executive officers; (v) release or expiration of lock-up or other transfer restrictions on outstanding common shares; (vi) sales or perceived sales of additional common shares; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; (viii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets; (ix) liquidity of the Company's securities; (x) prevailing interest rates; (xi) the market price of other Company securities; (xii) a decrease in the amount of dividends declared and paid by the Company; and (xiii) general economic conditions.

Financial markets have, in recent years, experienced significant price and volume fluctuations that have particularly affected the market prices of securities of issuers and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such issuers. Accordingly, the market price of the Company's securities may decline even if the Company's financial performance, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, social and governance practices and performance compared to such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in the Company's securities by those institutions. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil exist for a protracted period of time, the Company's operations could be adversely impacted and the trading price of the securities may be adversely affected.

Morguard REIT and Morguard Residential REIT Unitholder Taxation

As at December 31, 2025, the Company owned 45,572,212 units of Morguard REIT, 8,120,666 units of Morguard Residential REIT and 17,223,090 Class B LP units of Morguard NAR Canada Limited Partnership. The Class B LP units are exchangeable, on a one-for-one basis, at the option of the Company, into units of Morguard Residential REIT. Morguard REIT and Morguard Residential REIT (the "REITs") are subject to legislation relating to federal income taxation of a specified investment flow-through ("SIFT") trust or partnership enacted on June 22, 2007 (the "SIFT Rules").

A SIFT includes a publicly listed or traded partnership or trust, such as an income trust. Under the SIFT Rules, certain distributions will not be deductible in computing the SIFT trust's taxable income, and the SIFT trust will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT trust as returns of capital should generally not be subject to the tax. The SIFT Rules do not apply to a trust that satisfies certain conditions relating to the nature of its income and investments (the "REIT Exception"). Although, as of the date hereof, management believes that the REITs will be able to meet the requirements of the REIT Exception throughout 2025 and beyond, there can be no assurance that the REITs will be able to qualify for the REIT Exception such that the REITs and the unitholders will not be subject to the SIFT Rules in 2026 or in future years.

In the event that the SIFT Rules apply to the REITs, the impact to unitholders will depend on the status of the holder and, in part, on the amount of income distributed, which would not be deductible by the REIT in computing its income in a particular year, and what portions of the REIT's distributions constitute "non-portfolio earnings", other income and returns of capital. The likely effect of the SIFT Rules on the market for units and on the REIT's ability to finance future acquisitions through the issue of units or other securities is unclear. If the SIFT Rules apply to the REITs, they may adversely affect the marketability of the units, the amount of cash available for distributions and the after-tax return to investors.

The Company believes that the REITs intend to comply with the requirements under the *Income Tax Act* (Canada) (the "Tax Act") at all relevant times such that they maintain their status as a "unit trust" and "mutual fund trust" for purposes of the Tax Act. Under current law, a trust may lose its status under the Tax Act as a mutual fund trust if it can reasonably be considered that the trust was established or is maintained primarily for the benefit of non-residents, except in limited circumstances. Accordingly, non-residents may not be the beneficial owners of more than 49% of the units (determined on a basic or fully diluted basis). The Trustees of the REITs will also have various powers that can be used for the purpose of monitoring and controlling the extent of non-resident ownership of the units. The restrictions on the issuance of units by the REITs to non-residents may negatively affect the REITs' ability to raise financing for future acquisitions or operations. In addition, the non-resident ownership restrictions could have a negative impact on the liquidity of the units and the market price at which units can be sold. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting mutual fund trusts will not be changed in a manner that adversely affects unitholders.

Technology and Information Security Risk

The Company uses information technology for general business operations, the effective achievement of strategic business objectives, and to improve tenants' experience and streamline operations. Consequently, the Company faces information technology risk from its continuous adoption and use of information technology. The risk consists of information technology-related events such as cybersecurity incidents that could potentially have an adverse impact on the Company's financial condition, IT systems, operations and tenants. Although we make efforts to maintain the security and integrity of our IT networks and related systems, and have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts will be effective or that attempted security breaches or disruptions will not be successful or damaging.

The efficient operation of the Company's business is dependent on computer hardware and software systems. Information systems are vulnerable to cybersecurity incidents. A cybersecurity incident is considered to be any material adverse event that threatens the confidentiality, integrity or availability of the Company's information resources. A cybersecurity incident is an intentional attack or unintentional event including, but not limited to, malicious software, attempts to gain unauthorized access to data or information systems, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. The Company's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to its business relationships with users, the disclosure of confidential information, including personally identifiable information, potential liability to third parties, loss of revenue, additional regulatory scrutiny and fines, as well as litigation and other costs and expenses. The Company takes data privacy and protection seriously and has implemented processes, procedures and controls to help mitigate these risks. Access to personal data is controlled through physical security and IT security mechanisms. Additionally, the Company monitors and assesses risks surrounding the collection, usage, storage, protection and retention/destruction practices of personal data. These measures, as well at its increased awareness of a risk of a cyber incident, do not guarantee that the Company's financial results will not be negatively impacted by such an incident.

The Company depends on relevant and reliable information for decision-making and financial reporting. As the volume of data generated and reported by the Company increases and evolves, the Company will continue to undertake investments in IT systems to store, process and leverage such data. The failure to successfully migrate to new IT systems, or disruptions which may arise as a result of the transition to new IT systems, could result in a lack of relevant and reliable information to enable management to effectively achieve its strategic plan or manage the operations of the Company, which could negatively affect the reputation, operations and financial performance of the Company. In addition, any significant loss of data or failure to maintain reliable data could negatively affect the reputation, operations and financial performance of the Company.

CONTROLS AND PROCEDURES CONCERNING FINANCIAL INFORMATION

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

The Company’s management has evaluated the effectiveness of the Company’s disclosure controls and procedures and, based on such evaluation, has concluded that their design and operation are adequate and effective as of and for the year ended December 31, 2025. The Company’s management has also evaluated the effectiveness of the internal controls over financial reporting and has concluded that their design and operation are effective as of and for the year ended December 31, 2025.

An information disclosure policy constitutes the framework for the information disclosure process with regard to the annual and interim filings, as well as other reports filed or submitted under securities legislation. This policy aims in particular at identifying material information and validating the related reporting. The Disclosure Committee, established in 2005, is responsible for ensuring compliance with this policy. Senior management acts as the Disclosure Committee, ensuring compliance with this policy and reviewing the main documents to be filed with regulatory authorities to ensure that all significant information regarding operations is communicated in a timely manner.

PART VIII

SELECTED ANNUAL AND QUARTERLY INFORMATION

The following table shows information for revenue from income producing properties, revenue from hotel properties, net income attributable to common shareholders, Normalized FFO, dividends declared, total assets, non-current financial liabilities and per common share amounts for the periods noted.

For the years ended December 31 (In thousands of dollars, except per common share amounts)	2025	2024	2023
Revenue from income producing properties	**$1,033,007**	$1,032,802	$1,000,726
Revenue from hotel properties	**31,430**	35,242	161,601
Net income attributable to common shareholders	**174,870**	261,799	74,176
Net income attributable to common shareholders per common share			
- basic and diluted	**16.34**	24.23	6.80
Normalized FFO	**220,491**	220,361	239,700
Normalized FFO per common share			
- basic and diluted	**20.61**	20.39	21.98
Dividends declared	**8,560**	7,010	6,518
Dividends per common share	**0.80**	0.65	0.60
Total assets	**11,842,378**	11,759,428	11,623,088
Non-current portion of financial liabilities			
Mortgages payable	**3,690,572**	4,002,145	3,550,358
Construction financing payable	**22,754**	—	—
Debentures payable	**295,373**	316,614	314,386
Morguard Residential REIT units	**419,105**	434,721	393,695
Lease liabilities	**167,806**	169,924	169,140

(In thousands of dollars, except per common share amounts)	Total Revenue	NOI	Adjusted NOI	Normalized FFO	Net Income	Net Income Attributable to Common Shareholders	Net Income to Common Shareholders per Share - Basic/Diluted
December 31, 2025	**$282,744**	**$158,849**	**$142,314**	**$59,035**	**$25,321**	**$24,890**	**$2.33**
September 30, 2025	278,220	155,708	140,874	55,453	43,955	37,844	3.54
June 30, 2025	280,419	156,980	141,332	56,039	54,865	54,001	5.05
March 31, 2025	282,199	90,074	137,091	49,964	54,761	58,135	5.42
December 31, 2024	290,013	161,037	147,200	62,777	59,513	76,997	7.14
September 30, 2024	276,873	153,239	139,347	53,738	7,915	498	0.05
June 30, 2024	278,531	157,879	142,351	51,270	55,437	53,858	4.98
March 31, 2024	281,666	94,748	138,005	52,576	116,769	130,446	12.06

SUMMARY OF QUARTERLY RESULTS

A significant portion of the Company's real estate properties are located in the United States. As a result, the Company is exposed to foreign currency exchange rate fluctuations with respect to its quarterly results derived from its properties located in the U.S.

Quarterly results fluctuate due to acquisitions and dispositions, the impact of foreign exchange rate fluctuations and new mortgage financing, as well as mortgage refinancing. In addition, net income (loss) includes a number of non-cash components, such as fair value gain/loss on Morguard Residential REIT units, fair value gain/loss on real estate properties, fair value gain/loss on investments in marketable securities and other fund investments, an IFRIC 21 adjustment to realty taxes, equity income (loss) from investment, provision for (recovery of) impairment and deferred taxes.

The Company's significant real estate property transactions for the previous eight quarters are as follows:

Year	Quarter	Asset Class	Transaction	Sq. Ft.	# of rooms/ suites
2024	Fourth	Office(1)	Acquisition	557,000	—
2024	Fourth	Industrial	Disposition	27,950	—
2024	Second	Retail	Disposition	131,000	—
2024	Second	Hotels(2)	Disposition	—	299
2024	First	Industrial	Disposition	12,725	—
2024	First	Office	Disposition	250,500	—
2024	First	Hotels	Disposition	—	2,115

(1) The Company acquired a 20% interest in the property; total square feet is stated at 100% basis.
(2) The Company sold its 50% interest in two joint ventures; total number of rooms is stated at 100% basis.

Revenue and Net Operating Income

The regional distribution of the Company's properties serves to add stability to the Company's cash flows because it reduces the Company's vulnerability to economic fluctuations affecting any particular region. In addition, the Company's tenant mix is diversified therefore limiting its exposure to any one tenant.

The Company has seen stable revenue during the last eight quarters despite elevated vacancy across all asset classes. In addition, lower hotel revenue during the first quarters of 2025 and 2024 is seasonally impacted by the colder months. The change in foreign exchange rates and the impact of acquisition net of disposal of properties (described above) also contributed to the fluctuation in revenue during the last eight quarters.

Similar to the reasons described above, NOI over the last eight quarters has followed a similar pattern from an increase in revenue and the Company's ability to control expenses as a percentage of revenue. The impact of foreign exchange rates and of acquisitions and dispositions also factor into the variance from quarter to quarter. The first quarter results (three months ended March 31) are impacted by IFRIC 21, whereby the Company records the entire annual realty tax expense for its U.S. properties on January 1, except for U.S. properties acquired during the year in which the realty taxes are not recorded in the year of acquisition. As a result, the second, third and fourth quarters typically have no realty tax expense which results in higher NOI and NOI margins. Adjusted NOI which excludes IFRIC 21 is presented in the table above to illustrate a more comparable quarter-to-quarter analysis.

Net Income Attributable to Common Shareholders

Taking into account the above factors for revenue and NOI variations, the change in net income resulted from the following non-cash components:

- The Company valued the Morguard Residential REIT units (presented as a liability under IFRS) based on the closing price of the TSX-listed units, resulting in a fair value gain/loss on Morguard Residential REIT units recorded to net income;
- The Company recorded a fair value gain on real estate properties for the year ended December 31, 2025, mainly due to an increase in stabilized NOI across the Company's residential portfolio, partially offset by an increase in valuation parameters and lower projected cash flows at the Company's retail and office portfolio. The Company recorded a fair value loss on real estate properties for the year ended December 31, 2024, mainly due to an increase in valuation parameters and lower projected cash flows at the Company's retail and office portfolio, partially offset by an increase in stabilized NOI across the Company's residential portfolio.
- During the year ended December 31, 2025, the Company recorded a deferred income tax expense due to a net fair value gain recorded on the Company's Canadian and U.S. properties. For the year ended December 31, 2024, the Company recorded a deferred income tax expense mainly due to the recognition of previously unrecognized benefit of tax losses, partly offset by a net fair value loss recorded on the Company's real estate properties; and
- During the three months ended March 31, 2024, the Company recorded a gain on sale of hotel properties of $150,587.
- During the three months ended March 31, 2024, the Company recorded current income tax expense of $17,619 relating to the disposal of properties.

Fourth Quarter Results

For the three months ended December 31 (In thousands of dollars)	2025	2024
Revenue from real estate properties	**$258,704**	$267,466
Revenue from hotel properties	**7,781**	7,517
Property operating expenses		
Property operating costs	**(68,608)**	(68,363)
Utilities	**(14,515)**	(16,028)
Realty taxes	**(18,849)**	(24,438)
Hotel operating expenses	**(5,664)**	(5,117)
Net operating income	**158,849**	161,037
OTHER REVENUE		
Management and advisory fees	**11,531**	10,445
Interest and other income	**4,728**	4,585
	16,259	15,030
EXPENSES		
Interest	**65,034**	64,369
Property management and corporate	**21,718**	21,533
Amortization of hotel properties and other	**1,372**	2,683
	88,124	88,585
OTHER INCOME (EXPENSE)		
Fair value loss, net	**(53,921)**	(21,003)
Equity loss from investments	**(686)**	(2,549)
Other income (expense)	**(29)**	517
	(54,636)	(23,035)
Income before income taxes	**32,348**	64,447
Provision for (recovery of) income taxes		
Current	**1,784**	(599)
Deferred	**5,243**	5,533
	7,027	4,934
Net income for the period	**$25,321**	$59,513
Net income (loss) attributable to:		
Common shareholders	**$24,890**	$76,997
Non-controlling interest	**431**	(17,484)
	$25,321	$59,513

The Company's net income for the three months ended December 31, 2025 was $25,321, compared to $59,513 in 2024, a decrease of $34,192 primarily due to the following:

- A decrease in net operating income of $2,188, mainly due to a decrease in gross rent and an increase in vacancy costs at Penn West Plaza, resulting from the Obsidian Lease Expiry, partially offset by an increase in AMR, net of higher vacancy at multi-suite residential properties and the change in foreign exchange rate; and
- A decrease in non-cash net fair value loss of $32,918, primarily due to:
  - A decrease in the fair value gain on Morguard Residential REIT units of $34,265 due to the change in market value of the units.
  - A decrease in fair value gain on other fund investments of $13,397 primarily from a fair value loss on the Company's real estate properties held by the funds; and
  - An increase in fair value gain on marketable securities of $12,460 resulting from an increase in trading value of the securities.

SUBSEQUENT EVENT

The Company entered into agreements for the CMHC-insured refinancing of four Canadian multi-suite residential properties, providing gross proceeds of up to $252,395 for a weighted average term of 10.8 years. The maturing mortgages amount to $118,683 and have a weighted average interest rate of 2.92%. The Company expects to close the refinancings during the first and second quarters of 2026.

PART IX

OUTLOOK

The North American commercial property sector outlook for 2026 is moderately positive. Multi-suite residential rental market conditions will be relatively balanced. New supply deliveries will continue to drive vacancy levels higher while job growth and demographic trends continue to support moderately positive demand patterns. Modest downward rent pressure will persist in the country's most expensive cities where averages climbed to a record high over the past few years. North American retail property fundamentals are expected to stabilize over the near term, having improved substantially over the past few years. Stores selling necessities and discounted goods will continue to expand at an above average rate while landlords look to fill or redevelop space left vacant by department stores. Space in North America's top-performing shopping centres will be limited and continue to command the highest rents in their respective markets. The North American office market will continue to slowly recover in 2026 as businesses bring their employees back into the office on a more frequent basis. Tenants will continue to exhibit a preference for space in premium-quality towers with attractive amenity offerings. The aggregate outlook for the North American income-producing property market is moderately positive.

The Company's strength stems from conservative financial leverage, significant cash retention and our highly diversified cash flow streams.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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MANAGEMENT'S REPORT TO SHAREHOLDERS

The consolidated financial statements of Morguard Corporation (the "Company" or "Morguard") have been prepared by management in accordance with IFRS Accounting Standards ("IFRS"). Management is responsible for the information in these consolidated financial statements and other sections of this annual report.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information. Where necessary, management uses its judgment to make estimates required to ensure fair and consistent presentation of this information. Management recognizes its responsibility for conducting the Company's affairs in compliance with applicable laws and proper standards of conduct.

As at December 31, 2025, the Chief Executive Officer and Chief Financial Officer evaluated, or caused the evaluation of under their direct supervision, the disclosure controls and procedures and the internal controls over financial reporting (as defined in Multilateral Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings)* and, based on that assessment, determined that the disclosure controls and procedures were designed and operating effectively and the internal controls over financial reporting were designed and operating effectively.

The Audit Committee of the Board of Directors of the Company, consisting solely of independent directors, has reviewed the consolidated financial statements, the report to shareholders of the external auditor, Ernst & Young LLP, and the management's discussion and analysis with management and recommended their approval to the Board of Directors. The Board of Directors has approved the consolidated financial statements.

Ernst & Young LLP, as the independent auditor, has conducted the audits in accordance with Canadian generally accepted auditing standards and has had full access to the Audit Committee, with and without management being present.

(Signed) "Angela Sahi"

Angela Sahi
President and Chief Executive Officer

(Signed) "Paul Miatello"

Paul Miatello
Chief Financial Officer, Senior Vice President

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Morguard Corporation

Opinion

We have audited the consolidated financial statements of Morguard Corporation and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2025 and 2024, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	**How our audit addressed the key audit matter**
Valuation of Real Estate Properties	
Morguard Corporation's real estate portfolio comprises income producing properties, properties under development and land held for development with a fair value of $10.9 billion which represents 92.4% of total assets as at December 31, 2025.	With the assistance of our real estate valuation specialists, we evaluated the appropriateness of the underlying valuation methodology, and performed the following audit procedures, among others:

Fair value of real estate properties is based on external and internal valuations, carried out by third party and certified staff appraisers respectively, using recognized valuation techniques. The valuation methodology for real estate properties is primarily based on an income approach, utilizing the direct capitalization method and the discounted cash flow method. Recent real estate transactions with characteristics and locations similar to the Company's assets are also considered when developing the valuations. Note 2 of the consolidated financial statements describes the accounting policy for real estate properties, including the valuation method and valuation inputs. Note 4 of the consolidated financial statements discloses the sensitivity of the fair value of income producing properties to a change in capitalization rates. The valuation of the Company's real estate property portfolio is a key audit matter given the inherently subjective nature of significant assumptions including discount rates, capitalization rates, terminal capitalization rates, and stabilized cash flows or stabilized net operating income, as applicable, which are based on vacancy and leasing assumptions. These assumptions are influenced by property-specific characteristics including location, type and quality of the properties and tenancy agreements.	• We assessed the competence and objectivity of management's valuation team, and any third-party appraisers engaged, by reviewing the qualifications and expertise of the individuals involved in the preparation and review of the valuations. • We selected a sample of properties where either the fair value change from prior year or significant assumptions fell outside our expectations, based on our understanding of the geographical real estate market for the specific asset type. For this sample of real estate properties, we evaluated the significant assumptions, including discount rates, capitalization rates, terminal capitalization rates, and stabilized cash flows or stabilized net operating income, as applicable, which are based on vacancy and leasing assumptions, by comparison to the expected real estate market benchmark range for similar assets and tenancies, in similar locations. We also considered whether there were any additional asset-specific characteristics that may impact the significant assumptions utilized and that these were appropriately considered in the overall assessment of fair value. • We evaluated the Company's critical accounting policies and related disclosures in the consolidated financial statements to assess appropriateness and conformity with IFRSs.

Other information

Management is responsible for the other information. The other information comprises:

- Management's discussion and analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with *those charged with governance*, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Adam Steele.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada

February 19, 2026

BALANCE SHEETS

In thousands of Canadian dollars

As at December 31	Note	2025	2024
ASSETS			
Non-current assets			
Real estate properties	4	**$10,944,914**	$11,048,485
Hotel properties	5	**85,864**	85,999
Equity-accounted and other fund investments	7	**48,710**	63,064
Other assets	8	**298,280**	326,154
		11,377,768	11,523,702
Current assets			
Amounts receivable	9	**94,377**	57,395
Prepaid expenses and other		**37,445**	37,606
Cash		**184,618**	140,725
		316,440	235,726
Real estate properties held for sale	4	**148,170**	—
		$11,842,378	$11,759,428
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable	10	**$3,690,572**	$4,002,145
Construction financing payable	11	**22,754**	—
Debentures payable	12	**295,373**	316,614
Lease liabilities	13	**167,806**	169,924
Morguard Residential REIT units	14	**419,105**	434,721
Deferred income tax liabilities	23	**950,092**	904,303
		5,545,702	5,827,707
Current liabilities			
Mortgages payable	10	**919,339**	758,936
Debentures payable	12	**271,414**	—
Loans payable	22	**—**	20,000
Accounts payable and accrued liabilities	15	**249,282**	265,450
Bank indebtedness	16	**87,973**	168,079
		1,528,008	1,212,465
Total liabilities		**7,073,710**	7,040,172
EQUITY			
Shareholders' equity		**4,385,453**	4,292,423
Non-controlling interest		**383,215**	426,833
Total equity		**4,768,668**	4,719,256
		$11,842,378	$11,759,428

Contingencies 27

See accompanying notes to the 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

In thousands of Canadian dollars, except per common share amounts

For the years ended December 31	Note	2025	2024
Revenue from real estate properties	18	**$1,033,007**	$1,032,802
Revenue from hotel properties	18	**31,430**	35,242
Property operating expenses			
Property operating costs		**(262,418)**	(255,450)
Utilities		**(66,976)**	(62,421)
Realty taxes		**(151,554)**	(157,272)
Hotel operating expenses		**(21,878)**	(25,998)
Net operating income		**561,611**	566,903
OTHER REVENUE			
Management and advisory fees	18	**41,243**	39,679
Interest and other income		**17,902**	19,360
		59,145	59,039
EXPENSES			
Interest	19	**255,928**	256,743
Property management and corporate		**91,783**	87,867
Amortization of hotel properties and other		**6,861**	11,013
		354,572	355,623
OTHER INCOME (EXPENSE)			
Fair value loss, net	20	**(26,646)**	(121,407)
Gain on sale of hotel properties	5	**—**	150,587
Equity income (loss) from investments	7	**966**	(717)
Other income (expense)	21	**(89)**	(311)
		(25,769)	28,152
Income before income taxes		**240,415**	298,471
Provision for income taxes	23		
Current		**6,475**	26,078
Deferred		**55,038**	32,759
		61,513	58,837
Net income for the year		**$178,902**	$239,634
Net income (loss) attributable to:			
Common shareholders		**$174,870**	$261,799
Non-controlling interest		**4,032**	(22,165)
		$178,902	$239,634
Net income per common share attributable to:			
Common shareholders - basic and diluted	24	**$16.34**	$24.23

See accompanying notes to the consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

In thousands of Canadian dollars

For the years ended December 31		2025	2024
Net income for the year		**$178,902**	$239,634
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified subsequently to net income:			
Unrealized foreign currency translation gain (loss)		**(119,408)**	200,646
Unrealized fair value gain (loss) on cash flow hedge		**384**	(2,389)
Deferred income tax recovery (provision)	23(b)	**18,731**	(30,577)
		(100,293)	167,680
Items that will not be reclassified subsequently to net income:			
Actuarial gain on defined benefit pension plans	26	**10,392**	3,347
Deferred income tax provision	23(b)	**(2,790)**	(1,752)
		7,602	1,595
Other comprehensive income (loss)		**(92,691)**	169,275
Total comprehensive income for the year		**$86,211**	$408,909
Total comprehensive income (loss) attributable to:			
Common shareholders		**$87,183**	$423,016
Non-controlling interest		**(972)**	(14,107)
		$86,211	$408,909

See accompanying notes to the 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, December 31, 2023		$3,530,663	$258,523	$98,364	$3,887,550	$455,540	$4,343,090
Changes during the year:							
Net income (loss)		261,799	—	—	261,799	(22,165)	239,634
Other comprehensive income		—	161,217	—	161,217	8,058	169,275
Dividends		(7,010)	—	—	(7,010)	—	(7,010)
Distributions		—	—	—	—	(8,159)	(8,159)
Issuance of common shares		—	—	27	27	—	27
Repurchase of common shares		(10,413)	—	(839)	(11,252)	—	(11,252)
Change in ownership of Morguard REIT		3,826	—	—	3,826	(6,441)	(2,615)
Tax impact of increase in subsidiary ownership interest		(3,734)	—	—	(3,734)	—	(3,734)
Shareholders' equity, December 31, 2024		$3,775,131	$419,740	$97,552	$4,292,423	$426,833	$4,719,256
Changes during the year:							
Net income		**174,870**	**—**	**—**	**174,870**	**4,032**	**178,902**
Other comprehensive loss		**—**	**(87,687)**	**—**	**(87,687)**	**(5,004)**	**(92,691)**
Dividends	17(a)	**(8,560)**	**—**	**—**	**(8,560)**	**—**	**(8,560)**
Distributions		**—**	**—**	**—**	**—**	**(5,986)**	**(5,986)**
Issuance of common shares	17(a)	**—**	**—**	**39**	**39**	**—**	**39**
Repurchase of common shares	17(a)	**(4,848)**	**—**	**(397)**	**(5,245)**	**—**	**(5,245)**
Change in ownership of Morguard REIT	17(b)	**22,349**	**—**	**—**	**22,349**	**(29,446)**	**(7,097)**
Increase in subsidiary ownership interest	17(b)	**3,214**	**—**	**—**	**3,214**	**(7,214)**	**(4,000)**
Share-based payments	17(d)	**742**	—	—	**742**	—	**742**
Tax impact of increase in subsidiary ownership interest	23(b)	**(6,692)**	**—**	**—**	**(6,692)**	**—**	**(6,692)**
Shareholders' equity, December 31, 2025		**$3,956,206**	**$332,053**	**$97,194**	**$4,385,453**	**$383,215**	**$4,768,668**

See accompanying notes to the consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

For the years ended December 31	Note	2025	2024
OPERATING ACTIVITIES			
Net income for the year		**$178,902**	$239,634
Add (deduct) items not affecting cash	25(a)	**82,623**	9,861
Distributions from equity-accounted and other fund investments	7	**1,838**	2,346
Additions to tenant incentives and leasing commissions		**(16,120)**	(15,975)
Net change in operating assets and liabilities	25(b)	**(32,805)**	14,329
Cash provided by operating activities		**214,438**	250,195
INVESTING ACTIVITIES			
Additions to real estate properties and tenant improvements		**(131,000)**	(187,478)
Additions to hotel properties		**(2,459)**	(1,975)
Additions to capital and intangible assets		**(2,691)**	(3,278)
Additions to properties under development		**(87,682)**	(26,741)
Proceeds from the sale of real estate properties, net	4	**5,995**	165,527
Proceeds from the sale of hotel properties, net	5	**—**	405,801
Decrease in mortgages and loans receivable		**4,918**	3,013
Distribution from equity-accounted and other fund investments, net	7	**7,095**	29,815
Cash provided by (used in) investing activities		**(205,824)**	384,684
FINANCING ACTIVITIES			
Proceeds from new mortgages		**705,544**	995,233
Financing costs on new mortgages		**(9,229)**	(11,414)
Repayment of mortgages			
Principal instalment repayments		**(112,983)**	(114,126)
Repayments on maturity		**(643,867)**	(767,690)
Repayments due to mortgage extinguishments		**(10,796)**	(214,777)
Principal payment of lease liabilities		**(1,984)**	(1,392)
Proceeds from (repayment of) bank indebtedness, net	25(d)	**(80,106)**	(23,290)
Proceeds from issuance of debentures payable, net of costs	12	**246,592**	—
Redemption of debentures payable	12	**—**	(450,000)
Proceeds from (repayment of) loans payable, net		**(20,000)**	20,000
Proceeds from construction financing	11	**22,754**	—
Dividends paid		**(8,521)**	(6,983)
Distributions to non-controlling interest, net		**(6,137)**	(8,006)
Morguard Residential REIT units repurchased for cancellation		**(24,335)**	(26,288)
Shares repurchased for cancellation	17(a)	**(5,245)**	(11,252)
Investment in subsidiaries	17(b)	**(11,097)**	(2,615)
Decrease (increase) in restricted cash		**(1,971)**	9,230
Cash provided by (used in) financing activities		**38,619**	(613,370)
Net increase in cash during the year		**47,233**	21,509
Net effect of foreign currency translation on cash balance		**(3,340)**	2,699
Cash, beginning of year		**140,725**	116,517
Cash, end of year		**$184,618**	$140,725

See accompanying notes to the consolidated financial statements.

NOTES

For the years ended December 31, 2025 and 2024
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 company 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 located in Canada and the United States. The common shares of the Company trade on the Toronto Stock Exchange ("TSX") under the symbol "MRC". The Company's head office is located at 55 City Centre Drive, Suite 1000, Mississauga, Ontario, L5B 1M3.

NOTE 2
STATEMENT OF COMPLIANCE AND MATERIAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements were approved and authorized for issue by the Board of Directors on February 19, 2026.

Basis of Presentation

The Company's consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated. The consolidated financial statements are prepared on a historical cost basis, except for real estate properties and certain financial instruments that are measured at fair value. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company, as well as the entities that are controlled by the Company ("subsidiaries"). The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date of acquisition or the date on which the Company obtains control and are deconsolidated from the date that control ceases. Intercompany transactions, balances, unrealized losses and unrealized gains on transactions between the Company and its subsidiaries are eliminated upon consolidation.

Non-controlling Interest and MRG Convertible Debentures

Non-controlling interest represents equity interest in subsidiaries that is not attributable to the Company. For all of the Company's subsidiaries, with the exception of Morguard North American Residential Real Estate Investment Trust ("Morguard Residential REIT" or "MRG"), the share of the net assets of the subsidiaries that is attributable to non-controlling interest is presented as a component of equity.

The units of Morguard Residential REIT are redeemable at the option of the holder and, therefore, are considered puttable instruments that meet the definition of a financial liability under International Accounting Standard 32, Financial Instruments - Presentation ("IAS 32"). Whereas certain exceptions in IAS 32 allow Morguard Residential REIT to classify the units as equity in its own balance sheet, this exception is not available to the Company, and therefore the non-controlling interest that these units represent is classified as a liability in the consolidated financial statements of the Company and measured at fair value, which is based on the units' redemption amount, with changes in the redemption amount recorded in the consolidated statements of income in the period of the change.

Similarly, the conversion feature component of convertible debentures issued by Morguard Residential REIT also meets the definition of a financial liability and is recorded in the consolidated balance sheets as a liability, measured at fair value using the Black-Scholes option pricing model, with changes in fair value recognized in the consolidated statements of income. Any directly attributable transaction costs are allocated to the debt and conversion components of the convertible debentures in proportion to their initial carrying amounts, with the portion allocated to the conversion component expensed immediately.

Real Estate Properties

Real estate properties include residential, retail, office and industrial properties held to earn rental income and for capital appreciation and properties or land that are being constructed or developed for future use as income producing properties.

Income Producing Properties

The Company accounts for its investment properties in accordance with IAS 40, Investment Property ("IAS 40"). Income producing properties that are acquired as an asset purchase and not as a business combination are recorded initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal and other services and initial leasing commissions, of which transfer taxes and professional fees represent the majority of the costs.

Subsequent to initial recognition, income producing properties are recorded at fair value. The changes in fair value for each reporting period will be recorded in the consolidated statements of income. In order to avoid double counting, the carrying value of income producing properties includes straight-line rent receivable, tenant improvements, tenant incentives, capital expenditures and direct leasing costs, since these amounts are incorporated in the appraised values of the real estate properties. Fair value is based on external and internal valuations using recognized valuation techniques, including the direct capitalization of income and discounted cash flow methods. Recent real estate transactions with characteristics and location similar to the Company's assets are also considered.

Tenant improvements include costs incurred to meet the Company's lease obligations and are classified as either tenant improvements owned by the landlord or tenant incentives. When the obligation is determined to be an improvement that benefits the landlord and is owned by the landlord, the improvement is accounted for as a capital expenditure and included in the carrying amount of income producing properties in the consolidated balance sheets.

Leasing costs include incremental costs associated with leasing activities, such as external leasing commissions. These costs are included in the carrying amount of income producing properties in the consolidated balance sheets.

Properties Under Development

The cost of properties under development includes all expenditures incurred in connection with the acquisition, including all direct development costs, realty taxes and other costs to prepare it for its productive use and borrowing costs directly attributable to the development. Borrowing costs associated with direct expenditures on properties under development or redevelopment are capitalized. Borrowing costs are also capitalized on the purchase cost of a site or property acquired specifically for redevelopment in the short term if the activities necessary to prepare the asset for development or redevelopment are in progress. Borrowing costs are capitalized from the commencement of the development until the date of practical completion. The Company considers practical completion to have occurred when the property is capable of operating in the manner intended by management. Generally, this consideration occurs on completion of construction and receipt of all necessary occupancy and other material permits.

Real estate properties under development are measured at fair value, with changes in fair value recognized in the consolidated statements of income when fair value can be reliably determined.

Hotel Properties

Hotel properties comprise land, buildings, furniture, fixtures and equipment, and other, and are stated at cost less accumulated amortization and any impairment losses. The application of this policy requires an estimate of the useful life of the asset and its residual value. The revenue and operating expenses of the hotel properties are included within net operating income in the consolidated statements of income.

The Company provides for amortization of hotel properties so as to apply the cost of the assets over the estimated useful lives as follows:

	Method	Rate
Buildings	Straight-line	40 years
Furniture, fixtures and equipment	Straight-line	5 to 10 years
Other	Straight-line	5 to 10 years

Impairment of Non-financial Assets

The Company assesses at the end of each reporting period whether there is any indication that an asset may be impaired. Property and equipment and investments in joint arrangements are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Assets, including goodwill, that do not generate largely independent cash inflows are combined into cash-generating units. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually and whenever there is an indication that the cash-generating unit may be impaired. If the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. Recoverable amount is the greater of fair value less costs to sell or value-in-use. Value-in-use is assessed based on estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and recorded as an expense.

Interests in Joint Arrangements

The Company accounts for its interests in joint arrangements in which the Company is entitled only to the net assets of the arrangement as joint ventures using the equity method of accounting.

For those joint arrangements in which the Company is entitled to its share of the assets and liabilities as joint operations, and recognizes its rights to and obligations for the assets, liabilities, revenue and expenses of the joint operation.

Investments in Associates

Associates are entities over which the Company has significant influence but not control or joint control, generally accompanying an ownership of between 20% and 50% of the voting rights. However, determining significant influence is a matter of judgment and specific circumstances and, from time to time, the Company may hold an interest of less than 20% and exert significant influence through representation on the board of directors, direction of management or contractual agreements.

Investments in associates are accounted for using the equity method, whereby the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognizes the amount in the consolidated statements of income and comprehensive income.

Goodwill

On acquisition of a business, the underlying fair value of net identifiable tangible and intangible assets is determined, and goodwill is recognized as the excess of the purchase price over this amount. Goodwill is not amortized.

Capital Assets

Capital assets include the following, which are stated at cost and amortized over their estimated useful lives using the following rates and methods:

	Method	Rate
Building (owner-occupied property)	Straight-line	40 years
Furniture, fixtures, office and computer equipment	Straight-line	5 to 10 years
Leasehold improvements	Straight-line	Over term of the lease

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with remaining maturities at the time of acquisition of three months or less. Bank borrowings are considered to be financing activities.

Financial Instruments

Recognition and Measurement of Financial Instruments

Financial assets must be classified and measured on the basis of both the business model in which the assets are managed and the contractual cash flow characteristics of the asset. Financial assets subsequent to initial recognition are classified and measured based on three categories: amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured based on two categories: amortized cost and FVTPL. Initially, all financial assets and financial liabilities are recorded in the consolidated balance sheets at fair value. After initial recognition, the effective interest related to financial assets and liabilities measured at amortized cost and the gain or loss arising from the change in the fair value of financial assets or liabilities classified as FVTPL are included in net income (loss) for the year in which they arise. As at each consolidated balance sheet date, financial assets measured at amortized cost or FVTOCI, except for investment in equity instruments, require an impairment analysis using the expected credit loss model to determine the expected credit losses using judgment determined on a probability weighting basis.

Expected Credit Loss
The Company utilizes the simplified approach to measure expected credit losses ("ECL") under IFRS 9, Financial Instruments ("IFRS 9"), which requires the Company to recognize a lifetime expected credit loss allowance on all receivables at each reporting date.

Under the simplified approach, consideration is given to factors such as credit risk characteristics and the days past due as well as current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. As at December 31, 2025, the Company's ECL includes estimates of the uncertainty of the recoverability of tenant receivables, short-term rent deferrals, rent reductions provided to tenants related to past due rents and all other receivable balances. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are reversed in the consolidated statements of income.

The Company accounts for rental abatements related to past due rents in connection with tenants experiencing financial hardship under the derecognition rules of IFRS 9. Financial assets, such as trade receivables, are derecognized when all or a portion of outstanding amounts will be forgiven or abated and no further collection activities will be pursued. The forgiveness or abatement of the tenant receivable is recognized in the period that the Company forgoes the contractual right to all or a portion of the outstanding receivable and recorded as bad debt expense in the consolidated statements of income.

The following summarizes the Company's classification and measurement of financial assets and liabilities:

Financial Assets	
Investment in real estate funds	FVTPL
Investment in marketable securities	FVTPL
Finance lease receivable	Amortized cost
Mortgages and loans receivable	Amortized cost
Amounts receivable	Amortized cost
Restricted cash	Amortized cost
Cash	Amortized cost
Financial Liabilities	
Mortgages payable	Amortized cost
Construction financing payable	Amortized cost
Unsecured debentures	Amortized cost
Convertible debentures, excluding conversion option	Amortized cost
Loans payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liabilities	Amortized cost
Bank indebtedness	Amortized cost
Derivatives and embedded derivatives	FVTPL
Conversion option of MRG convertible debentures	FVTPL
Morguard Residential REIT units	FVTPL

Transaction Costs
Transaction costs are incremental costs directly related to the acquisition of a financial asset or the issuance of a financial liability. Direct and indirect financing costs that are attributable to the issue of financial liabilities measured at amortized cost are presented as a reduction from the carrying amount of the related debt and amortized using the effective interest rate method over the term of the related debt. These costs include interest, amortization of discounts or premiums relating to borrowings, fees and commissions paid to lenders, agents, brokers and advisers, and transfer taxes and duties that are incurred in connection with the arrangement of borrowings.

Derivatives and Embedded Derivatives
All derivative instruments, including embedded derivatives, are recorded in the consolidated balance sheets at fair value unless exempt from derivative treatment as a normal purchase and sale. The Company enters into interest rate swaps to hedge its risk associated with interest rates. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Hedge accounting is discontinued prospectively when the hedging relationship is terminated, when the instrument no longer qualifies as a hedge or when the hedging item is sold or terminated. In cash flow hedging relationships, the portion of the change in the fair value of the hedging derivative that is considered to be effective is recognized in other comprehensive income ("OCI"), while the portion considered to be ineffective is recognized in net income. Unrealized hedging gains and losses in accumulated other comprehensive income are reclassified to net income in the periods when the hedged item affects net income. Gains and losses on derivatives are immediately reclassified to net income when the hedged item is sold or terminated.

For those derivative instruments to which the Company has applied hedge accounting, the change in fair value for the effective portion of the derivative is recorded in OCI from the date of designation. The fair value of derivative instruments is determined using present value forward pricing and swap calculations at interest rates that reflect current market conditions, and considers the credit quality of counterparties, interest rate curves and forward rate curves.

Fair Value
The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (i) in the principal market for the asset or liability; or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

Fair value measurements recognized in the consolidated balance sheets are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value measurement is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

Lease Liabilities
In accordance with IFRS 16, Leases ("IFRS 16"), at the commencement date of a lease, the Company will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Certain right-of-use assets related to land leases meet the definition of investment property under IAS 40; therefore, the fair value model is applied to those assets. Interest expense on the lease liability and depreciation expense or fair value gain (loss) on the right-of-use asset, depending on the balance sheet classification of the asset, is recognized separately. The Company applies the recognition exemptions for leases of low-value assets and short-term leases.

Right-of-use assets not meeting the definition of an investment property are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

The Company measures lease liabilities at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed-lease payments or a change in the assessment to purchase the underlying asset.

Revenue Recognition

Revenue from Real Estate Properties

Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has not transferred substantially all of the risks and benefits of ownership of its income producing properties and, therefore, accounts for leases with its tenants as operating leases.

Rental income from tenants under leases includes lease components within the scope of IFRS 16, and is comprised of rental income, percentage participation rents, lease cancellation fees, leasing concessions, and property taxes and insurance recoveries. Rental income is accounted for on a straight-line basis over the lease term. Percentage participation rents are accrued based on sales estimates submitted by tenants if the tenant anticipates attaining the minimum sales level stipulated in the tenant lease. Property taxes and insurance recoveries are recognized as income in the period in which they are earned.

The Company accounts for stepped rents and free rent periods on a straight-line basis, reflected in the consolidated balance sheets in the carrying value of real estate properties and recognized in the consolidated statements of income over the initial term of the lease. Any suite-specific incentives offered or initial direct costs incurred in negotiating and arranging an operating lease are reflected in the consolidated balance sheets in the carrying value of real estate properties, amortized over the term of the operating lease and recognized in the consolidated statements of income on a straight-line basis.

Common area maintenance recoveries are considered non-lease components and within the scope of IFRS 15, Revenue from Contracts with Customers (“IFRS 15”). The performance obligation for the recovery of common area maintenance is satisfied over time. The Company receives variable consideration for common area maintenance recoveries under net leases to the extent costs have been incurred, and revenue is recognized on this basis, as this is the best estimate of amounts earned over the period these services are performed. Revenue is constrained by actual costs incurred and any restrictions in the lease contracts.

Property management and ancillary services are considered non-lease components and within the scope of IFRS 15. The performance obligation for property management and ancillary services is satisfied over time. Rents charged to tenants, primarily at the Company’s residential properties, are generally charged on a gross basis, inclusive of property management and ancillary services.

The Company applies judgment about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. If a contract is identified as containing more than one performance obligation, the Company allocates the total transaction price to each performance obligation in an amount based on an expected cost plus a margin approach.

Revenue from Hotel Properties

Revenue from hotel properties relates to all revenue received from guests by owned hotels. The services rendered, including room rentals, food and beverage sales and other ancillary services, are distinct performance obligations, for which prices invoiced to the guests are representative of their standalone selling prices. These obligations are fulfilled over time when they relate to room rentals, i.e., over the stay at the hotel, and at a point in time for other goods or services, when they have been delivered or rendered.

Management and Advisory Fees
The Company provides management and advisory services to co-owners, partners and third parties, for which it earns market-based fees. Management and advisory fees are primarily property and asset management revenue streams, which include base property and asset management fees, leasing fees, acquisition and disposition fees, project and development fees, and various other consulting fees.

Fees for base property and asset management services and project and development services are generally recognized as revenue over the period of performance of those services, when the property owners simultaneously receive and consume the benefits provided. The Company elects the practical expedient to recognize revenue based on amounts invoiced to the customer, when this method of measuring progress best depicts the performance provided. Invoicing is based on contractual prices, which represent the standalone selling prices of specified promised services. Variable consideration depending on the occurrence of uncertain future events is estimated using the most likely amount method, based on all reasonably available information, and is, if need be, capped at the minimum amount considered as highly probable.

Leasing service fees, acquisition and disposition service fees and various other consulting service fees are recognized as revenue in the period in which the service is received by the customer. Amounts are determined and revenue is recognized based on the agreed transaction price in each contract.

Income Taxes
The Company uses the liability method of accounting for income taxes. Under the liability method of tax allocation, current income tax assets and liabilities are based on the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted at the consolidated balance sheet date. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using enacted or substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that such deductions, tax credits and tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each consolidated balance sheet date and reduced to the extent it is no longer probable that the income tax asset will be recovered.

In accordance with IAS 12, Income Taxes (“IAS 12”), the Company measures deferred income tax assets and liabilities on its real estate and hotel properties based on the rebuttable presumption that the carrying amount of the property is recovered through sale, as opposed to presuming that the economic benefits of the property will be substantially consumed through use over time. This presumption is rebutted if the property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale, which is not the case for the Company.

Employee Future Benefits
The Company provides pensions to certain of its employees under two defined benefit arrangements and recognizes the cost of the defined benefit plans in the period in which the employee has rendered services. The cost of benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service, compensation increases, retirement ages of employees and future termination levels. No past service costs have been incurred under these plans. Actuarial gains and losses are recognized in full in the period in which they occur and are presented in the consolidated statements of comprehensive income. The current service cost and gains and losses on settlement and curtailments are charged to operating income. The discount rate used to calculate net pension obligations or assets is determined on the basis of current market rates for high-quality corporate bonds and re-evaluated at each year-end.

Stock-Based Compensation
The Company has a stock appreciation rights (“SARs”) plan, which entitles specified officers and directors to receive a cash payment equal to the excess of the market price of Morguard’s common shares at the time of exercise over the grant date price of the right. The Company accounts for the SARs plan using the fair value method. Under this method, compensation expense for the SARs plan is measured at the fair value of the vested portion using the Black-Scholes option pricing model at each consolidated balance sheet date. The liability is measured at each reporting date at fair value, with changes in the liability recorded in the consolidated statements of income.

The Company has a stock option plan ("SOP"), which entitles specified officers to receive common share options of the Company. The Company accounts for the SOP using the fair value method, and each tranche of stock options is considered to have its own vesting period and grant date fair value. Under this method, compensation expense for each tranche of options issued under the SOP is measured at fair value at the date of grant using the Black-Scholes option pricing model and is recognized as an expense in the consolidated statements of income over the vesting period with a corresponding credit to retained earnings. On the exercise of stock options, the fair value of the stock option previously credited to retained earnings are then credited to share capital. When stock options are cancelled, it is treated as if the stock options had vested on the date of cancellation and any expense not yet recognized for the stock option is recognized immediately.

Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation. Provisions are remeasured at each consolidated balance sheet date using the current discount rate. The increase in the provision due to the passage of time is recognized as interest expense.

Income Per Common Share

Basic income per common share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding in each respective period. Diluted income per common share is calculated by dividing net income attributable to common shareholders, adjusted for the effect of dilutive securities, by the weighted average number of diluted shares outstanding in accordance with the treasury stock method. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive securities are used to repurchase common shares at the average market price.

Foreign Exchange

The operations of the Company's U.S.-based subsidiaries are in United States dollars, which is the functional currency of the foreign subsidiaries. Accordingly, the assets and liabilities of these foreign subsidiaries are translated into Canadian dollars at the exchange rate as at the consolidated balance sheet date. Revenue and expenses are translated at the average rate of exchange for the year. The resulting gains and losses are recorded in OCI. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the reporting date. Exchange differences are recognized in profit or loss, except for exchange differences arising from a monetary item receivable from or payable to a foreign subsidiary, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign subsidiary. These exchange differences are recognized in OCI until the disposal of the net investment, at which time they are reclassified to profit or loss.

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

	2025	2024
Canadian dollar to United States dollar exchange rates:		
- As at December 31	**$0.7296**	$0.6950
- Average for the year ended December 31	**0.7155**	0.7301
United States dollar to Canadian dollar exchange rates:		
- As at December 31	**1.3706**	1.4389
- Average for the year ended December 31	**1.3977**	1.3696

Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Company has determined that its chief operating decision-maker is the President and Chief Executive Officer.

Critical Judgments in Applying Material Accounting Policies

The following are the critical judgments that have been made in applying the Company's material accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

Real Estate Properties

The Company's accounting policies relating to real estate properties are described above. In applying these policies, judgment has been applied in determining whether certain costs are additions to the carrying amount of the property, distinguishing between tenant incentives and tenant improvements and, for properties under development, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development property. The key assumptions in the valuation of the Company's real estate properties are further defined in Note 4.

Joint Arrangements

The Company applies judgment to determine whether the joint arrangements provide it with joint control, significant influence or no influence, and whether the arrangements are joint operations or joint ventures.

Material Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods.

In determining estimates of fair market value for the Company's real estate properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Should the underlying assumptions change, actual results could differ from the estimated amounts. The material estimates and assumptions underlying the valuation of real estate properties are outlined in Note 4.

Property and equipment and investments in joint arrangements are assessed for impairment. Assumptions are 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 rate, appropriate growth rates (revenues and costs) and changes in market valuation parameters. Management considers various factors in its assessment, including the historical performance of property and equipment and investments in joint arrangements, expected trends in each specific market as well as local and macroeconomic conditions. The material estimates and assumptions underlying the valuation of hotel properties are outlined in Note 5.

The estimated useful lives and related amortization method are determined for each component of hotel properties. The selected amortization method and estimate of useful life impact the amount of amortization expense recognized. In establishing the useful lives and related amortization method, management considers its capital maintenance plans.

The fair value of financial instruments approximates amounts at which these instruments could be exchanged between market participants at the measurement date. The estimated fair value may differ in amount from that which could be realized on an immediate settlement of the instruments. The Company estimates the fair value of mortgages payable by discounting the cash flows of these financial obligations using market rates for debts of similar terms.

Future Material Accounting Policy Changes

IFRS 18 - Presentation and Disclosure in Financial Statements ("IFRS 18")

On April 9, 2024, the IASB issued IFRS 18, which will replace IAS 1 - Presentation of Financial Statements. The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

IFRS 18 introduces the following:

– Defined subtotals and categories in the statement of profit or loss.
– Requirements to improve aggregation and disaggregation.
– Disclosures about management-defined performance measures in the notes to the financial statements.
– Targeted improvements to the statement of cash flows by amending IAS 7 - Statement of Cash Flows.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027. The standard is applied retrospectively, with specific transition provisions, and early adoption is permitted. The Company is currently assessing the impact this new standard will have on its consolidated financial statements.

NOTE 3

SUBSIDIARIES WITH NON-CONTROLLING INTEREST

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

As at December 31, 2025, the Company owns a 48.6% (2024 - 47.4%) effective interest in Morguard Residential REIT through its ownership of 8,120,666 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"). The basis for concluding that the Company continues to control Morguard Residential REIT is as follows: (i) the Company holds a significant interest in Morguard Residential REIT's voting rights as at December 31, 2025; (ii) there is a wide dispersion of the public holdings of Morguard Residential REIT's remaining units; (iii) the Company has the ability to nominate a minimum number of Morguard Residential REIT's Trustees based on the Company's ownership interest; (iv) all of Morguard Residential REIT's senior management are employees of the Company; and (v) Morguard Residential REIT is significantly dependent on the Company as a result of existing service agreements that cover property management, asset management, debt financing and acquisitions.

During the year ended December 31, 2025, Morguard Residential REIT recorded distributions of $27,094, or $0.76496 per unit (2024 - $27,671, or $0.74336 per unit), of which $6,212 was paid to the Company (2024 - $6,037) and $20,882 was paid to the remaining unitholders (2024 - $21,634). In addition, during the year ended December 31, 2025, Morguard Residential REIT paid distributions to the Company on the Class B LP units of $13,174 (2024 - $12,802).

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

As at December 31, 2025, the Company owns 45,572,212 units (2024 - 42,448,462 units) of Morguard REIT, which represents a 68.6% (December 31, 2024 - 66.0%) ownership interest.

During the year ended December 31, 2025, Morguard REIT recorded distributions of $15,660, or $0.24 per unit (2024 - $19,285, or $0.30 per unit), of which $10,638 (2024 - $12,638) was paid to or received by the Company through MRT's distribution reinvestment program ("MRT DRIP") and $5,022 was paid to the remaining unitholders (2024 - $6,647).

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 14).

As at December 31	2025		2024	
	MRT	MRG	MRT	MRG
Non-current assets	**$2,140,334**	**$4,384,805**	$2,153,058	$4,403,949
Current assets	**21,150**	**151,098**	19,385	167,682
Total assets	**$2,161,484**	**$4,535,903**	$2,172,443	$4,571,631
Non-current liabilities	**$703,208**	**$2,174,263**	$924,950	$2,167,110
Current liabilities	**593,824**	**255,665**	364,724	292,531
Total liabilities	**$1,297,032**	**$2,429,928**	$1,289,674	$2,459,641
Equity	**$864,452**	**$2,105,975**	$882,769	$2,111,990
Non-controlling interest	**$265,804**	**$1,082,471**	$307,200	$1,111,540

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 years ended December 31		2025		2024
	MRT	**MRG**	MRT	MRG
Revenue	**$239,339**	**$354,648**	$259,174	$344,188
Expenses	**(194,344)**	**(277,156)**	(203,502)	(264,173)
Fair value gain (loss) on real estate properties, net	**(61,556)**	**37,832**	(114,448)	60,372
Fair value loss on Class B LP units	**—**	**(3,789)**	—	(40,991)
Net income (loss) for the year	**($16,561)**	**$111,535**	($58,776)	$99,396
Non-controlling interest	**($5,334)**	**$57,329**	($20,065)	$52,312

For the years ended December 31		2025		2024
	MRT	**MRG**	MRT	MRG
Cash provided by operating activities	**$40,408**	**$87,761**	$55,189	$86,143
Cash used in investing activities	**(36,332)**	**(71,296)**	(6,015)	(48,042)
Cash provided by (used in) financing activities	**(4,888)**	**49,144**	(48,555)	(6,743)
Net increase (decrease) in cash during the year	**($812)**	**$65,609**	$619	$31,358

NOTE 4
REAL ESTATE PROPERTIES

Real estate properties consist of the following:

As at December 31	2025	2024
Income producing properties	**$10,677,720**	$10,868,400
Properties under development	**144,306**	55,156
Land held for development	**122,888**	124,929
Real estate properties	**$10,944,914**	$11,048,485
Real estate properties held for sale	**148,170**	—
	$11,093,084	$11,048,485

Reconciliation of the carrying amounts for real estate properties for the year ended December 31, 2025 is set out below:

	Income Producing Properties	Properties Under Development	Land Held for Development	Total
Balance as at December 31, 2024	**$10,868,400**	**$55,156**	**$124,929**	**$11,048,485**
Additions:				
Capital expenditures	**116,334**	**—**	**—**	**116,334**
Development expenditures	**—**	**97,116**	**35**	**97,151**
Tenant improvements, incentives and leasing commissions	**33,603**	**—**	**—**	**33,603**
Transfers	**14,662**	**(14,662)**	**—**	**—**
Dispositions	**(5,995)**	**—**	**—**	**(5,995)**
Fair value gain (loss), net (Note 20)	**2,446**	**—**	**(1,383)**	**1,063**
Foreign currency translation	**(200,873)**	**(2)**	**(693)**	**(201,568)**
Other	**(2,687)**	**6,698**	**—**	**4,011**
Balance as at December 31, 2025	**$10,825,890**	**$144,306**	**$122,888**	**$11,093,084**
Real estate properties held for sale				**(148,170)**
Real estate properties				**$10,944,914**

Real estate properties held for sale are assets that the Company intends to sell rather than hold on a long-term basis and meet the criteria established in IFRS 5, Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5") for separate classification. As at December 31, 2025, the Company has a commitment to sell an office property consisting of 328,500 square feet located in Ottawa, Ontario, for gross proceeds of $148,170, excluding closing costs and will repay the mortgage payable secured by the property in the amount of $28,411. The transaction is scheduled to close on August 31, 2026.

Transactions completed during the year ended December 31, 2025

Dispositions

On December 19, 2025, the Company sold two retail parcels at a property located in Slidell, Louisiana, consisting of 161,500 square feet for net proceeds of $5,699 (US$4,086), including closing costs.

On February 7, 2025, the Company sold an industrial property consisting of 4,650 square feet, for net proceeds of $296, including closing costs.

Reconciliation of the carrying amounts for real estate properties for the year ended December 31, 2024 is set out below:

	Income Producing Properties	Properties Under Development	Land Held for Development	Total
Balance as at December 31, 2023	$10,473,323	$12,175	$133,464	$10,618,962
Additions:				
Acquisitions	99,217	—	—	99,217
Capital expenditures	116,179	—	—	116,179
Development expenditures	—	29,712	33	29,745
Tenant improvements, incentives and leasing commissions	29,206	—	—	29,206
Transfers	1,631	13,269	(14,900)	—
Dispositions	(165,527)	—	—	(165,527)
Fair value gain (loss), net	(23,003)	—	5,154	(17,849)
Foreign currency translation	342,951	—	1,178	344,129
Other	(5,577)	—	—	(5,577)
Balance as at December 31, 2024	$10,868,400	$55,156	$124,929	$11,048,485

Transactions completed during the year ended December 31, 2024

Acquisitions

On October 7, 2024, the Company acquired a 20% interest in an office building ("Telus Garden") located in Vancouver, British Columbia, for a purchase price of $99,414, including closing costs, and assumed mortgages payable of $35,686 at a contractual interest rate of 3.40%, maturing on July 22, 2025. A mark-to-market adjustment of $567 was recorded to mortgages payable at an effective interest rate of 5.64%.

On June 21, 2024, the Company acquired the remaining 5% interest in an office building located in Toronto, Ontario, for a purchase price of $370, including closing costs.

Dispositions

On May 29, 2024, the Company sold a retail property located in Calgary, Alberta, consisting of 131,000 square feet, for net proceeds of $37,050, including closing costs, and repaid the mortgage payable secured by the property in the amount of $17,030.

On February 29, 2024, the Company sold an office property located in Ottawa, Ontario, consisting of 250,500 square feet, for net proceeds of $125,242, including closing costs, and repaid the mortgage payable secured by the property in the amount of $57,695.

During the year ended December 31, 2024, the Company sold four industrial properties, consisting of 40,675 square feet, for net proceeds of $3,235, including closing costs.

Significant Valuation Assumptions

As at December 31, 2025, and 2024, 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, and includes a terminal value based on the application of a capitalization rate to estimated year-11 cash flows.

As at December 31, 2025, and 2024, using the direct capitalization approach, the multi-suite residential, retail and office properties were valued using capitalization rates in the range of 3.4% to 10.3% (2024 - 3.3% to 10.3%), resulting in an overall weighted average capitalization rate of 5.7% (2024 - 5.6%).

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

As at December 31	2025 Occupancy Rates Max.	2025 Occupancy Rates Min.	2025 Capitalization Rates Max.	2025 Capitalization Rates Min.	2025 Capitalization Rates Weighted Average	2024 Occupancy Rates Max.	2024 Occupancy Rates Min.	2024 Capitalization Rates Max.	2024 Capitalization Rates Min.	2024 Capitalization Rates Weighted Average
Multi-suite residential	**98.5%**	**92.0%**	**6.3%**	**3.4%**	**4.4%**	98.5%	92.0%	6.3%	3.3%	4.4%
Retail	**99.0%**	**85.0%**	**10.3%**	**5.0%**	**7.5%**	99.0%	85.0%	10.3%	5.0%	7.4%
Office[1]	**100.0%**	**85.0%**	**10.0%**	**5.0%**	**7.8%**	100.0%	85.0%	9.5%	4.6%	7.7%

[1] Includes industrial properties comprising approximately 12% of the segment's total assets.

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

As at December 31	2025 Maximum	2025 Minimum	2025 Weighted Average	2024 Maximum	2024 Minimum	2024 Weighted Average
Retail						
Discount rate	**11.3%**	**5.8%**	**7.7%**	11.3%	5.8%	7.7%
Terminal cap rate	**10.3%**	**5.3%**	**6.7%**	10.3%	5.3%	6.7%
Office						
Discount rate	**10.0%**	**6.0%**	**7.3%**	10.0%	5.1%	7.2%
Terminal cap rate	**9.3%**	**5.3%**	**6.6%**	9.5%	4.8%	6.5%

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 December 31, 2025 would decrease by $471,643 and increase by $520,533, respectively.

The sensitivity of the fair values of the Company's income producing properties as at December 31, 2025, and 2024, is set out in the table below:

As at December 31	2025		2024	
Change in capitalization rate:	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Multi-suite residential	**($347,851)**	**$388,316**	($360,692)	$404,402
Retail	**(63,709)**	**68,099**	(66,253)	71,008
Office	**(60,083)**	**64,118**	(57,961)	61,854
	($471,643)	**$520,533**	($484,906)	$537,264

NOTE 5
HOTEL PROPERTIES

Hotel properties consist of the following:

As at December 31, 2025	Cost	Accumulated Amortization	Net Book Value
Land	**$14,577**	**$—**	**$14,577**
Buildings	**85,338**	**(16,309)**	**69,029**
Furniture, fixtures, equipment and other	**14,914**	**(12,656)**	**2,258**
	$114,829	**($28,965)**	**$85,864**

As at December 31, 2024	Cost	Accumulated Amortization	Net Book Value
Land	$14,577	$—	$14,577
Buildings	84,852	(14,117)	70,735
Furniture, fixtures, equipment and other	13,018	(12,331)	687
	$112,447	($26,448)	$85,999

Changes in the carrying amounts of hotel properties for the year ended December 31, 2025 are summarized as follows:

As at December 31, 2025	Opening Net Book Value	Additions	Amortization	Closing Net Book Value
Land	**$14,577**	**$—**	**$—**	**$14,577**
Buildings	**70,735**	**486**	**(2,192)**	**69,029**
Furniture, fixtures, equipment and other	**687**	**1,896**	**(325)**	**2,258**
	$85,999	**$2,382**	**($2,517)**	**$85,864**

Changes in the carrying amounts of hotel properties for the year ended December 31, 2024 are summarized as follows:

As at December 31, 2024	Opening Net Book Value	Additions	Dispositions	Amortization	Closing Net Book Value
Land	$55,416	$—	($40,839)	$—	$14,577
Buildings	273,230	1,177	(201,339)	(2,333)	70,735
Furniture, fixtures, equipment and other	13,458	862	(13,036)	(597)	687
	$342,104	$2,039	($255,214)	($2,930)	$85,999

On January 18, 2024, the Company sold the common shares of its subsidiary, Morguard Hotels Limited, and the beneficial interest in 14 hotels for net proceeds of $405,801, including closing costs. At closing, the Company repaid three first mortgage loans totalling $48,641. On disposition, the net proceeds of the 14 hotels exceeded the carrying value of $255,214, resulting in a gain of $150,587.

NOTE 6

CO-OWNERSHIP INTERESTS

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

The following are the Company's significant co-ownerships as at December 31, 2025, and 2024:

			Company's Ownership	
Jointly Controlled Asset	**Location**	**Asset Type**	**December 31, 2025**	December 31, 2024
Bramalea City Centre	Brampton, ON	Retail	**20.7%**	20.7%
Woodbridge Square	Woodbridge, ON	Retail	**50.0%**	50.0%
77 Bloor Street West	Toronto, ON	Office	**50.0%**	50.0%
2920 Matheson Boulevard	Mississauga, ON	Office	**50.0%**	50.0%
Performance Court	Ottawa, ON	Office	**50.0%**	50.0%
Standard Life Centre	Ottawa, ON	Office	**50.0%**	50.0%
Heritage Place	Ottawa, ON	Office	**50.0%**	50.0%
Jean Edmonds Towers	Ottawa, ON	Office	**49.9%**	49.9%
215 Slater Street	Ottawa, ON	Office	**50.0%**	50.0%
Rice Howard Place	Edmonton, AB	Office	**20.0%**	20.0%
505 Third Street	Calgary, AB	Office	**50.0%**	50.0%
Telus Garden	Vancouver, BC	Office	**20.0%**	20.0%
945 Wilson Avenue	Toronto, ON	Industrial	**44.8%**	44.8%

The following amounts included in these consolidated financial statements represent the Company's proportionate share of the assets and liabilities of the Company's co-ownership interests as at December 31, 2025, and 2024, and the results of operations for the years ended December 31, 2025, and 2024:

As at December 31	**2025**	2024
Assets	**$750,224**	$782,590
Liabilities	**$353,709**	$363,234

For the years ended December 31	**2025**	2024
Revenue	**$80,487**	$78,404
Expenses	**(54,440)**	(52,126)
Income before fair value adjustments	**26,047**	26,278
Fair value loss on real estate properties	**(41,043)**	(23,216)
Net income (loss)	**($14,996)**	$3,062

NOTE 7

EQUITY-ACCOUNTED AND OTHER FUND INVESTMENTS

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

As at December 31	**2025**	2024
Joint ventures	**$6,160**	$6,963
Associates	**—**	69
Equity-accounted investments	**6,160**	7,032
Other real estate fund investments	**42,550**	56,032
Equity-accounted and other fund investments	**$48,710**	$63,064

The Company's interest in joint ventures comprises a 50% interest in a 304,000 square foot office property located in Edmonton, Alberta, and a 50% interest in a 173,000 square foot office property located in Belleville, Ontario.

Equity-accounted investments and other fund investments

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

As at December 31	2025	2024
Balance, beginning of year	**$63,064**	$95,525
Share of net income (loss) - joint ventures	**966**	(717)
Distributions received - joint ventures	**(1,838)**	(5,219)
Distributions received - sale of hotel joint ventures	**—**	(26,033)
Fair value loss - other fund investments	**(3,854)**	(3,696)
Contributions - other fund investments	**—**	4,401
Distributions received - other fund investments	**(7,095)**	(5,310)
Foreign exchange gain (loss)	**(2,533)**	4,113
Balance, end of year	**$48,710**	$63,064

On April 16, 2024, the Company sold its 50% interest in two hotel joint ventures for net proceeds of $26,033, including working capital adjustments and closing costs.

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

As at December 31	2025	2024
Non-current assets	**$99,357**	$102,064
Current assets	**4,843**	4,601
Total assets	**$104,200**	$106,665
Non-current liabilities	**$36,171**	$37,473
Current liabilities	**55,707**	54,899
Total liabilities	**$91,878**	$92,372
Net assets	**$12,322**	$14,293
Equity-accounted investments	**$6,160**	$7,032

For the years ended December 31	2025	2024
Revenue	**$16,696**	$20,548
Expenses	**(11,471)**	(14,948)
Fair value loss on real estate properties, net	**(3,230)**	(7,107)
Net income (loss) for the period	**$1,995**	($1,507)
Income (loss) in equity-accounted investments	**$966**	($717)

(b) Income Recognized from Other Fund Investments:

Other Real Estate Fund Investments

For the years ended December 31	2025	2024
Distribution income	**$583**	$192
Fair value loss for the year (Note 20)	**(3,854)**	(3,696)
Loss from other real estate fund investments	**($3,271)**	($3,504)

The Company's two fund investments hold multi-suite residential, retail and office investment properties located in the United States. 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.

During the year ended December 31, 2025, the Company received a distribution representing a return of capital in the amount of $7,095 (US$5,112) in connection with the disposal of three properties held within the Company's other real estate fund investments.

During the year ended December 31, 2024, the Company received a distribution representing a return of capital in the amount of $5,310 (US$3,874) in connection with the disposal of two properties held within the Company's other real estate fund investments.

The underlying assets are appraised using a number of approaches that principally include a discounted cash flow analysis or a direct capitalization of income method. Using the direct capitalization approach, fund properties were valued using a capitalization rate of 6.0% (2024 - range of 6.0% to 6.3%), resulting in an overall weighted average capitalization rate of 6.0% (2024 - 6.1%). Under the discounted cash flow method, fund properties were valued using discount rates in the range of 7.6% to 10.4% (2024 - 7.4% to 9.7%), resulting in an overall weighted average discount rate of 8.5% (2024 - 8.6%) and terminal cap rates in the range of 6.0% to 8.6% (2024 - 5.8% to 7.7%), resulting in an overall weighted average terminal cap rate of 7.0% (2024 - 6.7%).

NOTE 8
OTHER ASSETS
Other assets consist of the following:

As at December 31	2025	2024
Investment in marketable securities	**$91,419**	$88,187
Accrued pension benefit asset (Note 26)	**91,411**	80,524
Finance lease receivable	**59,811**	59,355
Mortgages receivable (Note 9)	**—**	41,444
Goodwill	**24,488**	24,488
Capital assets, net	**17,354**	18,189
Intangible assets, net	**9,512**	9,997
Receivables from related parties (Note 22(c))	**3,042**	2,960
Right-of-use asset - office lease	**1,166**	927
Other	**77**	83
	$298,280	$326,154

As at December 31, 2025, mortgages receivable amount to $41,594 (2024 - $44,709), of which $41,594 (2024 - $3,265) is due within one year and included in amounts receivable (Note 9). The mortgages receivable have a weighted average term to maturity of 0.6 years (2024 - 1.5 years) and a weighted average effective interest rate of 7.44% (2024 - 7.51%).

Finance Lease Receivable
In 2018, Morguard completed the construction of an ancillary services office building as part of the Etobicoke General Hospital's expansion plans. The Company entered into a 41-year ground lease agreement for a nominal consideration for the construction and operation of the development project, which is to be returned to the landlord at the end of the 41-year term. The landlord has the right to buy out the ground lease in year 20 at the fair market value of Morguard's interest in the development, as defined by the agreement. Contemporaneously, the same landlord entered into a sublease agreement to rent the office building from the Company over the 41-year term.

Future minimum lease payments under the finance lease are as follows:

As at December 31	2025	2024
Within 12 months	**$3,667**	$3,595
2 to 5 years	**19,466**	19,084
Over 5 years	**144,798**	148,848
Total minimum lease payments	**167,931**	171,527
Less: future finance income	**(108,120)**	(112,172)
Present value of minimum lease payments	**$59,811**	$59,355

NOTE 9
AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

As at December 31	2025	2024
Tenant receivables	**$15,447**	$15,300
Unbilled other tenant receivables	**10,316**	9,030
Mortgages receivable (Note 8)	**41,594**	3,265
Other receivables	**33,762**	37,112
Allowance for expected credit loss	**(6,742)**	(7,312)
	$94,377	$57,395

NOTE 10
MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at December 31	2025	2024
Mortgages payable	**$4,640,991**	$4,791,513
Mark-to-market adjustments, net	**(399)**	(1,404)
Deferred financing costs	**(30,681)**	(29,028)
	$4,609,911	$4,761,081
Current	**$919,339**	$758,936
Non-current	**3,690,572**	4,002,145
	$4,609,911	$4,761,081
Range of interest rates	**2.03 - 7.75%**	2.03 - 7.75%
Weighted average contractual interest rate	**4.25%**	4.21%
Estimated fair value of mortgages payable	**$4,578,285**	$4,656,335

As at December 31, 2025, approximately 93% of the Company's real estate and hotel properties, and related rental revenue, are pledged as collateral for the mortgages payable.

The aggregate principal repayments and balances maturing of the mortgages payable as at December 31, 2025, 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
2026	$105,937	$821,031	$926,968	4.18%
2027	74,189	636,438	710,627	4.50%
2028	61,907	630,935	692,842	4.68%
2029	55,025	566,933	621,958	4.57%
2030	37,416	545,173	582,589	3.66%
Thereafter	127,017	978,990	1,106,007	4.02%
	$461,491	$4,179,500	$4,640,991	4.25%

The Company's first mortgages are registered against specific real estate assets and hotel properties. As at December 31, 2025, mortgages payable mature between 2026 and 2058 and have a weighted average term to maturity of 3.9 years (2024 - 4.1 years). Approximately 94% 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 December 31, 2025, and 2024, the Company is in compliance with all financial covenants.

On July 2, 2024, the Company completed an interest rate swap with a notional amount of $75,000, whereby the Company pays a fixed rate of interest of 5.82% and receives interest at a variable rate equal to the Canadian Overnight Repo Rate Average ("CORRA") plus 2.15% on the notional amount. The Company designated this interest rate swap as a cash flow hedge and applied hedge accounting. The objective of the interest rate swap is to eliminate the variability of cash flows on the variable-rate mortgage stemming from fluctuations in market interest rates.

There is an economic relationship between the hedged item and the hedging instrument, as the terms of the interest rate swap match the terms of the variable-rate mortgage loan (i.e., notional amount, maturity date, payment and reset dates). The Company has established a hedge ratio of 1:1 for the hedging relationship, as the underlying risk of the interest rate swap is identical to the hedged risk component. To test the hedge effectiveness, the Company uses a hypothetical derivative method and compares the changes in fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

As at December 31, 2025, the derivative liability is $2,005 (2024 - $2,389). The maturity date of the interest rate swap coincides with the mortgage payable maturity on June 3, 2029.

NOTE 11
CONSTRUCTION FINANCING PAYABLE

The Company has a variable rate, non-revolving construction facility of up to $208,254 collateralized by a multi-suite residential property under development. This construction facility matures on April 28, 2028 and has an option to be converted into a Canada Mortgage and Housing Corporation ("CMHC") insured mortgage for a term of ten years. As at December 31, 2025, the Company had borrowed $22,754 on the construction financing facility.

NOTE 12
DEBENTURES PAYABLE

The Company's debentures payable consist of the following:

As at December 31	2025	2024
Unsecured debentures	**$421,248**	$173,611
Convertible debentures	**145,539**	143,003
	$566,787	$316,614
Current	**$271,414**	$—
Non-current	**295,373**	316,614
	$566,787	$316,614

(a) Unsecured Debentures

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

As at December 31	Maturity Date	Coupon Interest Rate	2025	2024
Series H senior unsecured debentures	September 26, 2026	9.50%	**$175,000**	$175,000
Series I senior unsecured debentures	October 14, 2028	5.00%	**250,000**	—
Unamortized financing costs			**(3,752)**	(1,389)
			$421,248	$173,611
Current			**$174,411**	$—
Non-current			**246,837**	173,611
			$421,248	$173,611

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. On January 25, 2024, the Series E senior unsecured debentures were fully repaid on maturity.

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. On November 27, 2024, the Series F senior unsecured debentures were fully repaid on maturity.

On September 26, 2023, the Company issued $175,000 (net proceeds including issuance costs - $172,600) of Series H senior unsecured debentures due on September 26, 2026. Interest on the Series H senior unsecured debentures is payable semi-annually, not in advance, on March 26 and September 26 of each year. Paros Enterprises Limited ("Paros Enterprises"), a related party, acquired $25,000 aggregate principal amount of the Series H senior unsecured debentures. The Company has the option to redeem the Series H 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 1.235%.

On October 14, 2025, the Company issued $250,000 (net proceeds including issuance costs - $246,592) of Series I senior unsecured debentures due on October 14, 2028. Interest on the Series I unsecured debentures is payable semi-annually, not in advance, on October 14 and April 14 of each year, commencing on April 14, 2026. Paros Enterprises acquired $10,000 aggregate principal amount of the Series I senior unsecured debentures. The Company has the option to redeem the Series I 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 0.615%.

As at December 31, 2025, Paros Enterprises owns $25,000 (2024 - $25,000) Series H senior unsecured debentures and $10,000 (2024 - $nil) Series I unsecured debentures.

For the year ended December 31, 2025, interest on Unsecured Debentures of $19,296 (2024 - $25,908) is included in interest expense (Note 19).

(b) Convertible Debentures

Convertible debentures consist of the following:

As at December 31	Maturity Date	Conversion Price	Coupon Interest Rate	Principal Balance	Principal Owned by the Company	2025	2024
Morguard Residential REIT[(1)]	March 31, 2028	$24.15	6.00%	$56,000	$5,000	**$48,536**	$47,830
Morguard REIT	December 31, 2026	$7.80	5.25%	$159,000	$60,000	**97,003**	95,173
						$145,539	$143,003
Current						**$97,003**	$—
Non-current						**48,536**	143,003
						$145,539	$143,003

(1) As at December 31, 2025, the liability includes the fair value of the conversion option of $711 (2024 - $1,361).

Morguard REIT

On December 7, 2021, Morguard REIT issued $150,000 principal amount of 5.25% convertible unsecured subordinated debentures maturing on December 31, 2026. On December 13, 2021, an additional principal amount of $9,000 was issued pursuant to the exercise of the over-allotment option. Interest is payable semi-annually, not in advance, on June 30 and December 31 of each year. Underwriters' commission, legal and other issue costs attributable to the debentures in the amount of $4,213 have been capitalized and are being amortized over their term to maturity. The convertible debentures, with the exception of $4,213, the value assigned to the holder's conversion option, have been recorded as debt on the consolidated balance sheets. As at December 31, 2025, Morguard owns $60,000 (2024 - $60,000) aggregate principal amount of the 5.25% convertible unsecured subordinated debentures.

Morguard Residential REIT

On March 9, 2023, Morguard Residential REIT issued $50,000 principal amount of 6.00% convertible unsecured subordinated debentures maturing on March 31, 2028. On March 17, 2023, an additional principal amount of $6,000 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. Underwriters' commission, legal and other issue costs attributable to the debentures in the amount of $2,410 have been capitalized and are being amortized over their term to maturity. As at December 31, 2025, Morguard and Paros Enterprises, related parties, own $5,000 (2024 - $5,000) and $2,000 (2024 - $2,000) aggregate principal amount of the 6.00% convertible unsecured subordinated debentures, respectively.

For the year ended December 31, 2025, interest on convertible debentures net of accretion of $10,114 (2024 - $10,016) is included in interest expense (Note 19).

NOTE 13

LEASE LIABILITIES

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

As at December 31	2025	2024
Balance, beginning of year	**$171,463**	$170,753
Interest on lease liabilities (Note 19)	**9,929**	9,860
Payments	**(11,913)**	(11,252)
Additions	**958**	685
Foreign exchange loss (gain)	**(839)**	1,417
Balance, end of year	**$169,598**	$171,463
Current (Note 15)	**$1,792**	$1,539
Non-current	**167,806**	169,924
	$169,598	$171,463

Future minimum lease payments under lease liabilities are as follows:

As at December 31	2025	2024
Within 12 months	**$11,649**	$11,469
2 to 5 years	**54,800**	55,351
Over 5 years	**321,973**	332,453
Total minimum lease payments	**388,422**	399,273
Less: future interest costs	**(218,824)**	(227,810)
Present value of minimum lease payments	**$169,598**	$171,463

NOTE 14

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 December 31, 2025, the Company valued the non-controlling interest in the Morguard Residential REIT units at $419,105 (2024 - $434,721) and classifies 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 loss for the year ended December 31, 2025 of $28,825 (2024 - $88,067) in the consolidated statements of income (Note 20).

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

For the years ended December 31	2025	2024
Fair value loss on Morguard Residential REIT units	**($7,943)**	($66,433)
Distributions to external unitholders (Note 3)	**(20,882)**	(21,634)
Fair value loss on Morguard Residential REIT units	**($28,825)**	($88,067)

NOTE 15
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at December 31	2025	2024
Accounts payable and accrued liabilities	**$213,725**	$215,334
Tenant deposits	**25,897**	26,350
SARs liability (Note17(c))	**4,768**	4,868
Income taxes payable	**567**	13,297
Lease liabilities (Note 13)	**1,792**	1,539
Derivative liabilities (Note 10)	**2,005**	2,389
Other	**528**	1,673
	$249,282	$265,450

NOTE 16
BANK INDEBTEDNESS

As at December 31, 2025, the Company has borrowed $87,973 (2024 - $168,079) on its operating lines of credit and has issued letters of credit in the amount of $3,093 (2024 - $3,254). The Company has seven revolving lines of credit, of which six are subject to borrowing limitations that are based on the performance metrics of the underlying security. As at December 31, 2025, the maximum amount that can be borrowed on the operating lines of credit is $386,340 (2024 - $360,391). As at December 31, 2025, the Company has operating lines of credit totalling $438,330 (2024 - $436,350).

The Company's investments in Morguard REIT and Morguard Residential REIT, marketable securities, amounts receivable, inventory, capital assets and a fixed charge on eleven properties have been pledged as collateral on these operating lines of credit. As at December 31, 2025, the majority of the Company's lines of credit can be borrowed in either Canadian or United States dollars and are subject to floating interest rates based on the prime lending rate, Canadian Overnight Repo Rate Average ("CORRA") for amounts borrowed in Canadian dollars or the Secured Overnight Financing Rate ("SOFR") on amounts borrowed in United States dollars.

The bank credit agreements, which renew annually and are due on demand, include certain restrictive undertakings by the Company. As at December 31, 2025, the Company is in compliance with all undertakings.

NOTE 17
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, 2023	10,813	$98,364
Common shares repurchased through the Company's NCIB	(92)	(839)
Dividend reinvestment plan	—	27
Balance, December 31, 2024	10,721	$97,552
Common shares repurchased through the Company's NCIB	**(44)**	**(397)**
Dividend reinvestment plan	**1**	**39**
Balance, December 31, 2025	**10,678**	**$97,194**

The Company had the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 540,672 common shares. The program expired on September 21, 2025. On September 17, 2025, the Company obtained the approval of the TSX under its NCIB, commencing September 22, 2025, to purchase up to 535,195 common shares, representing approximately 5% of the issued and outstanding common shares, and the program expires on September 21, 2026. The daily repurchase restriction for the common shares is 1,000. During the year ended December 31, 2025, 43,600 common shares were repurchased for cash consideration of $5,245 at a weighted average price of $120.30 per common share.

Total dividends declared during the year ended December 31, 2025, amounted to $8,560, or $0.80 per common share (2024 - $7,010, or $0.65 per common share). On February 19, 2026, the Company declared a common share dividend of $0.20 per common share, to be paid in the first quarter of 2026.

(b) Contributed Surplus

During the year ended December 31, 2025, the Company acquired 1,284,000 units (2024 - 470,600 units) of Morguard REIT for cash consideration of $7,097 (2024 - $2,615). The difference between the cash consideration and the carrying value of the non-controlling interest acquired for the year ended December 31, 2025, amounted to $12,455 (2024 - $3,826) and the amounts have been recorded within retained earnings.

During the year ended December 31, 2025, the Company acquired 1,839,750 units of Morguard REIT (2024 - nil units) under its distribution reinvestment program for non-cash consideration of $10,584 (2024 - $nil). The difference between the non-cash consideration and the carrying value of the non-controlling interest acquired for the year ended December 31, 2025, amounted to $9,894 (2024 - $nil) and the amounts have been recorded within retained earnings.

On January 31, 2025, the Company acquired the remaining 40% ownership interest in Lincluden Investment Management Limited (“Lincluden”), for a purchase price of $4,000, including closing costs. The difference between the cash consideration and the carrying value of the non-controlling interest acquired amounted to $3,214 and the amounts have been recorded within retained earnings.

(c) Stock Appreciation Rights Plan

As at December 31, 2025, 245,000 rights are issued under the Company’s SARs plan with exercise prices ranging between $30.74 and $184.00, having a weighted average exercise price of $138.00. No SARs were issued during the year ended December 31, 2025.

During the year ended December 31, 2025, the Company recorded a fair value adjustment of $100 to decrease compensation expense (2024 - increase compensation expense of $578). The fair value adjustment is included in property management and corporate expenses in the consolidated statements of income, and the liability is classified as accounts payable and accrued liabilities (Note 15).

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 December 31, 2025: a dividend yield of 0.69% (2024 - 0.52%), expected volatility of approximately 26.89% (2024 - 26.09%) and the 10-year Bank of Canada Bond Yield of 2.90% (2024 - 2.99%).

(d) Stock Option Plan

Under the SOP, the Company may grant up to a maximum of 1,000,000 options. On November 5, 2025, the Company granted 125,000 options at an exercise price of $116.50. The options vest in equal annual instalments over a 10-year term, commencing on the grant date, and expire on November 5, 2035. No options were exercised during the year ended December 31, 2025.

During the year ended December 31, 2025, the Company recorded a fair value adjustment of $742 to increase compensation expense. The fair value adjustment is included in property management and corporate expenses in the consolidated statements of income, and the equity component is included in retained earnings.

The fair value for the stock options were calculated using the Black-Scholes option pricing model. In determining the fair value of the stock options, 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 at the date of grant: a dividend yield of 0.69%, expected volatility of approximately 25.57% and the 10-year Bank of Canada Bond Yield of 3.06%.

(e) Accumulated Other Comprehensive Income

As at December 31, 2025, and 2024, accumulated other comprehensive income consists of the following amounts:

As at December 31	2025	2024
Actuarial gain on defined benefit pension plans	**$55,032**	$47,430
Unrealized fair value loss on cash flow hedge	**(1,641)**	(1,972)
Unrealized foreign currency translation gain	**278,662**	374,282
	$332,053	$419,740

NOTE 18
REVENUE

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

For the years ended December 31	2025	2024
Rental income	**$571,697**	$571,329
Realty taxes and insurance	**159,261**	169,196
Common area maintenance recoveries	**106,411**	102,315
Property management and ancillary income	**195,638**	189,962
	$1,033,007	$1,032,802

The components of revenue from hotel properties are as follows:

For the years ended December 31	2025	2024
Room revenue	**$27,102**	$29,728
Other hotel revenue	**4,328**	5,514
	$31,430	$35,242

The components of management and advisory fees are as follows:

For the years ended December 31	2025	2024
Property and asset management fees	**$31,501**	$30,352
Other fees	**9,742**	9,327
	$41,243	$39,679

During the year ended December 31, 2025, property management and corporate expenses include services provided under third-party managed contracts, which are recoverable, amounting to $22,824 (2024 - $21,261).

NOTE 19
INTEREST EXPENSE

The components of interest expense are as follows:

For the years ended December 31	2025	2024
Interest on mortgages	**$198,703**	$198,772
Interest on debentures payable, net of accretion (Note 12)	**29,410**	35,924
Interest on bank indebtedness	**10,706**	3,112
Interest on construction loans	**113**	—
Interest on loans payable and other	**311**	601
Interest on lease liabilities (Note 13)	**9,929**	9,860
Amortization of mark-to-market adjustments on mortgages, net	**1,005**	272
Amortization of deferred financing costs	**9,428**	8,409
Prepayment fee on mortgage extinguishment	**—**	257
	259,605	257,207
Less: interest capitalized to properties under development	**(3,677)**	(464)
	$255,928	$256,743

NOTE 20

FAIR VALUE LOSS, NET

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

For the years ended December 31	2025	2024
Fair value gain (loss) on real estate properties, net (Note 4)	**$1,063**	($17,849)
Financial assets (liabilities):		
Fair value gain on conversion option of MRG convertible debentures	**650**	770
Fair value loss on MRG units (Note 14)	**(28,825)**	(88,067)
Fair value loss on other real estate fund investments (Note 7(b))	**(3,854)**	(3,696)
Fair value gain (loss) on investment in marketable securities	**4,320**	(12,565)
Total fair value loss, net	**($26,646)**	($121,407)

NOTE 21

OTHER INCOME (EXPENSE)

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

For the years ended December 31	2025	2024
Foreign exchange loss	**($142)**	($318)
Other income	**53**	7
	($89)	($311)

NOTE 22

RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Note 12, related party transactions also include the following:

(a) Paros Holdings Corporation and Paros Enterprises Limited

Paros Holdings Corporation ("Paros Holdings") and Paros Enterprises are owned by the Company's Executive Chairman, Mr. K. Rai Sahi. As at December 31, 2025, Paros Holdings owns a 62.9% interest in Morguard through its ownership of 6,717,150 common shares. As at December 31, 2025, and 2024, the Company has a demand loan agreement with Paros Enterprises that provides for the Company to borrow up to $50,000. As at December 31, 2025, and 2024, no amounts were drawn and no net interest expense was incurred.

(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. Pursuant to contractual agreements between the Company and TWC, for the year ended December 31, 2025, the Company received a management fee of $1,379 (2024 - $1,325) and paid rent and operating expenses $1,076 (2024 - $909).

As at December 31, 2025, and 2024, the Company has a revolving demand loan agreement with TWC that provides for either party to borrow up to $50,000 at floating rates of interest consistent with the entity's borrowing cost. The total loan payable as at December 31, 2025 was $nil (2024 - $20,000). During the year ended December 31, 2025, the Company paid net interest of $84 (2024 - $70).

(c) Share/Unit Purchase and Other Loans

As at December 31, 2025, share/unit purchase and other loans to officers and employees of the Company and its subsidiaries of $3,042 (2024 - $2,960) are outstanding. The loans are collateralized by their common shares and Unsecured Debentures of the Company, units and convertible debentures of Morguard REIT, and units of Morguard Residential REIT, are interest-bearing, computed at the prescribed interest rate and are due on January 12, 2027. Other loans are secured against the underlying asset. The loans are classified as amounts receivable in the consolidated balance sheets. As at December 31, 2025, the fair market value of the common shares/units held as collateral is $3,752.

(d) Key Management Compensation

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company's key management personnel include the President and

Chief Executive Officer, Chief Financial Officer, Senior Vice President, Retail Asset Management (MIL), and Senior Vice President, U.S. Asset Management. The compensation paid or payable to key management personnel for employee services for the year ended December 31, 2025 amounted to $6,539 (2024 - $5,712).

NOTE 23
INCOME TAXES
(a) Provision for Income Taxes

For the years ended December 31	2025	2024
Income before income taxes	**$240,415**	$298,471
Statutory rate	**26.5%**	26.5%
Income taxes at the Canadian and provincial income tax rate	**$63,710**	$79,095
Increase (decrease) in income taxes due to:		
Non-deductible (non-taxable) items	**(115)**	20,049
Non-taxable income of Morguard Residential REIT and Morguard REIT	**(9,176)**	(9,168)
Impact of subsidiary tax rate differential	**4,387**	1,594
Impact of change in tax rates	**1,064**	369
Recognition of previously unrecognized benefit of tax losses	**—**	(4,356)
Adjustments to income tax estimates	**161**	9,043
Non-taxable accounting gain on hotel disposition	**—**	(39,559)
Other	**1,482**	1,770
Income tax expense	**$61,513**	$58,837

(b) Major Components of Deferred Income Tax Liabilities and Movements

As at	December 31, 2024	Net income (loss)	Recognized in OCI	Equity and other	December 31, 2025
Real estate properties	**$914,793**	**$60,578**	**($18,798)**	**$—**	**$956,573**
Investments	**820**	**(3,130)**	**—**	**6,692**	**4,382**
Pension assets	**24,557**	**992**	**2,790**	**—**	**28,339**
Other	**(35,867)**	**(3,402)**	**67**	**—**	**(39,202)**
Total net deferred tax liabilities	**$904,303**	**$55,038**	**($15,941)**	**$6,692**	**$950,092**

As at	December 31, 2023	Net income (loss)	Recognized in OCI	Equity and other	December 31, 2024
Real estate properties	$848,370	$35,428	$30,995	$—	$914,793
Investments	(1,162)	(1,752)	—	3,734	820
Pension assets	23,142	(337)	1,752	—	24,557
Other	(34,869)	(580)	(418)	—	(35,867)
Total net deferred tax liabilities	$835,481	$32,759	$32,329	$3,734	$904,303

(c) Recognized Deductible Temporary Differences

As at December 31, 2025, the Company's U.S. subsidiaries have total net operating losses of approximately US$81,606 (2024 - US$22,731) of which deferred income tax assets were recognized as it is probable that taxable income will be available against such losses and can be carried forward indefinitely. Included in the net operating losses is the Company's portion of net operating losses of a subsidiary where the Company owns a 51% effective interest in a limited partnership of US$10,171 (2024 - US$8,747).

As at December 31, 2025, the Company's U.S. subsidiaries have a total of US$127,116 (2024 - US$109,331) of unutilized interest expense deductions of which deferred income tax assets were recognized and can be carried forward indefinitely.

As at December 31, 2025, the Company's Canadian subsidiaries have a total of $17,196 (2024 - $1,245) of unutilized interest expense deductions of which deferred income tax assets were not recognized and can be carried forward indefinitely.

(d) EIFEL Rules

The Canadian excessive interest and financing expenses limitation rules ("EIFEL Rules"), applicable to taxation years beginning on or after January 1, 2024, limit the amount of net interest and financing expenses that a corporation may deduct in computing taxable income. For the year ended December 31, 2025, the limitation on the deductibility of interest expense increased the Company's current income tax expense by $4,238 (2024 – $180).

NOTE 24
NET INCOME PER COMMON SHARE

For the years ended December 31	2025	2024
Net income attributable to common shareholders	**$174,870**	$261,799
Weighted average number of common shares outstanding (000s) - basic and diluted	**10,700**	10,806
Net income per common share - basic and diluted	**$16.34**	$24.23

NOTE 25
CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Items Not Affecting Cash

For the years ended December 31	2025	2024
Fair value loss (gain) on real estate properties, net	**($1,063)**	$17,849
Fair value gain on conversion option of MRG convertible debentures (Note 20)	**(650)**	(770)
Fair value loss on MRG units (Note 14)	**7,943**	66,433
Fair value loss on other real estate investment funds (Note 20)	**3,854**	3,696
Fair value loss (gain) on investment in marketable securities (Note 20)	**(4,320)**	12,565
Equity loss (income) from investments	**(966)**	717
Amortization of hotel properties and other	**6,861**	11,013
Amortization of deferred financing costs (Note 19)	**9,428**	8,409
Amortization of mark-to-market adjustments on mortgages, net (Note 19)	**1,005**	272
Amortization of tenant incentives	**3,791**	2,296
Stepped rent - adjustment for straight-line method	**(897)**	3,451
Deferred income taxes	**55,038**	32,759
Accretion of convertible debentures	**1,857**	1,758
Gain on sale of hotel properties (Note 5)	**—**	(150,587)
Share-based payments (Note 17(d))	**742**	—
	$82,623	$9,861

(b) Net Change in Operating Assets and Liabilities

For the years ended December 31	2025	2024
Amounts receivable	**($4,383)**	$8,987
Prepaid expenses and other	**(8,808)**	2,027
Accounts payable and accrued liabilities	**(19,614)**	3,315
Net change in operating assets and liabilities	**($32,805)**	$14,329

(c) Supplemental Cash Flow Information

For the years ended December 31	2025	2024
Interest paid	**$237,402**	$245,227
Interest received	**8,408**	7,034
Income taxes paid	**30,470**	9,415

During the year ended December 31, 2025, the Company issued non-cash dividends under the distribution reinvestment plan of $39 (2024 - $27).

(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	Construction financing payable	Loans payable	Bank indebtedness	Total
Balance, beginning of year	**$4,761,081**	**$173,611**	**$143,003**	**$171,463**	**$—**	**$20,000**	**$168,079**	**$5,437,237**
Repayments	**(112,983)**	**—**	**—**	**(1,984)**	**—**	**(20,000)**	**(303,245)**	**(438,212)**
New financing, net	**696,315**	**246,592**	**—**	**—**	**22,754**	**—**	**223,139**	**1,188,800**
Lump-sum repayments	**(654,663)**	**—**	**—**	**—**	**—**	**—**	**—**	**(654,663)**
Non-cash changes	**8,059**	**1,045**	**2,536**	**958**	**—**	**—**	**—**	**12,598**
Foreign exchange	**(87,898)**	**—**	**—**	**(839)**	**—**	**—**	**—**	**(88,737)**
Balance, December 31, 2025	**$4,609,911**	**$421,248**	**$145,539**	**$169,598**	**$22,754**	**$—**	**$87,973**	**$5,457,023**

NOTE 26

EMPLOYEE FUTURE BENEFITS

The Company maintains a non-contributory defined benefit pension plan covering certain employees under the Morguard Corporation Employee Retirement Plan (the “Morguard Plan”). This plan provides benefits based on length of service and final average earnings. There is only one active member since the majority of members were employed in the Company’s industrial products distribution business, which was sold in 1996. The pension obligations and related assets for the former employees remain part of the Company’s defined benefit pension plan. The most recent actuarial valuation for the Morguard Plan was as at December 31, 2022.

Effective January 1, 2008, the Morguard Plan was amended and restated in its entirety to consist of the existing defined benefit provisions and new defined contribution provisions. Employees who accrued benefits under the Morguard Plan on December 31, 2007 will continue to participate in the defined benefit provisions of the Morguard Plan on and after January 1, 2008, and are not eligible to participate in the new defined contribution provisions. New employees of the Company participate under the defined contribution provisions effective January 1, 2008.

Morguard Investments Limited Employees’ Retirement Plan (the “MIL Plan”) was a defined benefit plan that provided benefits based on years of service, years of contributions and annual earnings. Effective January 1, 2008, all members of the MIL Plan ceased to accrue future benefits under the MIL Plan and commenced participation under the new defined contribution provisions of the Morguard Plan. With respect to MIL Plan members, no assets or liabilities transferred from the MIL Plan to the new Morguard Plan with respect to benefits accrued to December 31, 2007. Accrued benefits under the MIL Plan was determined using credited service and benefit entitlement as at December 31, 2007.

Membership is a requirement after a defined term of employment and age. Funding of the MIL Plan was provided by contributions from Morguard Investments Limited (“MIL”). Certain employees who commenced employment prior to January 1, 1997 elected to contribute to the MIL Plan and receive a higher benefit. The most recent actuarial valuation for the MIL Plan was as at December 31, 2022.

During 2024, the MIL Plan merged with the Morguard Plan, which resulted in a net asset transfer from the MIL Plan to the Morguard Plan. The asset transfer of the MIL Plan was completed on July 1, 2024, and treated as a “plan combination”. The defined benefit obligation of the MIL Plan was determined as of June 30, 2024, using actuarial assumptions appropriate on that date, and then transferred to the Morguard Plan along with the MIL Plan assets. Members of the Morguard Plan and the MIL Plan will continue to receive the full value of pension benefits accrued prior to the merger. During the year ended December 31, 2024, the Company recorded a gain of $1,260 to OCI as a result of the merger.

The significant actuarial assumptions adopted in measuring the Company's defined benefit pension plan for the years ended December 31, 2025, and 2024, are as follows:

For the years ended December 31	2025	2024
Assumptions for defined benefit pension obligation		
Discount rate	**4.80%**	4.60%
Rate of price inflation	**2.00%**	1.80%
Rate of pension increases - pre-retirement	**1.10%**	1.30%
Rate of pension increases - post-retirement	**1.10%**	1.30%
Assumptions for defined benefit expense		
Discount rate	**4.60%**	4.65%
Rate of price inflation	**1.80%**	1.60%
Rate of pension increases - pre-retirement	**1.30%**	1.30%
Rate of pension increases - post-retirement	**1.30%**	1.30%

Information about the Company's defined benefit pension plans as at December 31, 2025, and 2024, is as follows:

As at December 31	2025			2024
	Morguard	Morguard	MIL	Total
Accrued benefit obligations				
Balance, beginning of year	**($61,818)**	($32,926)	($30,476)	($63,402)
Current service cost	**(3)**	(3)	—	(3)
Interest cost	**(2,729)**	(2,142)	(688)	(2,830)
Benefits paid	**5,061**	4,072	963	5,035
Changes in:				
Financial assumptions	**1,592**	(1,404)	1,138	(266)
Experience adjustments	**(591)**	(352)	—	(352)
Increase (decrease) due to plan combinations	**—**	(29,063)	29,063	—
Balance, end of year	**($58,488)**	($61,818)	$—	($61,818)
Plan assets				
Fair value, beginning of year	**$142,342**	$103,828	$36,766	$140,594
Expected return on plan assets	**6,361**	5,517	832	6,349
Administration expenses	**(385)**	(434)	(140)	(574)
Return on plan assets	**9,226**	4,055	(572)	3,483
Employer contributions	**(2,584)**	(2,475)	—	(2,475)
Benefits paid	**(5,061)**	(4,072)	(963)	(5,035)
Increase (decrease) due to plan combinations	**—**	35,923	(35,923)	—
Balance, end of year	**$149,899**	$142,342	$—	$142,342
Net assets	**$91,411**	$80,524	$—	$80,524

In 2025, the Morguard Plan contributed $2,584 to the defined contribution plan (2024 - $2,475).

Details of the defined benefit income recorded in the consolidated statements of comprehensive income for the years ended December 31, 2025, and 2024, are provided below:

For the years ended December 31	2025			2024
	Morguard	Morguard	MIL	Total
Components of defined benefit cost				
Current service cost	**($3)**	($3)	$—	($3)
Interest cost	**(2,729)**	(2,142)	(688)	(2,830)
Expected return on plan assets	**6,361**	5,517	832	6,349
Administrative expenses and taxes	**(550)**	(440)	(110)	(550)
Interest expense on effect of asset ceiling	**—**	—	(12)	(12)
Net benefit plan income	**$3,079**	$2,932	$22	$2,954

Details of the defined benefit pension plan recorded in the consolidated statements of comprehensive income for the years ended December 31, 2025, and 2024, are provided below:

For the years ended December 31	2025			2024
	Morguard	Morguard	MIL	Total
Changes in:				
Financial assumptions	**$1,592**	($1,404)	$1,138	($266)
Experience adjustments	**(591)**	(352)	—	(352)
Return on plan assets	**9,391**	4,061	(602)	3,459
Change in asset ceiling (before interest income)	**—**	—	506	506
Net actuarial gain on defined benefit pension plans	**$10,392**	$2,305	$1,042	$3,347

Reconciliation of net accrued pension assets for the years ended December 31, 2025, and 2024, is as follows:

For the years ended December 31	2025			2024
	Morguard	Morguard	MIL	Total
Net defined benefit asset, beginning of year	**$80,524**	$70,902	$5,796	$76,698
Net benefit plan income	**3,079**	2,932	22	2,954
Net actuarial gain	**10,392**	2,305	1,042	3,347
Amounts recognized due to plan combinations	**—**	6,860	(6,860)	—
Employer contribution	**(2,584)**	(2,475)	—	(2,475)
Net defined benefit asset, end of year	**$91,411**	$80,524	$—	$80,524

Details of the defined benefit obligation by participant status as at December 31, 2025, and 2024, are as follows:

As at December 31	2025	2024
Actives, suspended and long-term disability	**$12,683**	$12,552
Vested deferred	**4,838**	4,684
Retirees	**40,967**	44,582
Total	**$58,488**	$61,818

The pension fund is held in trust and is invested in accordance with an adopted statement of investment policy and procedures. The fair value of the plan's investments is as follows:

As at December 31	2025	2024
Cash and cash equivalents	**$6,208**	$5,540
Fixed-income securities	**30,104**	30,303
Foreign equities	**5,930**	8,604
Canadian equities	**89,296**	79,255
Canadian pooled funds	**18,361**	18,640
Total investments	**$149,899**	$142,342

The following is a quantitative sensitivity analysis of the impact on the accrued pension benefits obligation as a result of the following changes in the significant pension assumptions:

Year ended December 31, 2025	Increase (Decrease) in Pension Benefit Obligation Total
Discount rate	
Discount rate -100 basis points	**$5,241**
Discount rate +100 basis points	**(4,466)**
Pension increase rate	
Pension increase rate -50 basis points	**(1,405)**
Pension increase rate +50 basis points	**1,514**
Mortality	
Mortality - life expectancy for member age 65 -1 year	**(2,742)**
Mortality - life expectancy for member age 65 +1 year	**2,688**

The following are the expected benefit payments to be made in the next 10 years from the defined benefit plan obligations:

As at December 31, 2025	Total
Year 1	**$5,012**
Year 2	**4,896**
Year 3	**4,892**
Year 4	**4,793**
Year 5	**4,700**
Next 5 years	**21,448**

NOTE 27
CONTINGENCIES
(a) Commitments

Future minimum annual rental payments for land leases, office premises and equipment operating leases that expire at various dates ending in 2113 are payable over the next five years and thereafter as follows:

2026	**$12,923**
2027	**12,884**
2028	**12,507**
2029 (includes purchase option)	**21,107**
2030	**10,878**
Thereafter	**321,760**

The Company is a lessee under six ground leases that expire at various dates, the latest of which is 2113. Annual rental expenses for each of the ground leases are as follows:

Ground Lease #1	Annual Rental Expense
From July 1, 2010 to June 30, 2030	$8,760
From July 1, 2030 to June 30, 2050	Fair market value of land at June 2030 multiplied by 6%
From July 1, 2050 to June 30, 2060	Fair market value of land at June 2050 multiplied by 6%

Ground Lease #2	Annual Rental Expense
From March 1, 2021 to February 28, 2031	$1,105
From March 1, 2031 to February 28, 2041	Fair market value of land at February 2031 multiplied by 8.5%
From March 1, 2041 to February 28, 2051	Fair market value of land at February 2041 multiplied by 8.5%
From March 1, 2051 to February 28, 2061	Fair market value of land at February 2051 multiplied by 8.5%
From March 1, 2061 to February 28, 2065	Fair market value of land at February 2061 multiplied by 8.5%

Ground Lease #3	Annual Rental Expense
From October 1, 2025 to September 30, 2029	US$396

The Company assumed a land lease in connection with a property located in Falls Church, Virginia, that expires in 2113. The Company has the option to purchase the land pertaining to Ground Lease #3 in September 2029 for US$7,150.

Ground Lease #4	Annual Rental Expense
From September 1, 2025 to August 31, 2026	US$411
Every year thereafter to September 1, 2061	Consumer Price Index Adjustment

The Company has two other ground leases that expire between October 1, 2058 and July 21, 2069. The Company is required to pay an annual base rent totalling $214.

The Company has entered into various leasing agreements and contracts for the development of properties. As at December 31, 2025, committed leasing costs, capital and development expenditures are estimated to be $217,943.

(b) Contingencies

As at December 31, 2025, the Company has issued irrevocable letters of credit relating to normal course development activity amounting to $8,464 (2024 - $8,538).

In addition, 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 consolidated financial position or consolidated 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.

(c) Franchise Agreements

Under the terms of the franchise agreements expiring through August 31, 2038, annual payments for franchise fees are payable for one hotel property owned by the Company. The franchise fees paid are based on a percentage of revenue and fixed annual fees.

NOTE 28

MANAGEMENT OF CAPITAL

The Company defines capital that it manages as the aggregate of its shareholders' equity, mortgages payable, construction financing payable, Unsecured Debentures, convertible debentures, loans payable, bank indebtedness and lease liabilities. The Company's objective when managing capital is to ensure that the Company will continue as a going concern so that it can sustain daily operations and provide adequate returns to its shareholders.

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

The total managed capital for the Company as at December 31, 2025, and 2024, is summarized below:

As at December 31	2025	2024
Mortgages payable, principal balance	**$4,640,991**	$4,791,513
Unsecured Debentures, principal balance	**425,000**	175,000
Convertible debentures, principal balance	**150,000**	150,000
Construction financing payable	**22,754**	—
Loans payable	**—**	20,000
Bank indebtedness	**87,973**	168,079
Lease liabilities	**169,598**	171,463
Shareholders' equity	**4,385,453**	4,292,423
	$9,881,769	$9,768,478

The Company monitors its capital structure primarily 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 29

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial assets and financial liabilities comprise cash, restricted cash, amounts receivable, mortgages and loans receivable, accounts payable and accrued liabilities, bank indebtedness, mortgages payable, construction financing payable, loans payable, lease liabilities, Unsecured Debentures and convertible debentures (excluding any conversion option). Fair values of financial assets and financial liabilities and a discussion of risks associated with financial assets and liabilities are presented as follows:

Fair Value of Financial Assets and Financial Liabilities

The fair values of cash, restricted cash, amounts receivable, accounts payable and accrued liabilities, bank indebtedness and construction financing payable 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 Company's construction financing payable and 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 December 31, 2025 market rates for debt of similar terms (Level 2). Based on these assumptions, the fair value as at December 31, 2025 of mortgages payable before deferred financing costs and mark-to-market adjustments is estimated at $4,578,285 (2024 - $4,656,335), compared to the carrying value of $4,640,991 (2024 - $4,791,513). 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 December 31, 2025, the fair value of the Unsecured Debentures has been estimated at $437,294 (2024 - $186,555), compared to the carrying value of $425,000 (2024 - $175,000).

The fair value of the convertible debentures liability is based on their market trading prices (Level 1). As at December 31, 2025, the fair value of the convertible debentures before deferred financing costs has been estimated at $153,260 (2024 - $152,244), compared to the carrying value of $150,000 (2024 - $150,000).

The fair value of the finance lease receivable is determined by discounting the cash flows of the finance lease receivable using December 31, 2025 market rates for debt of similar terms (Level 3). Based on these assumptions, as at December 31, 2025, the fair value of the finance lease receivable has been estimated at $59,811 (2024 - $59,355).

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

	December 31, 2025			December 31, 2024		
As at	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$11,093,084**	$—	$—	$11,048,485
Investments in marketable securities	**91,419**	**—**	**—**	88,187	—	—
Investments in real estate funds	**—**	**—**	**42,550**	—	—	56,032
Financial liabilities:						
Morguard Residential REIT units	**—**	**419,105**	**—**	—	434,721	—
Conversion option on MRG convertible debentures	**—**	**711**	**—**	—	1,361	—
Derivative liabilities	**—**	**2,005**	**—**	—	2,389	—

Risks Associated with Financial Assets and Financial Liabilities

The Company is exposed to financial risks arising from its financial assets and financial liabilities. The financial risks include market risk relating to interest rates and foreign exchange rates, credit risk and liquidity risk. The Company's overall risk management program focuses on establishing policies to identify and analyze the risks faced by the Company, set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company aims to develop a disciplined control environment in which all employees understand their roles and obligations.

(a) Market Risk

The risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate due to movements in market prices includes the effect of interest rate risk and foreign exchange risk.

Interest Rate Risk

The Company is subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be refinanced on terms as favourable as those of the existing indebtedness. Interest on the Company's bank indebtedness and certain mortgages and construction financing payables are subject to floating interest rates. For the year ended December 31, 2025, the increase or decrease in annual net income for each 1% change in interest rates on floating-rate debt would amount to $4,194.

The Company's objective in managing interest rate risk is to minimize the volatility of the Company's income. As at December 31, 2025, interest rate risk is minimized because the majority of long-term debt is financed at fixed interest rates with maturities scheduled over a number of years. Mortgages and construction financing payables totalling $319,784 are subject to floating interest rates.

Foreign Exchange Risk

The Company is exposed to foreign exchange risk as it relates to its U.S. investments due to fluctuations in the exchange rate between the Canadian and United States dollar. Changes in the exchange rate may result in a reduction or an increase of reported earnings and OCI. For the year ended December 31, 2025, a $0.05 change in the United States to Canadian dollar exchange rate would result in a $1,397 change to net income or loss and a $79,094 change to comprehensive income or loss.

The Company's objective in managing foreign exchange risk is to mitigate the exposure to fluctuations in the exchange rate by maintaining U.S. dollar-denominated debt against its U.S. assets. The Company currently does not hedge translation exposures.

(b) Credit Risk

Credit risk arises from the possibility that tenants and/or debtors may experience financial difficulty and be unable or unwilling to fulfill their lease commitments. The Company mitigates the risk of loss by investing in well-located properties in urban markets that attract quality tenants, ensuring that its tenant mix is diversified and limiting its exposure to any one tenant. A tenant's success over the term of its lease and its ability to fulfill its obligations are subject to many factors. There can be no assurance that a tenant will be able to fulfill all of its existing commitments and leases up to the expiry date.

The Company's commercial leases typically have lease terms of between five and 10 years and may include clauses to enable periodic upward revision of the rental rates and contractual extensions at the option of the lessee.

Future minimum rentals under non-cancellable tenant operating leases are as follows:

As at December 31	2025	2024
No later than one year	**$247,166**	$264,268
Later than one year and no longer than five years	**647,720**	657,945
Later than five years	**331,447**	326,783
	$1,226,333	$1,248,996

The majority of the Company's multi-suite residential operating leases have lease terms for a period of 12 months or less.

The objective in managing credit risk is to mitigate exposure through the use of approved credit policies governing the Company's credit practices that limit transactions according to counterparties' credit quality.

The Company utilizes the simplified approach to measure expected credit losses under IFRS 9, which requires the Company to recognize a lifetime expected credit loss allowance on all receivables at each reporting date. The carrying amount of amounts receivable is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statements of income within property operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of income.

The following table sets forth details of trade receivables and the related allowance for doubtful accounts:

As at December 31	**2025**	2024
Tenant receivables	**$25,763**	$24,330
Less: allowance for doubtful accounts	**(6,742)**	(7,312)
Trade receivables, net	**$19,021**	$17,018

(c) Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations. The Company will be subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be able to be refinanced. The Company's objectives in minimizing liquidity risk are to maintain appropriate levels of leverage on its real estate assets and to stagger the debt maturity profile. As at December 31, 2025, the Company holds cash of $184,618 and has undrawn lines of credit available in the amount of $347,264.

NOTE 30

SEGMENTED INFORMATION

(a) Operating Segments

The Company has the following four reportable segments after aggregation: (i) multi-suite residential, (ii) retail, (iii) office and (iv) hotel. The office segment includes industrial properties comprising approximately 12% of the segment's total assets. 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 year ended December 31, 2025	Multi-suite Residential	Retail	Office	Hotel	Total
Revenue from real estate/hotel properties	**$533,005**	**$258,012**	**$241,990**	**$31,430**	**$1,064,437**
Property/hotel operating expenses	**(231,501)**	**(123,971)**	**(125,476)**	**(21,878)**	**(502,826)**
Net operating income	**$301,504**	**$134,041**	**$116,514**	**$9,552**	**$561,611**

For the year ended December 31, 2024	Multi-suite Residential	Retail	Office	Hotel	Total
Revenue from real estate/hotel properties	$514,783	$259,833	$258,186	$35,242	$1,068,044
Property/hotel operating expenses	(229,087)	(124,870)	(121,186)	(25,998)	(501,141)
Net operating income	$285,696	$134,963	$137,000	$9,244	$566,903

	Multi-suite Residential	Retail	Office	Hotel	Total
As at December 31, 2025					
Real estate/hotel properties	**$6,851,410**	**$2,261,527**	**$1,980,147**	**$85,864**	**$11,178,948**
Mortgages payable	**$2,798,592**	**$839,936**	**$920,072**	**$51,311**	**$4,609,911**
For the year ended December 31, 2025					
Additions to real estate/hotel properties	**$166,014**	**$35,544**	**$45,530**	**$2,382**	**$249,470**
Fair value gain (loss) on real estate properties	**$95,731**	**($16,835)**	**($77,833)**	**$—**	**$1,063**

	Multi-suite Residential	Retail	Office	Hotel	Total
As at December 31, 2024					
Real estate/hotel properties	$6,771,139	$2,263,763	$2,013,583	$85,999	$11,134,484
Mortgages payable	$2,867,205	$872,513	$975,084	$46,279	$4,761,081
For the year ended December 31, 2024					
Additions to real estate/hotel properties	$101,828	$33,519	$139,000	$2,039	$276,386
Fair value gain (loss) on real estate properties	$111,298	($11,210)	($117,937)	$—	($17,849)

(b) Regional Segments

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

As at December 31	2025	2024
Real estate and hotel properties		
Canada	**$7,127,191**	$6,877,422
United States	**4,051,757**	4,257,062
	$11,178,948	$11,134,484

For the years ended December 31	2025	2024
Revenue from real estate and hotel properties		
Canada	**$668,088**	$687,099
United States	**396,349**	380,945
	$1,064,437	$1,068,044

NOTE 31

COMPARATIVE AMOUNTS

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

NOTE 32

SUBSEQUENT EVENT

The Company entered into agreements for the CMHC-insured refinancing of four Canadian multi-suite residential properties, providing gross proceeds of up to $252,395 for a weighted average term of 10.8 years. The maturing mortgages amount to $118,683 and have a weighted average interest rate of 2.92%. The Company expects to close the refinancings during the first and second quarters of 2026.