Morguard

Real Estate Potential. Realized.

MORGUARD CORPORATION

MARCH 31, 2023

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	March 31, 2023	December 31, 2022
ASSETS			
Non-current assets			
Real estate properties	4	**$10,713,336**	$10,551,074
Hotel properties	5	**334,497**	337,239
Equity-accounted and other fund investments	6	**117,229**	120,347
Other assets	7	**352,421**	357,466
		11,517,483	11,366,126
Current assets			
Amounts receivable	8	**71,743**	80,159
Prepaid expenses and other		**84,226**	147,159
Cash		**120,538**	111,808
		276,507	339,126
		$11,793,990	$11,705,252
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable	9	**$3,814,282**	$3,876,135
Debentures payable	10	**365,344**	541,283
Lease liabilities	12	**170,504**	170,934
Morguard Residential REIT units	11	**485,228**	454,425
Deferred income tax liabilities		**851,363**	821,443
		5,686,721	5,864,220
Current liabilities			
Mortgages payable	9	**799,120**	766,016
Debentures payable	10	**399,453**	254,954
Loans payable	20	**32,066**	5,000
Accounts payable and accrued liabilities	13	**279,705**	245,285
Bank indebtedness	14	**258,378**	184,306
		1,768,722	1,455,561
Total liabilities		**7,455,443**	7,319,781
EQUITY			
Shareholders' equity		**3,840,385**	3,865,254
Non-controlling interest		**498,162**	520,217
Total equity		**4,338,547**	4,385,471
		$11,793,990	$11,705,252

Contingencies 24

See accompanying notes to the condensed consolidated financial statements.

On behalf of the Board:

(Signed) "K. Rai Sahi"

K. Rai Sahi,
Director

(Signed) "Bruce K. Robertson"

Bruce K. Robertson,
Director

STATEMENTS OF INCOME (LOSS)

In thousands of Canadian dollars, except per common share amounts

For the three months ended March 31	Note	2023	2022
Revenue from real estate properties	16	**$246,372**	$222,593
Revenue from hotel properties	16	**31,159**	28,051
Property operating expenses			
Property operating costs		**(58,513)**	(54,841)
Utilities		**(19,494)**	(16,998)
Realty taxes		**(78,822)**	(70,911)
Hotel operating expenses		**(25,583)**	(27,803)
Net operating income		**95,119**	80,091
OTHER REVENUE			
Management and advisory fees	16	**10,150**	10,262
Interest and other income		**5,096**	4,031
		15,246	14,293
EXPENSES			
Interest	17	**62,727**	54,884
Property management and corporate	15(c)	**21,906**	20,514
Amortization of hotel properties and other		**7,510**	6,745
		92,143	82,143
OTHER INCOME (EXPENSE)			
Fair value gain (loss), net	18	**(24,191)**	280,012
Equity income from investments	6	**1,171**	802
Other income (expense)	19	**(841)**	2,106
		(23,861)	282,920
Income (loss) before income taxes		**(5,639)**	295,161
Provision for income taxes	21		
Current		**29**	551
Deferred		**25,682**	62,899
		25,711	63,450
Net income (loss) for the period		**($31,350)**	$231,711
Net income (loss) attributable to:			
Common shareholders		**($34,690)**	$206,269
Non-controlling interest		**3,340**	25,442
		($31,350)	$231,711
Net income (loss) per common share attributable to:			
Common shareholders - basic and diluted	22	**($3.15)**	$18.58

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

In thousands of Canadian dollars

For the three months ended March 31	2023	2022
Net income (loss) for the period	**($31,350)**	$231,711
OTHER COMPREHENSIVE LOSS		
Items that may be reclassified subsequently to net income (loss):		
Unrealized foreign currency translation loss	**(1,730)**	(30,483)
Deferred income tax recovery	**283**	4,325
	(1,447)	(26,158)
Items that will not be reclassified subsequently to net income (loss):		
Actuarial gain on defined benefit pension plans	**1,743**	3,883
Deferred income tax provision	**(465)**	(1,029)
	1,278	2,854
Other comprehensive loss	**(169)**	(23,304)
Total comprehensive income (loss) for the period	**($31,519)**	$208,407
Total comprehensive income (loss) attributable to:		
Common shareholders	**($34,788)**	$184,118
Non-controlling interest	**3,269**	24,289
	($31,519)	$208,407

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Canadian dollars

	Note	Retained Earnings	Accumulated Other Comprehensive Income	Share Capital	Total Shareholders' Equity	Non-controlling Interest	Total
Shareholders' equity, January 1, 2022		$3,351,294	$179,953	$100,929	$3,632,176	$541,571	$4,173,747
Changes during the period:							
Net income		206,269	—	—	206,269	25,442	231,711
Other comprehensive loss		—	(22,151)	—	(22,151)	(1,153)	(23,304)
Dividends		(1,665)	—	—	(1,665)	—	(1,665)
Distributions		—	—	—	—	(2,671)	(2,671)
Issuance of common shares		—	—	7	7	—	7
Shareholders' equity, March 31, 2022		$3,555,898	$157,802	$100,936	$3,814,636	$563,189	$4,377,825
Changes during the period:							
Net loss		(83,498)	—	—	(83,498)	(35,961)	(119,459)
Other comprehensive income		—	142,538	—	142,538	7,323	149,861
Dividends		(4,983)	—	—	(4,983)	—	(4,983)
Distributions		—	—	—	—	(5,799)	(5,799)
Issuance of common shares		—	—	20	20	—	20
Repurchase of common shares		(7,761)	—	(717)	(8,478)	—	(8,478)
Change in ownership of Morguard REIT		6,000	—	—	6,000	(8,535)	(2,535)
Tax impact of increase in subsidiary ownership interest		(981)	—	—	(981)	—	(981)
Shareholders' equity, December 31, 2022		$3,464,675	$300,340	$100,239	$3,865,254	$520,217	$4,385,471
Changes during the period:							
Net income (loss)		**(34,690)**	**—**	**—**	**(34,690)**	**3,340**	**(31,350)**
Other comprehensive loss		**—**	**(98)**	**—**	**(98)**	**(71)**	**(169)**
Dividends	15(a)	**(1,653)**	**—**	**—**	**(1,653)**	**—**	**(1,653)**
Distributions		**—**	**—**	**—**	**—**	**(1,784)**	**(1,784)**
Issuance of common shares	15(a)	**—**	**—**	**7**	**7**	**—**	**7**
Change in ownership of Morguard REIT	15(b)	**15,621**	**—**	**—**	**15,621**	**(23,540)**	**(7,919)**
Tax impact of increase in subsidiary ownership interest		**(4,056)**	**—**	**—**	**(4,056)**	**—**	**(4,056)**
Shareholders' equity, March 31, 2023		**$3,439,897**	**$300,242**	**$100,246**	**$3,840,385**	**$498,162**	**$4,338,547**

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

For the three months ended March 31	Note	2023	2022
OPERATING ACTIVITIES			
Net income (loss) for the period		**($31,350)**	$231,711
Add (deduct) items not affecting cash	23(a)	**94,953**	(176,731)
Distributions from equity-accounted and other fund investments	6	**731**	2,191
Additions to tenant incentives and leasing commissions	4	**(1,731)**	(1,816)
Net change in operating assets and liabilities	23(b)	**(15,531)**	(45,892)
Cash provided by operating activities		**47,072**	9,463
INVESTING ACTIVITIES			
Additions to real estate properties and tenant improvements	4	**(126,398)**	(11,427)
Additions to hotel properties	5	**(1,531)**	(689)
Additions to capital and intangible assets		**(515)**	(232)
Investment in properties under development	4	**(6,875)**	(2,184)
Proceeds from the sale of real estate properties, net	4	**1,549**	—
Proceeds from the sale of hotel properties, net		**—**	18,023
Decrease (increase) in mortgages and loans receivable		**(185)**	166
Investment in marketable securities		**(8,194)**	—
Investment in equity-accounted and other fund investments, net	6	**(6,317)**	(311)
Cash provided by (used in) investing activities		**(148,466)**	3,346
FINANCING ACTIVITIES			
Proceeds from new mortgages		**85,360**	95,701
Financing costs on new mortgages		**(290)**	(296)
Repayment of mortgages			
Principal instalment repayments		**(30,360)**	(33,380)
Repayments on maturity		**(82,860)**	(66,237)
Repayments due to mortgage extinguishments		**—**	(13,134)
Principal payment of lease liabilities		**(410)**	(376)
Proceeds from bank indebtedness		**131,712**	6,251
Repayment of bank indebtedness		**(57,613)**	(4,383)
Proceeds from issuance of debentures payable, net of costs	10(b)	**48,590**	—
Redemption of debentures payable	10(b)	**(80,500)**	—
Proceeds from loans payable, net		**27,357**	—
Dividends paid		**(1,646)**	(1,658)
Distributions to non-controlling interest, net		**(1,326)**	(2,548)
Morguard Residential REIT units repurchased for cancellation		**(3,478)**	—
Investment in subsidiaries	15(b)	**(7,919)**	—
Decrease in restricted cash		**83,450**	904
Cash provided by (used in) financing activities		**110,067**	(19,156)
Net increase (decrease) in cash during the period		**8,673**	(6,347)
Net effect of foreign currency translation on cash balance		**57**	(1,773)
Cash, beginning of period		**111,808**	173,656
Cash, end of period		**$120,538**	$165,536

See accompanying notes to the condensed consolidated financial statements.

NOTES

For the three months ended March 31, 2023 and 2022

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 SIGNIFICANT ACCOUNTING POLICIES

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

The condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on May 2, 2023.

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

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

	2023	2022
Canadian dollar to United States dollar exchange rates:		
- As at March 31	**$0.7389**	$0.8003
- As at December 31	—	0.7383
- Average for the three months ended March 31	**0.7394**	0.7898
United States dollar to Canadian dollar exchange rates:		
- As at March 31	**1.3533**	1.2496
- As at December 31	—	1.3544
- Average for the three months ended March 31	**1.3525**	1.2662

NOTE 3

SUBSIDIARIES WITH NON-CONTROLLING INTEREST

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

As at March 31, 2023, the Company owned a 44.8% (December 31, 2022 - 44.7%) effective interest in Morguard Residential REIT through its ownership of 7,944,166 units and 17,223,090 Class B LP units. The Company continues to consolidate its investment in Morguard Residential REIT on the basis of *de facto* control in accordance with IFRS 10, Consolidated Financial Statements ("IFRS 10"). Refer to the Company's most recent annual audited consolidated financial statements for the factors that continue to support the conclusion that the Company has *de facto* control of Morguard Residential REIT.

During the three months ended March 31, 2023, Morguard Residential REIT recorded distributions of $7,036, or $0.18 per unit (2022 - $6,834, or $0.1749 per unit), of which $1,430 was paid to the Company (2022 - $1,389) and $5,606 was paid to the remaining unitholders (2022 - $5,445). In addition, during the three months ended March 31, 2023, Morguard Residential REIT paid distributions to the Company on the Class B LP units of $3,100 (2022 - $3,012).

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

As at March 31, 2023, the Company owned 40,980,641 units (December 31, 2022 - 39,541,641 units) of Morguard REIT, which represents a 63.8% (December 31, 2022 - 61.6%) ownership interest.

During the three months ended March 31, 2023, Morguard REIT recorded distributions of $3,849, or $0.06 per unit (2022 - $3,846, or $0.06 per unit), of which $2,409 (2022 - $2,342) was paid to the Company and $1,440 was paid to the remaining unitholders (2022 - $1,504).

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

As at	March 31, 2023		December 31, 2022	
	MRT	MRG	MRT	MRG
Non-current assets	**$2,336,764**	**$4,055,434**	$2,348,116	$3,732,315
Current assets	**33,752**	**50,364**	26,566	202,102
Total assets	**$2,370,516**	**$4,105,798**	$2,374,682	$3,934,417
Non-current liabilities	**$864,613**	**$1,969,846**	$905,863	$1,805,364
Current liabilities	**466,377**	**257,991**	420,711	273,664
Total liabilities	**$1,330,990**	**$2,227,837**	$1,326,574	$2,079,028
Equity	**$1,039,526**	**$1,877,961**	$1,048,108	$1,855,389
Non-controlling interest	**$380,003**	**$1,036,259**	$406,475	$1,026,587

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

For the three months ended March 31	2023		2022	
	MRT	MRG	MRT	MRG
Revenue	**$64,816**	**$79,648**	$61,326	$65,257
Expenses	**(48,068)**	**(91,419)**	(45,784)	(108,120)
Fair value gain (loss) on real estate properties, net	**(21,541)**	**66,688**	24,965	246,729
Fair value loss on Class B LP units	**—**	**(20,668)**	—	(32,724)
Net income (loss) for the period	**($4,793)**	**$34,249**	$40,507	$171,142
Non-controlling interest	**($1,552)**	**$18,899**	$15,890	$94,642

For the three months ended March 31	2023		2022	
	MRT	MRG	MRT	MRG
Cash provided by operating activities	**$16,570**	**$17,897**	$14,307	$12,525
Cash used in investing activities	**(9,683)**	**(169,680)**	(3,772)	(3,879)
Cash provided by (used in) financing activities	**(7,127)**	**160,746**	(10,355)	(3,813)
Net increase (decrease) in cash during the period	**($240)**	**$8,963**	$180	$4,833

NOTE 4
REAL ESTATE PROPERTIES

Real estate properties consist of the following:

As at	March 31, 2023	December 31, 2022
Income producing properties	**$10,575,398**	$10,418,017
Properties under development	**25,535**	21,604
Land held for development	**112,403**	111,453
	$10,713,336	$10,551,074

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

	Income Producing Properties	Properties Under Development	Land Held for Development	Total
Balance as at December 31, 2022	**$10,418,017**	**$21,604**	**$111,453**	**$10,551,074**
Additions:				
Acquisitions	**112,980**	**—**	**—**	**112,980**
Capital expenditures	**12,803**	**—**	**—**	**12,803**
Development expenditures	**—**	**6,590**	**285**	**6,875**
Tenant improvements, incentives and leasing commissions	**2,346**	**—**	**—**	**2,346**
Transfers	**2,659**	**(2,659)**	**—**	**—**
Dispositions	**(1,549)**	**—**	**—**	**(1,549)**
Fair value gain, net (Note 18)	**33,095**	**—**	**676**	**33,771**
Foreign currency translation	**(3,520)**	**—**	**(11)**	**(3,531)**
Other	**(1,433)**	**—**	**—**	**(1,433)**
Balance as at March 31, 2023	**$10,575,398**	**$25,535**	**$112,403**	**$10,713,336**

Transactions completed during the three months ended March 31, 2023

Acquisitions

On March 29, 2023, the Company acquired a multi-suite residential property comprising 240 suites located in Chicago, Illinois, for a purchase price of $112,980 (US$83,221), including closing costs.

The Company pursued a tax deferred exchange under Internal Revenue Code Section 1031 (“1031 Exchange”) in connection with its U.S. property dispositions. Under a 1031 Exchange, the Company was able to defer tax payable upon the acquisition of its replacement property.

Dispositions

During the three months ended March 31, 2023, the Company sold three industrial properties consisting of 19,875 square feet, for net proceeds of $1,549, including closing costs.

Reconciliation of the carrying amounts for real estate properties for the year ended December 31, 2022 is set out below:

	Income Producing Properties	Properties Under Development	Land Held for Development	Total
Balance as at December 31, 2021	$10,139,816	$12,360	$92,699	$10,244,875
Additions:				
Acquisitions	314,999	—	2,909	317,908
Capital expenditures	83,995	—	—	83,995
Development expenditures	—	15,269	1,239	16,508
Tenant improvements, incentives and leasing commissions	14,174	—	—	14,174
Right-of-use assets	6,643	—	—	6,643
Transfers	6,025	(6,025)	—	—
Dispositions	(255,432)	—	(1,298)	(256,730)
Fair value gain (loss), net	(145,160)	—	14,989	(130,171)
Foreign currency translation	259,638	—	915	260,553
Other	(6,681)	—	—	(6,681)
Balance as at December 31, 2022	$10,418,017	$21,604	$111,453	$10,551,074

Capitalization Rates

As at March 31, 2023, and December 31, 2022, the Company had its portfolio internally appraised. In addition, the Company's U.S. portfolio is appraised by independent U.S. real estate appraisal firms on a three-year cycle.

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

As at March 31, 2023, using the direct capitalization approach, the multi-suite residential, retail and office properties were valued using capitalization rates in the range of 3.3% to 10.0% (December 31, 2022 - 3.3% to 10.0%), resulting in an overall weighted average capitalization rate of 5.5% (December 31, 2022 - 5.5%).

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

	March 31, 2023					December 31, 2022				
As at	**Occupancy Rates**		**Capitalization Rates**			Occupancy Rates		Capitalization Rates		
	Max.	**Min.**	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Max.	Min.	Weighted Average
Multi-suite residential	**98.5%**	**92.0%**	**6.0%**	**3.3%**	**4.3%**	98.5%	92.0%	6.0%	3.3%	4.3%
Retail	**99.0%**	**85.0%**	**10.0%**	**5.0%**	**7.3%**	99.0%	85.0%	10.0%	5.0%	7.2%
Office[(1)]	**100.0%**	**90.0%**	**8.5%**	**4.3%**	**6.8%**	100.0%	90.0%	8.3%	4.3%	6.7%

(1) Includes industrial properties comprising approximately 9% 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	March 31, 2023			December 31, 2022		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
Retail						
Discount rate	**11.0%**	**5.8%**	**7.6%**	11.0%	5.8%	7.5%
Terminal cap rate	**10.0%**	**5.0%**	**6.6%**	10.0%	5.0%	6.6%
Office						
Discount rate	**9.0%**	**5.3%**	**6.7%**	9.0%	5.3%	6.7%
Terminal cap rate	**8.0%**	**4.3%**	**5.9%**	8.0%	4.3%	5.9%

Fair values are most sensitive to changes in discount rates, capitalization rates and stabilized or forecast net operating income. Generally, an increase in stabilized net operating income will result in an increase in the fair value of the income producing properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in stabilized net operating income, with a lower capitalization rate resulting in a greater impact on the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rates were to increase or decrease by 25 basis points (assuming no change in stabilized net operating income), the value of the income producing properties as at March 31, 2023 would decrease by $471,492 and increase by $521,642, respectively.

The sensitivity of the fair values of the Company's income producing properties as at March 31, 2023, and December 31, 2022, is set out in the table below:

As at	March 31, 2023		December 31, 2022	
Change in capitalization rate:	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Multi-suite residential	**($325,804)**	**$365,020**	($326,294)	$366,825
Retail	**(64,987)**	**69,646**	(65,790)	70,573
Office	**(80,701)**	**86,976**	(83,423)	90,021
	($471,492)	**$521,642**	($475,507)	$527,419

NOTE 5

HOTEL PROPERTIES

Hotel properties consist of the following:

As at March 31, 2023	Cost	Accumulated Impairment Provision	Accumulated Amortization	Net Book Value
Land	**$55,416**	**$—**	**$—**	**$55,416**
Buildings	**332,244**	**(12,206)**	**(54,359)**	**265,679**
Furniture, fixtures, equipment and other	**70,397**	**(1,043)**	**(55,952)**	**13,402**
	$458,057	**($13,249)**	**($110,311)**	**$334,497**

As at December 31, 2022	Cost	Accumulated Impairment Provision	Accumulated Amortization	Net Book Value
Land	$55,416	$—	$—	$55,416
Buildings	331,572	(12,206)	(52,318)	267,048
Furniture, fixtures, equipment and other	69,538	(1,043)	(53,720)	14,775
	$456,526	($13,249)	($106,038)	$337,239

Transactions in hotel properties for the three months ended March 31, 2023, are summarized as follows:

As at March 31, 2023	Opening Net Book Value	Additions	Amortization	Closing Net Book Value
Land	**$55,416**	**$—**	**$—**	**$55,416**
Buildings	**267,048**	**672**	**(2,041)**	**265,679**
Furniture, fixtures, equipment and other	**14,775**	**859**	**(2,232)**	**13,402**
	$337,239	**$1,531**	**($4,273)**	**$334,497**

Transactions in hotel properties for the year ended December 31, 2022, are summarized as follows:

As at December 31, 2022	Opening Net Book Value	Additions	Dispositions	Amortization	Closing Net Book Value
Land	$82,125	$—	($26,709)	$—	$55,416
Buildings	347,708	4,007	(76,090)	(8,577)	267,048
Furniture, fixtures, equipment and other	25,898	2,594	(3,773)	(9,944)	14,775
Right-of-use asset - land lease	1,422	—	(1,422)	—	—
	$457,153	$6,601	($107,994)	($18,521)	$337,239

NOTE 6

EQUITY-ACCOUNTED AND OTHER FUND INVESTMENTS

(a) Equity-accounted and Other Real Estate Fund Investments Consist of the Following:

As at	March 31, 2023	December 31, 2022
Joint ventures	**$34,091**	$27,284
Associates	**19,455**	19,505
Equity-accounted investments	**53,546**	46,789
Other real estate fund investments	**63,683**	73,558
Equity-accounted and other fund investments	**$117,229**	$120,347

The following are the Company's significant equity-accounted investments as at March 31, 2023, and December 31, 2022:

				Company's Ownership		Carrying Value	
Property/Investment	Principal Place of Business	Investment Type	Asset Type	March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022
Petroleum Plaza	Edmonton, AB	Joint Venture	Office	**50.0%**	50.0%	**$11,989**	$11,658
Quinte Courthouse	Belleville, ON	Joint Venture	Office	**50.0%**	50.0%	**2,779**	2,802
Greypoint Capital L.P. II	Toronto, ON	Joint Venture	Other	**15.6%**	15.6%	**1,173**	2,097
Courtyard by Marriott	Ottawa, ON	Joint Venture	Hotel	**50.0%**	50.0%	**10,610**	5,602
Marriott Residence Inn	London, ON	Joint Venture	Hotel	**50.0%**	50.0%	**7,540**	5,125
MIL Industrial Fund II LP[1]	Various	Associate	Industrial	**18.8%**	18.8%	**19,455**	19,505
						$53,546	$46,789

[1] The Company accounts for its investment using the equity method since the Company has the ability to exercise significant influence as a result of its role as general partner; however, it does not control the fund.

Equity-accounted investments

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

As at	March 31, 2023	December 31, 2022
Balance, beginning of period	**$46,789**	$62,223
Additions	**7,250**	774
Share of net income	**1,171**	1,207
Distributions received	**(1,664)**	(17,415)
Balance, end of period	**$53,546**	$46,789

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

As at	March 31, 2023			December 31, 2022		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Non-current assets	**$155,933**	**$133,887**	**$289,820**	$156,192	$133,887	$290,079
Current assets	**14,462**	**1,515**	**15,977**	17,831	2,318	20,149
Total assets	**$170,395**	**$135,402**	**$305,797**	$174,023	$136,205	$310,228
Non-current liabilities	**$44,828**	**$—**	**$44,828**	$59,143	$6,157	$65,300
Current liabilities	**54,007**	**31,328**	**85,335**	56,005	25,711	81,716
Total liabilities	**$98,835**	**$31,328**	**$130,163**	$115,148	$31,868	$147,016
Net assets	**$71,560**	**$104,074**	**$175,634**	$58,875	$104,337	$163,212
Equity-accounted investments	**$34,091**	**$19,455**	**$53,546**	$27,284	$19,505	$46,789

For the three months ended March 31	2023			2022		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Revenue	**$8,204**	**$2,105**	**$10,309**	$6,652	$2,553	$9,205
Expenses	**(6,100)**	**(933)**	**(7,033)**	(4,659)	(1,248)	(5,907)
Fair value gain (loss) on real estate properties, net	**166**	**(61)**	**105**	(72)	(311)	(383)
Net income for the period	**$2,270**	**$1,111**	**$3,381**	$1,921	$994	$2,915
Income in equity-accounted investments	**$963**	**$208**	**$1,171**	$617	$185	$802

(b) Income Recognized from Other Fund Investments:

Other Real Estate Fund Investments

For the three months ended March 31	2023	2022
Distribution income	**$96**	$341
Fair value loss for the period (Note 18)	**(9,923)**	(2,278)
Loss from other real estate fund investments	**($9,827)**	($1,937)

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 fair value through profit or loss ("FVTPL"). Gains or losses arise from the change in the fair value of the underlying real estate properties held by the funds (Level 3) and from foreign exchange currency translation. Distributions received from these funds are recorded in other income (expense) on the consolidated statements of income (loss).

NOTE 7

OTHER ASSETS

Other assets consist of the following:

As at	March 31, 2023	December 31, 2022
Investment in marketable securities	**$103,738**	$104,190
Accrued pension benefit asset	**76,622**	74,659
Finance lease receivable	**58,463**	58,331
Mortgages receivable	**46,823**	46,628
Goodwill	**24,488**	24,488
Intangible assets, net	**18,710**	21,104
Capital assets, net	**18,299**	18,496
Receivables from related parties (Note 20(c))	**1,593**	6,007
Inventory	**2,621**	2,372
Right-of-use asset - office lease	**960**	1,070
Other	**104**	121
	$352,421	$357,466

As at March 31, 2023, mortgages receivable amounted to $47,551 (December 31, 2022 - $46,867), of which $728 (December 31, 2022 - $239) is due within one year and included in prepaid expenses and other. The mortgages receivable have a weighted average term to maturity of 3.2 years (December 31, 2022 - 3.5 years) and a weighted average interest rate of 7.51% (December 31, 2022 - 7.51%).

NOTE 8
AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

As at	March 31, 2023	December 31, 2022
Tenant receivables	**$31,302**	$28,923
Unbilled other tenant receivables	**7,126**	8,773
Other receivables	**41,449**	53,226
Allowance for expected credit loss	**(8,858)**	(11,487)
	71,019	79,435
Government subsidy	**724**	724
	$71,743	$80,159

NOTE 9
MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at	March 31, 2023	December 31, 2022
Mortgages payable	**$4,634,292**	$4,663,814
Mark-to-market adjustments, net	**1,774**	2,270
Deferred financing costs	**(22,664)**	(23,933)
	$4,613,402	$4,642,151
Current	**$799,120**	$766,016
Non-current	**3,814,282**	3,876,135
	$4,613,402	$4,642,151
Range of interest rates	**2.03 - 8.24%**	2.03 - 7.73%
Weighted average contractual interest rate	**4.03%**	3.95%
Estimated fair value of mortgages payable	**$4,409,392**	$4,370,416

As at March 31, 2023, approximately 92% of the Company's real estate and hotel properties, and related rental revenue, have been pledged as collateral for the mortgages payable.

The aggregate principal repayments and balances maturing of the mortgages payable as at March 31, 2023, 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
2023 (remainder of the year)	$94,346	$607,269	$701,615	5.10%
2024	106,343	670,758	777,101	4.99%
2025	85,181	484,141	569,322	3.13%
2026	65,270	421,931	487,201	3.48%
2027	48,443	440,767	489,210	3.76%
Thereafter	154,911	1,454,932	1,609,843	3.69%
	$554,494	$4,079,798	$4,634,292	4.03%

The Company's first mortgages are registered against specific real estate assets and hotel properties. As at March 31, 2023, mortgages payable mature between 2023 and 2058 and have a weighted average term to maturity of 4.3 years (December 31, 2022 - 4.6 years). Approximately 89% of the Company's mortgages have fixed interest rates.

Some of the Company's mortgages payable require it to maintain annual debt service coverage ratios and/or debt to equity ratios and/or debt to appraised value ratios and arrange for capital expenditures in accordance with predetermined limits. As at March 31, 2023, and December 31, 2022, the Company was in compliance with all financial covenants.

NOTE 10
DEBENTURES PAYABLE

The Company's debentures payable consist of the following:

As at	March 31, 2023	December 31, 2022
Unsecured debentures	**$624,322**	$624,143
Convertible debentures	**140,475**	172,094
	$764,797	$796,237
Current	**$399,453**	$254,954
Non-current	**365,344**	541,283
	$764,797	$796,237

(a) Unsecured Debentures

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

As at	Maturity Date	Coupon Interest Rate	March 31, 2023	December 31, 2022
Series E senior unsecured debentures	January 25, 2024	4.715%	**$225,000**	$225,000
Series F senior unsecured debentures	November 27, 2024	4.204%	**225,000**	225,000
Series G senior unsecured debentures	September 28, 2023	4.402%	**175,000**	175,000
Unamortized financing costs			**(678)**	(857)
			$624,322	$624,143
Current			**$399,453**	$174,828
Non-current			**224,869**	449,315
			$624,322	$624,143

On September 15, 2017, the Company issued $200,000 (net proceeds including issuance costs - $198,800) of Series C senior unsecured debentures due on September 15, 2022. On September 15, 2022, the Series C senior unsecured debentures were fully repaid on maturity.

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

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

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

For the three months ended March 31, 2023, interest on the Unsecured Debentures of $6,848 (2022 - $8,985) is included in interest expense (Note 17).

(b) Convertible Debentures

Convertible debentures consist of the following:

As at	Maturity Date	Conversion Price	Coupon Interest Rate	Principal Balance	Principal Owned by the Company	March 31, 2023	December 31, 2022
Morguard Residential REIT[1]	March 31, 2028	$24.15	6.00%	$56,000	$5,000	**$48,118**	$—
Morguard Residential REIT	March 31, 2023	$20.20	4.50%	$85,500	$5,000	**—**	80,126
Morguard REIT	December 31, 2026	$7.80	5.25%	$159,000	$60,000	**92,357**	91,968
						$140,475	$172,094
Current						**$—**	$80,126
Non-current						**140,475**	91,968
						$140,475	$172,094

[1] As at March 31, 2023, the liability includes the fair value of the conversion option of $3,946 (December 31, 2022 - $94).

Morguard Residential REIT

On February 13, 2018, Morguard Residential REIT issued $75,000 principal amount of 4.50% convertible unsecured subordinated debentures. On February 21, 2018, an additional principal amount of $10,500 was issued pursuant to the exercise of the over-allotment option. On March 24, 2023, the 4.50% convertible unsecured subordinated debentures were redeemed in advance of their March 31, 2023 maturity date.

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, commencing September 30, 2023. The underwriter's commissions, 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. Paros Enterprises Limited, a related party, acquired $2,000 aggregate principal amount of the debentures.

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, commencing on June 30, 2022. The underwriter's commissions, legal and other issue costs attributable to the debentures in the amount of $4,213 have been capitalized and are being amortized over the 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. Morguard owns $60,000 aggregate principal amount of the 5.25% convertible unsecured subordinated debentures.

For the three months ended March 31, 2023, interest on convertible debentures net of accretion of $2,479 (2022 - $2,347) is included in interest expense (Note 17).

NOTE 11

MORGUARD RESIDENTIAL REIT UNITS

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

As at March 31, 2023, the Company valued the non-controlling interest in the Morguard Residential REIT units at $485,228 (December 31, 2022 - $454,425) and classified the units as a liability on the consolidated balance sheets. Due to the change in the market value of the units and the distributions paid to external unitholders, the Company recorded a fair value loss for the three months ended March 31, 2023 of $39,660 (2022 - $58,649) in the consolidated statements of income (loss) (Note 18).

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

For the three months ended March 31	2023	2022
Fair value loss on Morguard Residential REIT units	**($34,054)**	($53,204)
Distributions to external unitholders (Note 3)	**(5,606)**	(5,445)
Fair value loss on Morguard Residential REIT units	**($39,660)**	($58,649)

NOTE 12
LEASE LIABILITIES

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

As at	March 31, 2023	December 31, 2022
Balance, beginning of period	**$172,517**	$168,265
Interest on lease liabilities (Note 17)	**2,484**	9,626
Payments	**(2,894)**	(11,358)
Additions	**—**	6,987
Dispositions	**—**	(1,562)
Foreign exchange loss (gain)	**(14)**	559
Balance, end of period	**$172,093**	$172,517
Current (Note 13)	**$1,589**	$1,583
Non-current	**170,504**	170,934
	$172,093	$172,517

Future minimum lease payments under lease liabilities are as follows:

As at	March 31, 2023	December 31, 2022
Within 12 months	**$11,488**	$11,479
2 to 5 years	**45,132**	45,185
Over 5 years	**359,814**	362,484
Total minimum lease payments	**416,434**	419,148
Less: future interest costs	**(244,341)**	(246,631)
Present value of minimum lease payments	**$172,093**	$172,517

NOTE 13
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	March 31, 2023	December 31, 2022
Accounts payable and accrued liabilities	**$243,415**	$208,406
Tenant deposits	**25,427**	25,142
Stock Appreciation Rights ("SARs") liability (Note 15(c))	**4,278**	5,790
Lease liabilities (Note 12)	**1,589**	1,583
Other	**4,996**	4,364
	$279,705	$245,285

NOTE 14
BANK INDEBTEDNESS

As at March 31, 2023, and December 31, 2022, the Company has operating lines of credit totalling $491,500, the majority of which can be borrowed in either Canadian or United States dollars and are subject to floating interest rates based on bankers' acceptance. As at March 31, 2023, the maximum amount that can be borrowed on the operating lines of credit is $396,491 (December 31, 2022 - $384,895), which includes deducting issued letters of credit in the amount of $5,308 (December 31, 2022 - $4,676) related to these facilities. The Company's investments in Morguard REIT and Morguard Residential REIT, marketable securities, amounts receivable, inventory, capital assets and a fixed-charge security on specific properties have been pledged as collateral on these operating lines of credit. As at March 31, 2023, the Company had borrowed $258,378 (December 31, 2022 - $184,306) on its operating lines of credit.

The bank credit agreements, which renew annually and are due on demand, include certain restrictive undertakings by the Company. As at March 31, 2023, the Company is in compliance with all undertakings.

NOTE 15
SHAREHOLDERS' EQUITY
(a) Share Capital Authorized

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

Issued and Fully Paid Common Shares	Number (000s)	Amount
Balance, December 31, 2021	11,101	$100,929
Common shares repurchased through the Company's NCIB	(79)	(717)
Dividend reinvestment plan	—	27
Balance, December 31, 2022	11,022	$100,239
Dividend reinvestment plan	**—**	**7**
Balance, March 31, 2023	**11,022**	**$100,246**

On September 16, 2022, the Company obtained the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 554,788 common shares, being approximately 5% of the issued and outstanding common shares, and the program expires on September 21, 2023. The daily repurchase restriction for the common shares is 1,000. During the three months ended March 31, 2023, there were no repurchases of shares under the Company's NCIB plan.

Total dividends declared during the three months ended March 31, 2023 amounted to $1,653, or $0.15 per common share (2022 - $1,665 or $0.15 per common share). On May 2, 2023, the Company declared a common share dividend of $0.15 per common share to be paid in the second quarter of 2023.

(b) Contributed Surplus

During the three months ended March 31, 2023, the Company acquired 1,439,000 units (2022 - nil units) of Morguard REIT for cash consideration of $7,919 (2022 - $nil). The difference between the cash consideration and the carrying value of the non-controlling interest acquired for the three months ended March 31, 2023 amounted to $15,621 (2022 - $nil) and the amount has been recorded within retained earnings.

(c) Stock Appreciation Rights Plan

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

As at March 31, 2023					
Date of Grant	**Exercise Price**	**Issued**	**Redeemed**	**Cancelled**	**Outstanding**
March 20, 2008	$30.74	200,000	(113,500)	(61,500)	25,000
November 2, 2010	$43.39	55,000	(11,500)	(8,500)	35,000
May 13, 2014	$137.90	25,000	(2,000)	(23,000)	—
May 13, 2015	$153.82	10,000	—	—	10,000
January 11, 2017	$179.95	90,000	(1,500)	(23,500)	65,000
May 18, 2018	$163.59	125,000	—	(20,000)	105,000
August 8, 2018	$168.00	20,000	—	—	20,000
November 8, 2018	$184.00	10,000	—	—	10,000
Total		**535,000**	**(128,500)**	**(136,500)**	**270,000**

During the three months ended March 31, 2023, the Company recorded a fair value adjustment to reduce compensation expense of $675 (2022 - increase compensation expense of $450). The fair value adjustment is included in property management and corporate expenses in the consolidated statements of income (loss), and the liability is classified as accounts payable and accrued liabilities (Note 13).

The fair value for the SARs was calculated using the Black-Scholes option pricing model. In determining the fair value of the SARs, management is required to make assumptions that could have a material impact on the valuation. The following are the assumptions that were used in determining the fair value as at March 31, 2023: a dividend yield of 0.58% (2022 - 0.44%), expected volatility of approximately 27.34% (2022 - 30.43%) and the 10-year Bank of Canada Bond Yield of 3.29% (2022 - 2.43%).

(d) Stock Option Plan

The Company established a stock option plan (“SOP”) during 2022. The SOP entitles specified officers to receive common share options of the Company. Under the SOP, the Company may grant up to a maximum of 1,000,000 options. As at March 31, 2023, the Company has granted nil options.

(e) Accumulated Other Comprehensive Income

As at March 31, 2023, and December 31, 2022, accumulated other comprehensive income consists of the following amounts:

As at	March 31, 2023	December 31, 2022
Actuarial gain on defined benefit pension plans	**$46,100**	$44,822
Unrealized foreign currency translation gain	**254,142**	255,518
	$300,242	$300,340

NOTE 16

REVENUE

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

For the three months ended March 31	2023	2022
Rental income	**$135,260**	$124,658
Realty taxes and insurance	**41,350**	35,710
Common area maintenance recoveries	**26,275**	24,817
Property management and ancillary income	**43,487**	37,408
	$246,372	$222,593

The components of revenue from hotel properties are as follows:

For the three months ended March 31	2023	2022
Room revenue	**$25,710**	$22,343
Other hotel revenue	**5,449**	5,708
	$31,159	$28,051

The components of management and advisory fees are as follows:

For the three months ended March 31	2023	2022
Property and asset management fees	**$7,831**	$8,557
Other fees	**2,319**	1,705
	$10,150	$10,262

NOTE 17
INTEREST EXPENSE

The components of interest expense are as follows:

For the three months ended March 31	2023	2022
Interest on mortgages	**$45,605**	$39,400
Interest on debentures payable, net of accretion (Note 10)	**9,327**	11,332
Interest on bank indebtedness	**3,659**	182
Interest on loans payable and other	**262**	9
Interest on lease liabilities (Note 12)	**2,484**	2,405
Amortization of mark-to-market adjustments on mortgages, net	**(496)**	(495)
Amortization of deferred financing costs	**2,165**	2,125
	63,006	54,958
Less: Interest capitalized to properties under development	**(279)**	(74)
	$62,727	$54,884

NOTE 18
FAIR VALUE GAIN (LOSS), NET

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

For the three months ended March 31	2023	2022
Fair value gain on real estate properties, net (Note 4)	**$33,756**	$342,169
Financial assets (liabilities):		
Fair value gain (loss) on conversion option of MRG convertible debentures	**289**	(2,150)
Fair value loss on MRG units (Note 11)	**(39,660)**	(58,649)
Fair value loss on other real estate fund investments (Note 6(b))	**(9,923)**	(2,278)
Fair value gain (loss) on investment in marketable securities	**(8,653)**	920
Total fair value gain (loss), net	**($24,191)**	$280,012

NOTE 19
OTHER INCOME (EXPENSE)

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

For the three months ended March 31	2023	2022
Foreign exchange gain (loss)	**$28**	($29)
Other income (expense)	**(869)**	2,135
	($841)	$2,106

NOTE 20
RELATED PARTY TRANSACTIONS

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

(a) Paros Enterprises Limited ("Paros")

Paros is the majority shareholder and ultimate parent of the Company. Paros is owned by the Company's Chairman and Chief Executive Officer, Mr. K. Rai Sahi. As at March 31, 2023, and December 31, 2022, the Company has a demand loan agreement with Paros that provides for the Company to borrow up to $50,000. As at March 31, 2023, and December 31, 2022, 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 through his personal holding companies, which include Paros. Pursuant to contractual agreements between the Company and TWC, for the three months ended March 31, 2023, the Company received a management fee of $329 (2022 - $319), and paid rent and operating expenses of $159 (2022 - $158).

As at March 31, 2023, and December 31, 2022, the Company has a revolving demand loan agreement with TWC that provides for either party to borrow up to $50,000 at the lender's short-term bank borrowing rate plus ten basis points. The total loan payable as at March 31, 2023 was $32,066 (December 31, 2022 - $5,000). During the three months ended March 31, 2023, the Company paid net interest of $149 (2022 - $nil).

(c) Share/unit Purchase and Other Loans

As at March 31, 2023, share/unit purchase and other loans to officers and employees of the Company and its subsidiaries of $1,593 (December 31, 2022 - $6,007) are outstanding. The loans are collateralized by their common shares of the Company, units of Morguard REIT and units of Morguard Residential REIT and are interest-bearing computed at the Canadian prime interest rate and are due on January 13, 2026. Other loans are secured against the underlying asset. The loans are classified as amounts receivable in the consolidated balance sheets. As at March 31, 2023, the fair market value of the common shares/units held as collateral is $4,562.

NOTE 21
INCOME TAXES

(a) Tax Provision

For the three months ended March 31, 2023, the Company recorded income tax expense of $25,711 (2022 - $63,450).

(b) Unrecognized Deductible Temporary Differences

As at March 31, 2023, the Company's Canadian subsidiaries have total net operating losses of approximately $252,494 (December 31, 2022 - $252,494) of which no deferred tax assets were recognized as it is not probable that taxable income will be available against which they can be utilized. These losses expire in various years commencing 2023. The Company has other Canadian temporary differences for which no deferred tax asset was recognized for approximately $25,890 (December 31, 2022 - $31,667). These other temporary differences have no expiration date.

(c) Recognized Deductible Temporary Differences

As at March 31, 2023, the Company's U.S. subsidiaries have total net operating losses of US$50,321 (December 31, 2022 - US$68,358) of which deferred tax assets were recognized, comprising US$11,315 (December 31, 2022 - US$16,996) that will expire in various years commencing in 2032 and US$39,006 (December 31, 2022 - US$51,362) that can be carried forward indefinitely.

As at March 31, 2023, the Company's U.S. subsidiaries have total unutilized interest expense deductions of US$37,452 (December 31, 2022 - US$40,475) of which deferred tax assets were recognized.

NOTE 22
NET INCOME (LOSS) PER COMMON SHARE

For the three months ended March 31	2023	2022
Net income (loss) attributable to common shareholders	**($34,690)**	$206,269
Weighted average number of common shares outstanding (000s) - basic and diluted	**11,022**	11,101
Net income (loss) per common share - basic and diluted	**($3.15)**	$18.58

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

For the three months ended March 31	2023	2022
Fair value loss (gain) on real estate properties, net	**$7,293**	($306,583)
Fair value loss (gain) on conversion option of MRG convertible debentures (Note 18)	**(289)**	2,150
Fair value loss on MRG units (Note 11)	**34,054**	53,204
Fair value loss on other real estate investment funds (Note 18)	**9,923**	2,278
Fair value loss (gain) on investment in marketable securities (Note 18)	**8,653**	(920)
Equity income from investments	**(1,171)**	(802)
Amortization of hotel properties and other	**7,510**	6,745
Amortization of deferred financing costs (Note 17)	**2,165**	2,125
Amortization of mark-to-market adjustments on mortgages, net (Note 17)	**(496)**	(495)
Amortization of tenant incentives	**642**	1,279
Stepped rent - adjustment for straight-line method	**787**	1,211
Deferred income taxes	**25,682**	62,899
Accretion of convertible debentures	**200**	178
	$94,953	($176,731)

(b) Net Change in Operating Assets and Liabilities

For the three months ended March 31	2023	2022
Amounts receivable	**$9,666**	($3,540)
Prepaid expenses and other	**(21,347)**	(32,018)
Accounts payable and accrued liabilities	**(3,850)**	(10,334)
Net change in operating assets and liabilities	**($15,531)**	($45,892)

(c) Supplemental Cash Flow Information

For the three months ended March 31	2023	2022
Interest paid	**$58,361**	$58,813
Interest received	**1,704**	514
Income taxes paid (recovered)	**(2,916)**	9,085

During the three months ended March 31, 2023, the Company issued non-cash dividends under the distribution reinvestment plan of $7 (2022 - $7).

(d) Reconciliation of Liabilities Arising from Financing Activities

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

	Mortgages payable	Unsecured debentures	Convertible debentures	Lease liabilities	Loans payable	Bank indebtedness	Total
Balance, beginning of period	**$4,642,151**	**$624,143**	**$172,094**	**$172,517**	**$5,000**	**$184,306**	**$5,800,211**
Repayments	**(30,360)**	**—**	**—**	**(410)**	**—**	**(57,613)**	**(88,383)**
New financing, net	**85,070**	**—**	**48,590**	**—**	**27,357**	**131,712**	**292,729**
Lump-sum repayments	**(82,860)**	**—**	**(80,500)**	**—**	**—**	**—**	**(163,360)**
Non-cash changes	**1,110**	**179**	**291**	**—**	**—**	**—**	**1,580**
Foreign exchange	**(1,709)**	**—**	**—**	**(14)**	**(291)**	**(27)**	**(2,041)**
Balance, March 31, 2023	**$4,613,402**	**$624,322**	**$140,475**	**$172,093**	**$32,066**	**$258,378**	**$5,840,736**

NOTE 24

CONTINGENCIES

The Company is contingently liable with respect to litigation, claims and environmental matters that arise from time to time, including those that could result in mandatory damages or other relief, which could result in significant expenditures. While the final outcome of these matters cannot be predicted with certainty, in the opinion of management, any uninsured liability that may arise from such contingencies would not have a material adverse effect on the financial position or results of operations of the Company. Any settlement of claims in excess of amounts recorded will be charged to operations as and when such determination is made.

NOTE 25

MANAGEMENT OF CAPITAL

Refer to the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2022 for an explanation of the Company's capital management policy.

The total managed capital for the Company as at March 31, 2023, and December 31, 2022, is summarized below:

As at	March 31, 2023	December 31, 2022
Mortgages payable, principal balance	**$4,634,292**	$4,663,814
Unsecured Debentures, principal balance	**625,000**	625,000
Convertible debentures, principal balance	**150,000**	179,500
Loans payable	**32,066**	5,000
Bank indebtedness	**258,378**	184,306
Lease liabilities	**172,093**	172,517
Shareholders' equity	**3,840,385**	3,865,254
	$9,712,214	$9,695,391

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

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

NOTE 26
FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer to the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2022 for an explanation of the Company's risk management policy as it relates to financial instruments.

Fair Value of Financial Assets and Financial Liabilities

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

Mortgages payable, Unsecured Debentures, convertible debentures, lease liabilities and finance lease receivable are carried at amortized cost using the effective interest rate method of amortization. The estimated fair values of long-term borrowings have been determined based on market information, where available, or by discounting future payments of interest and principal at estimated interest rates expected to be available to the Company.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using March 31, 2023 market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at March 31, 2023 of the mortgages payable before deferred financing costs and mark-to-market adjustments is estimated at $4,409,392 (December 31, 2022 - $4,370,416), compared with the carrying value of $4,634,292 (December 31, 2022 - $4,663,814). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

The fair value of the Unsecured Debentures liability is based on its closing bid price (Level 1). As at March 31, 2023, the fair value of the Unsecured Debentures has been estimated at $605,842 (December 31, 2022 - $601,040) compared with the carrying value of $625,000 (December 31, 2022 - $625,000).

The fair value of the convertible debentures liability is based on their market trading prices (Level 1). As at March 31, 2023, the fair value of the convertible debentures before deferred financing costs has been estimated at $146,954 (December 31, 2022 - $172,176), compared with the carrying value of $150,000 (December 31, 2022 - $179,500).

The fair value of the finance lease receivable is determined by discounting the cash flows of the finance lease receivable using March 31, 2023 market rates for debt on similar terms (Level 3). Based on these assumptions, as at March 31, 2023, the fair value of the finance lease receivable has been estimated at $58,463 (December 31, 2022 - $58,331).

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

	March 31, 2023			December 31, 2022		
As at	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$10,713,336**	$—	$—	$10,551,074
Investments in marketable securities	**103,738**	**—**	**—**	104,190	—	—
Investments in real estate funds	**—**	**—**	**63,683**	—	—	73,558
Financial liabilities:						
Morguard Residential REIT units	**—**	**485,228**	**—**	—	454,425	—
Conversion option on MRG convertible debentures	**—**	**3,946**	**—**	—	94	—

NOTE 27
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 9% 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 three months ended March 31, 2023	**Multi-suite Residential**	**Retail**	**Office**	**Hotel**	**Total**
Revenue from real estate/hotel properties	**$118,070**	**$64,295**	**$64,007**	**$31,159**	**$277,531**
Property/hotel operating expenses	**(89,217)**	**(36,598)**	**(31,014)**	**(25,583)**	**(182,412)**
Net operating income	**$28,853**	**$27,697**	**$32,993**	**$5,576**	**$95,119**

For the three months ended March 31, 2022	Multi-suite Residential	Retail	Office	Hotel	Total
Revenue from real estate/hotel properties	$101,562	$58,038	$62,993	$28,051	$250,644
Property/hotel operating expenses	(78,515)	(34,494)	(29,741)	(27,803)	(170,553)
Net operating income	$23,047	$23,544	$33,252	$248	$80,091

	Multi-suite Residential	**Retail**	**Office**	**Hotel**	**Total**
As at March 31, 2023					
Real estate/hotel properties	**$6,228,045**	**$2,196,344**	**$2,288,947**	**$334,497**	**$11,047,833**
Mortgages payable	**$2,536,072**	**$906,399**	**$1,092,486**	**$78,445**	**$4,613,402**
For the three months ended March 31, 2023					
Additions to real estate/hotel properties	**$122,002**	**$9,045**	**$3,957**	**$1,531**	**$136,535**
Fair value gain (loss) on real estate properties	**$79,133**	**$8,193**	**($53,570)**	**$—**	**$33,756**

	Multi-suite Residential	Retail	Office	Hotel	Total
As at December 31, 2022					
Real estate/hotel properties	$6,030,382	$2,179,624	$2,341,068	$337,239	$10,888,313
Mortgages payable	$2,550,499	$920,820	$1,091,670	$79,162	$4,642,151
For the three months ended March 31, 2022					
Additions to real estate/hotel properties	$5,603	$6,715	$3,109	$689	$16,116
Fair value gain on real estate properties	$312,270	$6,105	$23,794	$—	$342,169

(b) Regional Segments

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

As at	**March 31, 2023**	December 31, 2022
Real estate and hotel properties		
Canada	**$6,921,242**	$6,951,370
United States	**4,126,591**	3,936,943
	$11,047,833	$10,888,313

For the three months ended March 31	**2023**	2022
Revenue from real estate and hotel properties		
Canada	**$189,760**	$178,203
United States	**87,771**	72,441
	$277,531	$250,644

NOTE 28

COMPARATIVE AMOUNTS

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