Real Estate Potential. Realized.

MORGUARD CORPORATION

SEPTEMBER 30, 2020

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	September 30, 2020	December 31, 2019
ASSETS			
Non-current assets			
Real estate properties	4	**$9,949,386**	$10,201,283
Hotel properties	5	**572,390**	628,783
Equity-accounted and other fund investments	6	**240,500**	248,665
Other assets	7	**312,332**	404,018
		11,074,608	11,482,749
Current assets			
Amounts receivable	8	**120,783**	78,071
Prepaid expenses and other		**40,613**	19,096
Cash		**230,145**	123,168
		391,541	220,335
		$11,466,149	$11,703,084
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable	9	**$3,784,474**	$3,781,668
Unsecured debentures	10	**822,060**	846,666
Convertible debentures	11	**192,873**	193,503
Lease liabilities	13	**163,364**	164,441
Morguard Residential REIT Units	12	**405,402**	516,462
Deferred income tax liabilities		**681,728**	733,786
		6,049,901	6,236,526
Current liabilities			
Mortgages payable	9	**610,658**	583,611
Unsecured debentures	10	**399,718**	199,778
Loans payable	21	**—**	33,679
Accounts payable and accrued liabilities	14	**268,792**	242,673
Bank indebtedness	15	**49,895**	101,100
		1,329,063	1,160,841
Total liabilities		**7,378,964**	7,397,367
EQUITY			
Shareholders' equity		**3,493,876**	3,548,906
Non-controlling interest		**593,309**	756,811
Total equity		**4,087,185**	4,305,717
		$11,466,149	$11,703,084

Contingencies 25

See accompanying notes to the condensed consolidated financial statements.

On behalf of the Board:

(Signed) "K. Rai Sahi" *(Signed) "Bruce K. Robertson"*

K. Rai Sahi,
Director

Bruce K. Robertson,
Director

STATEMENTS OF INCOME (LOSS)

In thousands of Canadian dollars, except per common share amounts

	Note	Three months ended September 30 2020	2019	Nine months ended September 30 2020	2019
Revenue from real estate properties	17	**$216,706**	$215,253	**$663,449**	$651,186
Revenue from hotel properties	17	**21,780**	65,525	**78,416**	184,351
Property operating expenses					
Property operating costs	8(a), 8(b)	**(53,584)**	(45,763)	**(150,977)**	(137,859)
Utilities		**(14,473)**	(14,019)	**(42,512)**	(43,786)
Realty taxes		**(23,316)**	(23,756)	**(114,061)**	(109,262)
Hotel operating expenses	8(b)	**(16,845)**	(47,181)	**(70,272)**	(139,852)
Net operating income		**130,268**	150,059	**364,043**	404,778
OTHER REVENUE					
Management and advisory fees	17	**9,342**	13,910	**31,620**	37,991
Interest and other income		**3,641**	4,233	**11,199**	15,157
		12,983	18,143	**42,819**	53,148
EXPENSES					
Interest	18	**58,720**	57,477	**179,044**	173,408
Property management and corporate	16(c), 8(b)	**14,005**	24,133	**39,611**	73,195
Amortization of hotel properties	5	**6,610**	6,798	**20,615**	20,358
Amortization of capital assets and other		**1,964**	2,044	**5,949**	6,123
Provision for impairment	5	**7,588**	19,059	**31,479**	19,059
		88,887	109,511	**276,698**	292,143
OTHER INCOME (EXPENSE)					
Fair value gain (loss), net	19	**(102,386)**	(30,157)	**(313,710)**	113
Equity loss from investments	6	**(2,634)**	(28,448)	**(8,312)**	(31,660)
Other income	20	**2,253**	1,210	**1,118**	249
		(102,767)	(57,395)	**(320,904)**	(31,298)
Income (loss) before income taxes		**(48,403)**	1,296	**(190,740)**	134,485
Provision for (recovery of) income taxes	22				
Current		**354**	2,946	**10,076**	7,689
Deferred		**(11,155)**	641	**(49,306)**	20,786
		(10,801)	3,587	**(39,230)**	28,475
Net income (loss) for the period		**($37,602)**	($2,291)	**($151,510)**	$106,010
Net income (loss) attributable to:					
Common shareholders		**($4,606)**	($1,180)	**($36,590)**	$102,028
Non-controlling interest		**(32,996)**	(1,111)	**(114,920)**	3,982
		($37,602)	($2,291)	**($151,510)**	$106,010
Net income (loss) per common share attributable to:					
Common shareholders - basic and diluted	23	**($0.42)**	($0.10)	**($3.26)**	$9.04

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

In thousands of Canadian dollars

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Net income (loss) for the period	**($37,602)**	($2,291)	**($151,510)**	$106,010
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to net income (loss):				
Unrealized foreign currency translation gain (loss)	**(36,797)**	17,364	**47,898**	(42,628)
Deferred income tax recovery (provision)	**93**	(51)	**(121)**	141
	(36,704)	17,313	**47,777**	(42,487)
Items that will not be reclassified subsequently to net income (loss):				
Actuarial gain (loss) on defined benefit pension plans	**(6,485)**	9,480	**(41,517)**	14,801
Deferred income tax recovery (provision)	**1,706**	(2,181)	**10,933**	(3,814)
	(4,779)	7,299	**(30,584)**	10,987
Other comprehensive income (loss)	**(41,483)**	24,612	**17,193**	(31,500)
Total comprehensive income (loss) for the period	**($79,085)**	$22,321	**($134,317)**	$74,510
Total comprehensive income (loss) attributable to:				
Common shareholders	**($44,220)**	$22,417	**($21,770)**	$73,160
Non-controlling interest	**(34,865)**	(96)	**(112,547)**	1,350
	($79,085)	$22,321	**($134,317)**	$74,510

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, 2019		$3,055,576	$273,354	$102,436	$3,431,366	$797,432	$4,228,798
Changes during the period:							
Net income		102,028	—	—	102,028	3,982	106,010
Other comprehensive loss		—	(28,868)	—	(28,868)	(2,632)	(31,500)
Dividends		(5,080)	—	—	(5,080)	—	(5,080)
Distributions		—	—	—	—	(20,660)	(20,660)
Issuance of common shares		—	—	70	70	—	70
Repurchase of common shares		(1,993)	—	(100)	(2,093)	—	(2,093)
Contribution from non-controlling interest		—	—	—	—	15,930	15,930
Increase in subsidiary ownership interest		—	—	—	—	(15,497)	(15,497)
Change in ownership of Temple Hotels Inc.		(2,498)	—	—	(2,498)	2,485	(13)
Change in ownership of Morguard REIT		3,544	—	—	3,544	(7,552)	(4,008)
Tax impact of increase in subsidiary ownership interest		1,771	—	—	1,771	—	1,771
Shareholders' equity, September 30, 2019		$3,153,348	$244,486	$102,406	$3,500,240	$773,488	$4,273,728
Changes during the period:							
Net income (loss)		84,911	—	—	84,911	(2,125)	82,786
Other comprehensive loss		—	(36,582)	—	(36,582)	(1,665)	(38,247)
Dividends		(1,690)	—	—	(1,690)	—	(1,690)
Distributions		—	—	—	—	(7,369)	(7,369)
Issuance of common shares		—	—	20	20	—	20
Change in ownership of Temple Hotels Inc.		—	—	—	—	(36)	(36)
Change in ownership of Morguard REIT		2,874	—	—	2,874	(5,482)	(2,608)
Tax impact of increase in subsidiary ownership interest		(867)	—	—	(867)	—	(867)
Shareholders' equity, December 31, 2019		$3,238,576	$207,904	$102,426	$3,548,906	$756,811	$4,305,717
Changes during the period:							
Net loss		**(36,590)**	**—**	**—**	**(36,590)**	**(114,920)**	**(151,510)**
Other comprehensive income		**—**	**14,820**	**—**	**14,820**	**2,373**	**17,193**
Dividends	16(a)	**(5,050)**	**—**	**—**	**(5,050)**	**—**	**(5,050)**
Distributions		**—**	**—**	**—**	**—**	**(14,526)**	**(14,526)**
Issuance of common shares	16(a)	**—**	**—**	**73**	**73**	**—**	**73**
Repurchase of common shares	16(a)	**(16,795)**	**—**	**(1,191)**	**(17,986)**	**—**	**(17,986)**
Change in ownership of Temple Hotels Inc.	16(b)	**(23,235)**	**—**	**—**	**(23,235)**	**(20,914)**	**(44,149)**
Change in ownership of Morguard REIT	16(b)	**15,515**	**—**	**—**	**15,515**	**(15,515)**	**—**
Tax impact of increase in subsidiary ownership interest		**(2,577)**	**—**	**—**	**(2,577)**	**—**	**(2,577)**
Shareholders' equity, September 30, 2020		**$3,169,844**	**$222,724**	**$101,308**	**$3,493,876**	**$593,309**	**$4,087,185**

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

	Note	Three months ended September 30 2020	2019	Nine months ended September 30 2020	2019
OPERATING ACTIVITIES					
Net income (loss) for the period		**($37,602)**	($2,291)	**($151,510)**	$106,010
Add items not affecting cash	24(a)	**93,256**	75,110	**328,937**	99,174
Distributions from equity-accounted investments	6	**1,021**	860	**12,874**	2,565
Additions to tenant incentives and leasing commissions	4	**(1,509)**	(1,996)	**(4,561)**	(4,507)
Net change in operating assets and liabilities	24(b)	**(1,107)**	4,761	**(51,040)**	(16,707)
Cash provided by operating activities		**54,059**	76,444	**134,700**	186,535
INVESTING ACTIVITIES					
Additions to real estate properties and tenant improvements	4	**(12,420)**	(71,277)	**(36,930)**	(99,055)
Additions to hotel properties	5	**(933)**	(2,507)	**(3,773)**	(14,229)
Additions to capital and intangible assets		**(375)**	(1,134)	**(1,997)**	(1,722)
Proceeds from the sale of real estate properties, net	4	**6,800**	15,914	**34,879**	54,630
Proceeds from the sale of hotel properties, net	5	**2,973**	—	**2,973**	1,849
Investment in properties under development	4	**(6,041)**	(15,901)	**(24,799)**	(32,360)
Investment in equity-accounted and other fund investments, net		**(1,984)**	(5,528)	**(13,218)**	(14,342)
Investment in marketable securities		**—**	(87,667)	**—**	(87,667)
Cash used in investing activities		**(11,980)**	(168,100)	**(42,865)**	(192,896)
FINANCING ACTIVITIES					
Proceeds from new mortgages		**120,368**	158,239	**283,737**	169,492
Financing costs on new mortgages		**(647)**	(793)	**(2,155)**	(1,099)
Repayment of mortgages					
Repayments on maturity		**(48,977)**	(129,639)	**(78,395)**	(145,892)
Repayments due to mortgage extinguishments		**—**	(25,795)	**(111,774)**	(46,626)
Principal instalment repayments		**(26,960)**	(27,829)	**(82,794)**	(82,542)
Principal payment of lease liabilities		**(306)**	(537)	**(1,284)**	(1,555)
Proceeds from bank indebtedness		**12,959**	83,737	**298,854**	290,385
Repayment of bank indebtedness		**(135,103)**	(94,969)	**(350,059)**	(379,883)
Proceeds from issuance of Morguard Residential REIT Units, net of cost	12	**—**	74,528	**—**	74,528
Proceeds from issuance of unsecured debentures, net of costs	10	**174,303**	—	**174,303**	223,575
Redemption of convertible debentures		**—**	—	**—**	(39,636)
Proceeds from (repayment of) loans payable, net		**(22,001)**	7,000	**(35,234)**	(11,732)
Dividends paid		**(1,650)**	(1,670)	**(4,977)**	(5,010)
Distributions to non-controlling interest		**(3,177)**	(6,338)	**(13,071)**	(17,910)
Contribution from non-controlling interest	16(b)	**—**	—	**—**	15,930
Common shares repurchased for cancellation	16(a)	**(9,328)**	—	**(17,986)**	(2,093)
Investment in Temple Hotels Inc.	3, 16(b)	**—**	(13)	**(44,149)**	(13)
Investment in Morguard REIT	16(b)	**—**	—	**—**	(4,008)
Increase in subsidiary ownership interest		**—**	—	**—**	(8,014)
Decrease (increase) in restricted cash		**1,640**	(3,630)	**1,263**	(1,015)
Cash provided by financing activities		**61,121**	32,291	**16,279**	26,882
Net increase (decrease) in cash during the period		**103,200**	(59,365)	**108,114**	20,521
Net effect of foreign currency translation on cash balance		**(9,504)**	495	**(1,137)**	314
Cash, beginning of period		**136,449**	190,106	**123,168**	110,401
Cash, end of period		**$230,145**	$131,236	**$230,145**	$131,236

See accompanying notes to the condensed consolidated financial statements.

NOTES

For the three and nine months ended September 30, 2020 and 2019

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

NOTE 1

NATURE AND DESCRIPTION OF COMPANY

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

NOTE 2

STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

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

The condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on November 5, 2020.

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

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

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

	2020	2019
Canadian dollar to United States dollar exchange rates:		
- As at September 30	**$0.7497**	$0.7551
- As at December 31	—	0.7699
- Average for the three months ended September 30	**0.7507**	0.7573
- Average for the nine months ended September 30	**0.7385**	0.7523
United States dollar to Canadian dollar exchange rates:		
- As at September 30	**1.3339**	1.3243
- As at December 31	—	1.2988
- Average for the three months ended September 30	**1.3321**	1.3204
- Average for the nine months ended September 30	**1.3541**	1.3292

NOTE 3

SUBSIDIARIES WITH NON-CONTROLLING INTEREST

Morguard North American Residential Real Estate Investment Trust (“Morguard Residential REIT” or “MRG”)
As at September 30, 2020, and December 31, 2019, the Company owned a 44.8% 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 September 30, 2020, Morguard Residential REIT recorded distributions of $6,822, or $0.1749 per Unit (2019 - $6,322, or $0.1698 per Unit), of which $1,388 was paid to the Company (2019 - $1,278) and $5,434 was paid to the remaining Unitholders (2019 - $5,044). In addition, during the three months ended September 30, 2020, Morguard Residential REIT paid distributions to the Company on the Class B LP Units of $3,012 (2019 - $2,924).

During the nine months ended September 30, 2020, Morguard Residential REIT recorded distributions of $20,461, or $0.5247 per Unit (2019 - $17,777, or $0.5094 per Unit), of which $4,168 was paid to the Company (2019 - $3,544) and $16,293 was paid to the remaining Unitholders (2019 - $14,233). In addition, during the nine months ended September 30, 2020, Morguard Residential REIT paid distributions to the Company on the Class B LP Units of $9,037 (2019 - $8,773).

Morguard Real Estate Investment Trust (“Morguard REIT” or “MRT”)
As at September 30, 2020, the Company owned 37,804,595 Units (December 31, 2019 - 35,520,482 Units) of Morguard REIT, which represents a 59.9% (December 31, 2019 - 58.5%) ownership interest.

During the three months ended September 30, 2020, Morguard REIT recorded distributions of $7,492 or $0.12 per Unit (2019 - $14,571, or $0.24 per Unit), of which $4,500 was received through MRT’s distribution reinvestment program (“MRT DRIP”) by the Company (2019 - $8,471) and $2,992 was paid to the remaining Unitholders (2019 - $6,100).

During the nine months ended September 30, 2020, Morguard REIT recorded distributions of $31,953 or $0.52 per Unit (2019 - $43,707, or $0.72 per Unit), of which $18,853 was paid to or received through MRT DRIP by the Company (2019 - $25,277) and $13,100 was paid to the remaining Unitholders (2019 - $18,430).

Temple Hotels Inc. (“Temple”)
On December 19, 2019, the Company entered into a definitive agreement with Temple to acquire all of the outstanding common shares of Temple not currently owned by the Company. The transaction was effected by way of a court-approved plan of arrangement under the *Canada Business Corporations Act*. A meeting of Temple shareholders was held February 10, 2020, whereat Temple shareholders approved a special resolution approving the acquisition by the Company of all of the issued and outstanding common shares of Temple not already owned by the Company. The arrangement agreement was completed on February 18, 2020, and subsequently on February 19, 2020, Temple de-listed from the TSX.

As at December 31, 2019, the Company owned 54,492,911 common shares of Temple, which represented a 72.6% ownership interest.

The following summarizes the results of Morguard REIT, Morguard Residential REIT and Temple before any intercompany eliminations and the corresponding non-controlling interest in the equity of Morguard REIT, Morguard Residential REIT and Temple. 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 12).

As at	September 30, 2020		December 31, 2019		
	MRT	MRG	MRT	MRG	Temple
Non-current assets	**$2,598,083**	**$3,116,710**	$2,914,709	$2,979,179	$443,789
Current assets	**47,540**	**60,505**	21,127	54,248	20,681
Total assets	**$2,645,623**	**$3,177,215**	$2,935,836	$3,033,427	$464,470
Non-current liabilities	**$1,088,335**	**$1,617,722**	$1,093,403	$1,729,489	$128,844
Current liabilities	**338,580**	**164,884**	318,289	78,145	255,036
Total liabilities	**$1,426,915**	**$1,782,606**	$1,411,692	$1,807,634	$383,880
Equity	**$1,218,708**	**$1,394,609**	$1,524,144	$1,225,793	$80,590
Non-controlling interest	**$490,241**	**$770,382**	$634,841	$676,895	$22,056

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

For the three months ended September 30	2020		2019		
	MRT	MRG	MRT	MRG	Temple
Revenue	**$60,596**	**$62,159**	$66,363	$61,135	$41,403
Expenses	**(46,017)**	**(51,378)**	(43,680)	(47,755)	(59,806)
Fair value gain (loss) on real estate properties, net	**(101,415)**	**41,141**	(14,928)	9,842	—
Fair value gain (loss) on Class B LP Units	**—**	**1,550**	—	(24,629)	—
Net income (loss) for the period	**($86,836)**	**$53,472**	$7,755	($1,407)	($18,403)
Non-controlling interest	**($34,754)**	**$29,538**	$3,244	$186	($5,054)

For the three months ended September 30	2020		2019		
	MRT	MRG	MRT	MRG	Temple
Cash provided by operating activities	**$15,481**	**$11,681**	$23,689	$11,141	$3,605
Cash provided by (used in) investing activities	**917**	**(6,762)**	2,624	(10,397)	(1,413)
Cash provided by (used in) financing activities	**(13,817)**	**(1,550)**	(30,526)	(4,824)	7,976
Net increase (decrease) in cash during the period	**$2,581**	**$3,369**	($4,213)	($4,080)	$10,168

For the nine months ended September 30	2020		2019		
	MRT	MRG	MRT	MRG	Temple
Revenue	**$186,269**	**$187,658**	$203,825	$184,353	$116,532
Expenses	**(137,733)**	**(160,710)**	(135,484)	(162,047)	(143,117)
Fair value gain (loss) on real estate properties, net	**(333,962)**	**74,228**	(45,210)	68,427	—
Fair value gain (loss) on Class B LP Units	**—**	**68,720**	—	(46,502)	—
Net income (loss) for the period	**($285,426)**	**$169,896**	$23,131	$44,231	($26,585)
Non-controlling interest	**($116,270)**	**$93,851**	$9,859	$24,422	($8,225)

For the nine months ended September 30	2020		2019		
	MRT	MRG	MRT	MRG	Temple
Cash provided by operating activities	**$29,705**	**$40,952**	$57,460	$37,385	$4,261
Cash provided by (used in) investing activities	**(18,317)**	**(20,613)**	(14,488)	15,099	(1,932)
Cash provided by (used in) financing activities	**(8,333)**	**(3,193)**	(43,150)	(48,903)	8,058
Net increase (decrease) in cash during the period	**$3,055**	**$17,146**	($178)	$3,581	$10,387

NOTE 4
REAL ESTATE PROPERTIES

Real estate properties consist of the following:

As at	September 30, 2020	December 31, 2019
Income producing properties	**$9,810,886**	$10,074,175
Properties under development	**50,917**	43,650
Land held for development	**87,583**	83,458
	$9,949,386	$10,201,283

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, 2019	**$10,074,175**	**$43,650**	**$83,458**	**$10,201,283**
Additions:				
Acquisitions	**2,848**	**—**	**—**	**2,848**
Capital expenditures	**26,686**	**—**	**—**	**26,686**
Development expenditures	**—**	**24,629**	**170**	**24,799**
Tenant improvements, incentives and leasing commissions	**11,957**	**—**	**—**	**11,957**
Transfers	**11,900**	**(17,900)**	**6,000**	**—**
Dispositions	**(40,185)**	**—**	**(5,192)**	**(45,377)**
Fair value gain (loss), net	**(361,856)**	**—**	**2,695**	**(359,161)**
Foreign currency translation	**82,653**	**538**	**452**	**83,643**
Other	**2,708**	**—**	**—**	**2,708**
Balance as at September 30, 2020	**$9,810,886**	**$50,917**	**$87,583**	**$9,949,386**

Transactions completed during the nine months ended September 30, 2020

Acquisitions

On September 11, 2020, the Company acquired an additional 12.8% interest in an office property, comprising 233,000 square feet located in Toronto, Ontario, for a net purchase price of $2,848, including closing costs.

Dispositions

On March 25, 2020, the Company sold its 50% interest in an industrial property, comprising 284,000 square feet located in Puslinch, Ontario, for gross proceeds of $38,577, including closing costs, and the purchaser assumed the mortgage secured by the property in the amount of $10,498. In addition, the Company's equity-accounted investment, MIL Industrial Fund II LP, sold its interest in the property (Note 6(a)).

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

Reconciliation of the carrying amounts for real estate properties for the year ended December 31, 2019, is set out below:

	Income Producing Properties	Properties Under Development	Land Held for Development	Total
Balance as at December 31, 2018	$9,511,302	$56,717	$77,577	$9,645,596
Additions:				
Acquisitions	320,061	—	—	320,061
Capital expenditures	60,555	—	—	60,555
Development expenditures	—	49,891	154	50,045
Tenant improvements, incentives and leasing commissions	18,207	—	—	18,207
Transfers	61,948	(61,948)	—	—
Transfer from equity-accounted investment (Note 6(a))	172,597	—	—	172,597
Dispositions	(89,342)	—	(494)	(89,836)
Adoption of IFRS 16	153,610	—	—	153,610
Fair value gain (loss), net	19,643	(61)	7,067	26,649
Foreign currency translation	(144,267)	(949)	(846)	(146,062)
Other	(10,139)	—	—	(10,139)
Balance as at December 31, 2019	$10,074,175	$43,650	$83,458	$10,201,283

Transactions completed during the year ended December 31, 2019

Acquisitions

The following table presents a summary of the Company's acquisitions and their purchase price, including transaction costs.

				At Ownership Interest		
Date of Acquisition	Ownership	Asset Type	Location	Apartment Suites	Commercial Square Feet	Purchase Price
May 22, 2019[1]	8.3%	Residential	Mississauga, ON	80	—	$—
July 24, 2019	100%	Office	Ottawa, ON	—	157,000	53,130
December 9, 2019	51%	Residential	Chicago, IL	352	—	180,237
December 19, 2019[2]	50%	Office	Mississauga, ON	—	398,500	86,694
				432	555,500	$320,061

(1) On May 22, 2019, the Company acquired partial interests in three multi-suite residential properties controlled by the Company located in Mississauga, Ontario, for gross proceeds of $15,628, including closing costs, and the Company assumed the partial interest of the mortgages secured by the properties amounting to $7,614.

(2) The total purchase price of the office acquisition is $96,138, including closing costs, of which $9,444 has been allocated to capital assets (Note 7) relating to owner occupied space, based on square feet.

Dispositions

The following table presents a summary of the Company's dispositions and their proceeds, including closing costs.

				At Ownership Interest			
Date of Disposition	Ownership	Asset Type	Location	Apartment Suites	Commercial Square Feet	Proceeds	Net Proceeds[1]
February, 1, 2019	100%	Residential	Shreveport, LA	194	—	$13,510	$6,530
March 19, 2019	100%	Residential	Lafayette, LA	192	—	15,062	5,645
March 19, 2019	100%	Residential	New Iberia, LA	148	—	8,208	2,274
March 27, 2019	100%	Residential	Gretna, LA	261	—	22,601	11,270
April 30, 2019	100%	Residential	Harahan, LA	48	—	4,428	1,576
June 21, 2019	100%	Industrial	Victoriaville, QC	—	10,000	90	90
July 31, 2019	50%	Industrial	Salaberry-de-Valleyfield, QC	—	242,521	15,914	15,914
December 30, 2019	100%	Retail	Alexandria, LA	—	167,500	10,023	10,023
				843	420,021	$89,836	$53,322

(1) Net of mortgage repayment ($11,331) and mortgages assumed by the purchaser ($25,183).

Capitalization Rates

As at September 30, 2020, and December 31, 2019, 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.

During March 2020, the outbreak of COVID-19 resulted in governments enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, closure of non-essential businesses, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. As at September 30, 2020, the duration and impact of the COVID-19 pandemic is unknown. The impact of COVID-19 on estimating fair values for the Company's properties at September 30, 2020, required judgment based on evolving facts and available information, particularly for the retail properties, which have experienced significantly lower collections and higher tenant failure rates. During the nine months ended September 30, 2020, the Company recorded a fair value loss relating to its retail properties of $367,975, predominantly due to an increase in capitalization rates at most of the Company's enclosed malls as well as assumptions on the collectability of rental revenue. In addition, it is not possible to estimate the long-term impacts COVID-19 will have on the Company's valuation of income producing properties as the length and severity of these developments are subject to significant uncertainty.

As at September 30, 2020, using the direct capitalization approach, the multi-suite residential, retail, office and industrial properties were valued using capitalization rates in the range of 3.5% to 9.0% (December 31, 2019 - 3.5% to 8.5%), resulting in an overall weighted average capitalization rate of 5.5% (December 31, 2019 - 5.5%).

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

As at	**September 30, 2020** Occupancy Rates		Capitalization Rates			December 31, 2019 Occupancy Rates		Capitalization Rates		
	Max.	**Min.**	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Max.	Min.	Weighted Average
Multi-suite residential	**98.0%**	**92.0%**	**6.8%**	**3.5%**	**4.5%**	98.0%	92.0%	6.8%	3.5%	4.5%
Retail	**99.0%**	**85.0%**	**9.0%**	**5.3%**	**7.0%**	100.0%	85.0%	8.5%	5.3%	6.5%
Office	**100.0%**	**90.0%**	**8.5%**	**4.3%**	**6.1%**	100.0%	90.0%	8.5%	4.3%	6.1%
Industrial	**100.0%**	**95.0%**	**6.8%**	**5.0%**	**5.4%**	100.0%	95.0%	6.8%	5.0%	5.2%

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

As at	**September 30, 2020** Maximum	Minimum	Weighted Average	December 31, 2019 Maximum	Minimum	Weighted Average
Retail						
Discount rate	**10.0%**	**6.0%**	**7.3%**	9.3%	6.0%	7.0%
Terminal cap rate	**9.0%**	**5.3%**	**6.2%**	8.5%	5.3%	5.9%
Office						
Discount rate	**8.0%**	**5.3%**	**6.4%**	8.0%	5.3%	6.5%
Terminal cap rate	**7.3%**	**4.3%**	**5.7%**	7.3%	4.3%	5.7%
Industrial						
Discount rate	**6.5%**	**6.0%**	**6.1%**	6.5%	6.0%	6.1%
Terminal cap rate	**6.0%**	**5.0%**	**5.4%**	6.0%	5.0%	5.4%

Fair values are most sensitive to changes in discount rates, capitalization rates and stabilized or forecast net operating income. Generally, an increase in stabilized net operating income will result in an increase in the fair value of the income producing properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in stabilized net operating income, with a lower capitalization rate resulting in a greater impact on the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rates were to increase or decrease by 25 basis points (assuming no change in stabilized net operating income), the value of the income producing properties as at September 30, 2020, would decrease by $429,498 and increase by $473,430, respectively.

The sensitivity of the fair values of the Company's income producing properties as at September 30, 2020, and December 31, 2019, is set out in the table below:

As at	**September 30, 2020**		December 31, 2019	
Change in capitalization rate:	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Multi-suite residential	**($257,403)**	**$287,152**	($246,954)	$275,369
Retail	**(74,039)**	**79,575**	(89,687)	96,807
Office	**(92,721)**	**100,847**	(89,194)	96,766
Industrial	**(5,335)**	**5,856**	(6,944)	7,649
	($429,498)	**$473,430**	($432,779)	$476,591

NOTE 5
HOTEL PROPERTIES

Hotel properties consist of the following:

As at September 30, 2020	**Cost**	**Accumulated Impairment Provision**	**Accumulated Amortization**	**Net Book Value**
Land	**$95,661**	**($2,407)**	**$—**	**$93,254**
Buildings	**587,261**	**(92,912)**	**(56,405)**	**437,944**
Furniture, fixtures, equipment and other	**109,981**	**(13,341)**	**(56,943)**	**39,697**
Right-of-use asset - land lease	**1,596**	**—**	**(101)**	**1,495**
	$794,499	**($108,660)**	**($113,449)**	**$572,390**

As at December 31, 2019	Cost	Accumulated Impairment Provision	Accumulated Amortization	Net Book Value
Land	$97,111	($2,407)	$—	$94,704
Buildings	591,227	(67,524)	(47,343)	476,360
Furniture, fixtures, equipment and other	110,904	(7,250)	(47,473)	56,181
Right-of-use asset - land lease	1,596	—	(58)	1,538
	$800,838	($77,181)	($94,874)	$628,783

Transactions in hotel properties for the nine months ended September 30, 2020, are summarized as follows:

As at September 30, 2020	**Opening Net Book Value**	**Additions**	**Impairment Provision**	**Dispositions**	**Amortization**	**Closing Net Book Value**
Land	**$94,704**	**$—**	**$—**	**($1,450)**	**$—**	**$93,254**
Buildings	**476,360**	**1,603**	**(25,388)**	**(5,096)**	**(9,535)**	**437,944**
Furniture, fixtures, equipment and other	**56,181**	**2,170**	**(6,091)**	**(1,526)**	**(11,037)**	**39,697**
Right-of-use asset - land lease	**1,538**	**—**	**—**	**—**	**(43)**	**1,495**
	$628,783	**$3,773**	**($31,479)**	**($8,072)**	**($20,615)**	**$572,390**

Transactions in hotel properties for the year ended December 31, 2019, are summarized as follows:

As at December 31, 2019	Opening Net Book Value	Adoption of IFRS 16	Additions	Impairment Provision	Dispositions	Amortization	Closing Net Book Value
Land	$94,704	$—	$—	$—	$—	$—	$94,704
Buildings	510,077	—	5,834	(21,142)	(4,982)	(13,427)	476,360
Furniture, fixtures, equipment and other	61,297	—	12,042	(1,781)	(960)	(14,417)	56,181
Right-of-use asset - land lease	—	2,280	—	—	(684)	(58)	1,538
	$666,078	$2,280	$17,876	($22,923)	($6,626)	($27,902)	$628,783

Transactions completed during the nine months ended September 30, 2020

Dispositions

On July 6, 2020, the Company sold a hotel located in Sydney, Nova Scotia, for gross proceeds of $10,763 (including a promissory note receivable of $500), resulting in aggregate net cash proceeds of $2,973 after deducting the repayment of first mortgage loan of $6,666 and working capital adjustments. On disposition the recoverable amount exceeded the carrying value of the property of $8,072, resulting in a gain of $2,067, including closing costs (Note 20).

Impairment Provision

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

During the nine months ended September 30, 2020, impairment indicators were identified including interruptions to business operations at certain hotel properties resulting from emergency measures enacted to combat COVID-19. Since the outbreak of COVID-19 in March 2020, 21 of the Company's hotel properties were subject to temporary closure of which three remain closed. A recoverability analysis was completed in accordance with the procedures specified by IFRS, which indicated that an impairment provision for the three and nine months ended September 30, 2020, of $7,588 and $31,479, respectively, should be recorded. The tables below provide details of first year net operating income (loss) and the discount rates used for valuing the hotel properties.

	Northwest Territories	Alberta	Saskatchewan	Ontario	Nova Scotia
Recoverable amount	$8,800	$56,200	$51,500	$38,850	$44,800
Impairment provision	$1,550	$13,667	$8,407	$4,024	$3,831
Cumulative impairment provision	$1,550	$46,234	$35,937	$4,024	$3,831
Projected first year net operating loss	($248)	($2,951)	($2,097)	($1,172)	($1,471)
Discount rate (range)	9.3%	9.3% - 11.8%	9.8% - 10.8%	7.3% - 8.8%	9.3%

During the year ended December 31, 2019, impairment indicators were identified including decreases in occupancy at certain hotel properties. A recoverability analysis was completed in accordance with the procedures specified by IFRS, which indicated that an impairment provision of $22,923 should be recorded. The table below provide details of first year net operating income (loss) and the discount rates used for valuing the hotel properties.

	Alberta	Saskatchewan
Recoverable amount	$49,090	$8,900
Impairment provision	$19,648	$3,275
Cumulative impairment provision	$30,477	$7,207
Projected first year net operating income	$947	$125
Discount rate (range)	9.3% - 12.0%	9.5%

NOTE 6

EQUITY-ACCOUNTED AND OTHER FUND INVESTMENTS

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

As at	September 30, 2020	December 31, 2019
Joint ventures	**$50,428**	$53,118
Associates	**79,392**	85,835
Equity-accounted investments	**129,820**	138,953
Other real estate fund investments	**110,680**	109,712
Equity-accounted and other fund investments	**$240,500**	$248,665

The following are the Company's significant equity-accounted investments as at September 30, 2020, and December 31, 2019:

				Company's Ownership		Carrying Value	
Property/Investment	Principal Place of Business	Investment Type	Asset Type	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Petroleum Plaza	Edmonton, AB	Joint Venture	Office	**50.0%**	50.0%	**$21,898**	$23,705
Quinte Courthouse	Belleville, ON	Joint Venture	Office	**50.0%**	50.0%	**2,931**	2,994
Greypoint Capital L.P.[1]	Toronto, ON	Joint Venture	Other	**22.5%**	22.6%	**11,905**	12,028
Courtyard by Marriott	Ottawa, ON	Joint Venture	Hotel	**50.0%**	50.0%	**8,902**	9,595
Marriott Residence Inn	London, ON	Joint Venture	Hotel	**50.0%**	50.0%	**4,792**	4,796
Sunset & Gordon	Los Angeles, CA	Associate	Residential	**59.1%**	59.1%	**65,166**	63,803
MIL Industrial Fund II LP[2][3]	Various	Associate	Industrial	**18.8%**	18.8%	**14,226**	22,032
						$129,820	$138,953

(1) Comprises an investment in Greypoint Capital L.P. of 36.4% and Greypoint Capital L.P. II of 17.1%.
(2) The Company accounts for its investment using the equity method since the Company has the ability to exercise significant influence as a result of its role as general partner; however, it does not control the fund.
(3) The fund disposed of its 50% interest in one industrial property on March 25, 2020, for net proceeds of $28,079 (Note 4).

Equity-accounted investments

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

As at	September 30, 2020	December 31, 2019
Balance, beginning of period	**$138,953**	$177,480
Additions	**10,416**	64,914
Transfer[1]	**—**	(63,504)
Share of net loss	**(8,312)**	(28,825)
Distributions received	**(12,874)**	(6,778)
Foreign exchange gain (loss)	**1,637**	(4,334)
Balance, end of period	**$129,820**	$138,953

(1) The Company acquired the 51% interest not already owned in the Marquee at Block 37 on December 9, 2019, at which point the carrying value of the 49% interest was transferred to each respective balance sheet line item including: income producing properties $172,597 (Note 4) and mortgages payable $109,189.

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

As at	September 30, 2020			December 31, 2019		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Non-current assets	**$187,815**	**$333,353**	**$521,168**	$193,504	$354,148	$547,652
Current assets	**59,049**	**11,874**	**70,923**	63,988	12,237	76,225
Total assets	**$246,864**	**$345,227**	**$592,091**	$257,492	$366,385	$623,877
Non-current liabilities	**$62,862**	**$43,047**	**$105,909**	$64,007	$32,584	$96,591
Current liabilities	**53,740**	**117,497**	**171,237**	56,967	108,861	165,828
Total liabilities	**$116,602**	**$160,544**	**$277,146**	$120,974	$141,445	$262,419
Net assets	**$130,262**	**$184,683**	**$314,945**	$136,518	$224,940	$361,458
Equity-accounted investments	**$50,428**	**$79,392**	**$129,820**	$53,118	$85,835	$138,953

For the three months ended September 30	2020			2019		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Revenue	**$7,006**	**$2,217**	**$9,223**	$9,185	$9,951	$19,136
Expenses	**(4,327)**	**(1,214)**	**(5,541)**	(6,089)	(7,750)	(13,839)
Fair value loss on real estate properties, net	**(2,156)**	**(4,914)**	**(7,070)**	(1,094)	(75,817)	(76,911)
Net income (loss) for the period	**$523**	**($3,911)**	**($3,388)**	$2,002	($73,616)	($71,614)
Income (loss) in equity-accounted investments	**($68)**	**($2,566)**	**($2,634)**	$782	($29,230)	($28,448)

For the nine months ended September 30	2020			2019		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Revenue	**$21,943**	**$7,102**	**$29,045**	$26,079	$29,371	$55,450
Expenses	**(14,165)**	**(3,639)**	**(17,804)**	(17,730)	(26,188)	(43,918)
Fair value loss on real estate properties, net	**(6,058)**	**(10,709)**	**(16,767)**	(14,200)	(76,134)	(90,334)
Net income (loss) for the period	**$1,720**	**($7,246)**	**($5,526)**	($5,851)	($72,951)	($78,802)
Income (loss) in equity-accounted investments	**($157)**	**($8,155)**	**($8,312)**	($3,272)	($28,388)	($31,660)

(b) Income Recognized from Other Fund Investments:

Other Real Estate Fund Investments

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Distribution income	**$135**	$713	**$237**	$2,181
Fair value gain (loss) for the period (Note 19)	**(4,690)**	(215)	**(4,698)**	4,115
Income (loss) from other real estate fund investments	**($4,555)**	$498	**($4,461)**	$6,296

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

NOTE 7
OTHER ASSETS

Other assets consist of the following:

As at	September 30, 2020	December 31, 2019
Accrued pension benefit asset	**$41,677**	$83,554
Goodwill	**24,488**	24,488
Capital assets, net	**19,872**	20,435
Right-of-use asset - office lease	**2,108**	2,603
Intangible assets, net	**33,679**	36,501
Inventory	**2,826**	3,016
Inventory - development properties	**451**	451
Finance lease receivable	**57,036**	56,574
Investment in marketable securities	**98,505**	142,911
Restricted cash	**28,933**	30,449
Other	**2,757**	3,036
	$312,332	$404,018

NOTE 8
AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

As at	September 30, 2020	December 31, 2019
Tenant receivables	**$51,271**	$17,487
Unbilled other tenant receivables	**9,423**	12,639
Receivables from related parties (Note 21(c))	**5,475**	5,504
Income taxes receivable	**4,218**	8,120
Other receivables	**43,031**	37,040
Allowance for expected credit loss (“ECL”)	**(12,515)**	(2,719)
	$100,903	$78,071
Canada Emergency Commercial Rent Assistance (“CECRA”)	**4,389**	—
Canada Emergency Wage Subsidy (“CEWS”)	**15,491**	—
	$120,783	$78,071

Allowance for expected credit loss

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.

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the same periods that the related costs, for which it is intended to compensate, are expensed. The Company has chosen to present grants received as a deduction of the related expense.

(a) Canada Emergency Commercial Rent Assistance

The Government of Canada has partnered with the provincial governments to deliver the CECRA program. The program is intended to provide relief for small businesses and commercial landlords who are experiencing financial difficulties during the COVID-19 pandemic.

Over the course of the program, property owners will reduce rent by at least 75% for the months of April through September 2020 for their small business tenants. The Government of Canada, via a forgivable loan, will cover 50% of the rent, with the tenant paying up to 25% and the landlord forgiving at least 25%. The interest-free loans will be forgiven on December 31, 2020, if the property owner agrees to terms, including reducing the small business tenants’ rent by at least 75% under a rent reduction agreement and the landlord must follow the terms and conditions of the loan, including complying with the rent reduction agreement and ensuring the attestation and application (including supporting documentation) is accurate and truthful. The Company is currently finalizing the applications under the CECRA program.

The Company applied judgement that best reflects the economic substance of the assistance to determine that a lease modification relating to the CECRA program does not represent a substantial lease modification and has been remeasured by the application of IFRS 9. As such, the change in future cash flows is a remeasurement event resulting in a gain or loss within profit or loss.

During the third quarter of 2020, the Company filed CECRA applications for 634 tenants, comprising the landlord's portion and the Government of Canada's loan forgiveness portion. The loan amount to be forgiven was recorded as a deduction or offset to bad debt expense, representing approximately 50% of rent payable by eligible small business tenants during the months of April through September 2020.

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Total CECRA applications	**$8,544**	$—	**$15,150**	$—
Government of Canada loan forgiveness	**(5,696)**	—	**(10,100)**	—
Landlord portion, net bad debt expense	**$2,848**	$—	**$5,050**	$—

(b) Canada Emergency Wage Subsidy

On April 11, 2020, the Canada Emergency Wage Subsidy was enacted, which provides a subsidy for each employee employed between March 15 to June 6, 2020. Subsequently, the Government of Canada extended CEWS to December 19, 2020 and announced its intention to further extend the program until June 2021. The subsidy for the claim periods ending on July 4, 2020 is equal to 75% of an employee's weekly remuneration, up to a maximum of $847 (in actual dollars) per week per employee and the subsidy rate varies, depending on the decline in revenue for subsequent claim periods. A company, or a group of companies under common control, will become eligible for the program if they've experienced a reduction in revenue during the qualification period.

The Company and associated related party group under common control with the Company, including Morguard's parent company, Paros Enterprises Limited, have satisfied certain eligibility criteria, including (among others) a significant decline in revenue due to the temporary closures of non-essential services. The Company will continue to assess its eligibility to December 19, 2020.

For the three months ended September 30, 2020, the Company recorded $7,526 as a deduction of the related expense, of which $713, $5,148 and $1,665 is a deduction of property operating costs, hotel operating expenses and property management and corporate expenses, respectively.

For the nine months ended September 30, 2020, the Company recorded $20,946 as a deduction of the related expense, of which $4,837, $9,603 and $6,506 is a deduction of property operating costs, hotel operating expenses and property management and corporate expenses, respectively.

NOTE 9

MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at	September 30, 2020	December 31, 2019
Mortgages payable	**$4,407,357**	$4,375,947
Mark-to-market adjustments, net	**8,315**	11,948
Deferred financing costs	**(20,540)**	(22,616)
	$4,395,132	$4,365,279
Current	**$610,658**	$583,611
Non-current	**3,784,474**	3,781,668
	$4,395,132	$4,365,279
Range of interest rates	**2.03 - 7.08%**	2.25 - 8.95%
Weighted average contractual interest rate	**3.67%**	3.80%
Estimated fair value of mortgages payable	**$4,669,917**	$4,406,348

The aggregate principal repayments and balances maturing of the mortgages payable as at September 30, 2020, 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
2020 (remainder of year)	$27,921	$293,352	$321,273	4.92%
2021	110,124	382,300	492,424	4.07%
2022	107,711	399,210	506,921	3.52%
2023	85,074	651,764	736,838	3.57%
2024	72,130	324,242	396,372	3.75%
Thereafter	225,159	1,728,370	1,953,529	3.48%
	$628,119	$3,779,238	$4,407,357	3.67%

The Company's first mortgages are registered against specific real estate assets and hotel properties. As at September 30, 2020, mortgages payable mature between 2020 and 2058 and have a weighted average term to maturity of 4.8 years (December 31, 2019 - 5.1 years) and approximately 97% of the Company's mortgages have fixed interest rates.

As at September 30, 2020, approximately 91% of the Company's real estate and hotel properties, and related rental revenue have been pledged as collateral for the mortgages payable.

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 September 30, 2020, and December 31, 2019, the Company was not in compliance with five debt ratio covenants affecting five mortgage loans, all of which are secured by hotel properties amounting to $143,054 (December 31, 2019 - $80,877). None of the lenders have demanded payment of the mortgage loans. However, IFRS requires that the loan balance of mortgages payable in breach of debt covenants be included in the current portion of mortgages payable. As a result, the current portion of debt includes $91,410 scheduled to retire after September 30, 2021.

NOTE 10
UNSECURED DEBENTURES

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

As at	Maturity Date	Coupon Interest Rate	September 30, 2020	December 31, 2019
Series B senior unsecured debentures	November 18, 2020	4.013%	**$200,000**	$200,000
Series C senior unsecured debentures	September 15, 2022	4.333%	**200,000**	200,000
Series D senior unsecured debentures	May 14, 2021	4.085%	**200,000**	200,000
Series E senior unsecured debentures	January 25, 2024	4.715%	**225,000**	225,000
Series F senior unsecured debentures	November 27, 2024	4.204%	**225,000**	225,000
Series G senior unsecured debentures	September 28, 2023	4.402%	**175,000**	—
Unamortized financing costs			**(3,222)**	(3,556)
			$1,221,778	$1,046,444
Current			**$399,718**	$199,778
Non-current			**822,060**	846,666
			$1,221,778	$1,046,444

On November 18, 2016, the Company issued $200,000 (net proceeds including issuance costs - $199,198) of Series B senior unsecured debentures due on November 18, 2020. Interest on the Series B senior unsecured debentures is payable semi-annually, not in advance, on May 18 and November 18 of each year. The Company has the option to redeem the Series B 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 0.785%.

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

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

On January 25, 2019, the Company issued $225,000 (net proceeds including issuance costs - $223,575) of Series E senior unsecured debentures due on January 25, 2024. Interest on the Series E senior unsecured debentures is payable semi-annually, not in advance, on January 25 and July 25 of each year, commencing on July 25, 2019. 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, commencing on May 27, 2020. The Company has the option to redeem the Series F senior unsecured debentures at a redemption price equal to the greater of the Canada Yield Price or par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada Bond Yield with an equal term to maturity plus a spread of 0.675%.

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

For the three and nine months ended September 30, 2020, interest on the Unsecured Debentures of $11,357 (2019 - $8,941) and $33,699 (2019 - $25,804), respectively, is included in interest expense (Note 18).

NOTE 11
CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

As at	Maturity Date	Conversion Price	Coupon Interest Rate	Principal Balance	Principal Owned by the Company	September 30, 2020	December 31, 2019
Morguard REIT	December 31, 2021	$20.40	4.50%	$175,000	$60,000	**$113,653**	$112,105
Morguard Residential REIT(1)	March 31, 2023	20.20	4.50%	$85,500	$5,000	**79,220**	81,398
						$192,873	$193,503

(1) As at September 30, 2020, the liability includes the fair value of the conversion option of $810 (December 31, 2019 - $3,472).

Morguard REIT

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

Morguard Residential REIT

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

For the three and nine months ended September 30, 2020, interest on convertible debentures net of accretion of $2,461 (2019 - $2,455) and $7,332 (2019 - $9,640), respectively, is included in interest expense (Note 18).

NOTE 12

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.

On August 28, 2019, Morguard Residential REIT completed an offering for 5,226,200 Units sold for a price of $19.75 per Unit for aggregate gross proceeds of $103,217. The net proceeds after underwriters' commission and other closing costs totalling $3,626, were $99,591. The Company purchased 1,269,000 of the Units offered amounting to $25,063.

As at September 30, 2020, the Company valued the non-controlling interest in the Morguard Residential REIT Units at $405,402 (December 31, 2019 - $516,462) 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 September 30, 2020 of $2,897 (2019 - $36,031) and a fair value gain for the nine months ended September 30, 2020 of $95,234 (2019 - loss of $76,119), in the consolidated statements of income (loss) (Note 19).

The components of the fair value gain (loss) on Morguard Residential REIT Units are as follows:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Fair value gain (loss) on Morguard Residential REIT Units	**$2,537**	($30,987)	**$111,527**	($61,886)
Distributions to external Unitholders (Note 3)	**(5,434)**	(5,044)	**(16,293)**	(14,233)
Fair value gain (loss) on Morguard Residential REIT Units	**($2,897)**	($36,031)	**$95,234**	($76,119)

NOTE 13
LEASE LIABILITIES

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

As at	September 30, 2020	December 31, 2019
Balance, beginning of period	**$166,144**	$9,754
Adoption of IFRS 16	**—**	161,614
Interest on lease liabilities (Note 18)	**7,093**	9,679
Payments	**(8,377)**	(11,778)
Additions	**—**	725
Dispositions	**—**	(684)
Extinguishment[1]	**—**	(2,664)
Foreign exchange loss (gain)	**292**	(502)
Balance, end of period	**$165,152**	$166,144
Current (Note 14)	**$1,788**	$1,703
Non-current	**163,364**	164,441
	$165,152	$166,144
Weighted average borrowing rate	**5.72%**	5.72%

[1] On December 19, 2019, the Company acquired the remaining 50% interest in the underlying property where the Company has an office lease (Note 4). Since the property is now 100% owned, the lease liability and right-of-use asset (office lease) relating to the 50% interest previously not owned by the Company have been extinguished.

Future minimum lease payments under lease liabilities are as follows:

As at	September 30, 2020	December 31, 2019
Within 12 months	**$11,152**	$11,127
2 to 5 years	**42,881**	43,335
Over 5 years	**356,672**	364,195
Total minimum lease payments	**$410,705**	$418,657
Less: future interest costs	**(245,553)**	(252,513)
Present value of minimum lease payments	**$165,152**	$166,144

NOTE 14
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	September 30, 2020	December 31, 2019
Accounts payable and accrued liabilities	**$228,191**	$185,904
Tenant deposits	**28,811**	27,850
Stock appreciation rights (“SARs”) liability	**8,947**	24,525
Lease liability (Note 13)	**1,788**	1,703
Other	**1,055**	2,691
	$268,792	$242,673

NOTE 15
BANK INDEBTEDNESS

As at September 30, 2020, the Company has operating lines of credit totalling $516,500 (December 31, 2019 - $374,000), the majority of which can be borrowed in either Canadian or United States dollars and are subject to floating interest rates based on bankers’ acceptance or LIBOR rates. As at September 30, 2020, the maximum amount that can be borrowed on the operating lines of credit is $507,758 (December 31, 2019 - $356,169), which includes deducting issued letters of credit in the amount of $8,742 (December 31, 2019 - $13,790) 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 September 30, 2020, the Company had borrowed $49,895 (December 31, 2019 - $101,100) on its operating lines of credit.

During the three months ended June 30, 2020, the Company amended bank credit agreements under two of its existing credit facilities to provide for an additional availability of $100,000 and to allow for a higher margin calculation.

The bank credit agreements include certain restrictive undertakings by the Company. As at September 30, 2020, other than as described above, the Company is in compliance with all undertakings.

NOTE 16

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, 2018	11,294	$102,436
Common shares repurchased through the Company's NCIB	(11)	(100)
Dividend reinvestment plan	—	90
Balance, December 31, 2019	11,283	$102,426
Common shares repurchased through the Company's NCIB	**(131)**	**(1,191)**
Dividend reinvestment plan	**—**	**73**
Balance, September 30, 2020	**11,152**	**$101,308**

The Company had the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 564,117 common shares. The program expired on September 21, 2020. On September 17, 2020, the Company obtained the approval of the TSX under its NCIB to purchase up to 557,812 common shares, being approximately 5% of the issued and outstanding common shares, and the program expires on September 21, 2021. The daily repurchase restriction for the common shares is 1,000. During the nine months ended September 30, 2020, 131,131 common shares were purchased for cash consideration of $17,986 at a weighted average price of $137.16 per common share.

Total dividends declared during the three and nine months ended September 30, 2020 amounted to $1,676, or $0.15 per common share (2019 - $1,695, or $0.15 per common share) and $5,050, or $0.45 per common share (2019 - $5,080, or $0.45 per common share), respectively. On November 5, 2020, the Company declared a common share dividend of $0.15 per common share to be paid in the fourth quarter of 2020.

(b) Contributed Surplus

During the nine months ended September 30, 2020, the Company acquired 20,668,856 common shares of Temple for cash consideration of $44,149. The difference between the cash consideration and the carrying value of the non-controlling interest acquired for the nine months ended September 30, 2020, amounted to $23,235 and the amount has been recorded within retained earnings.

During the nine months ended September 30, 2019, Temple issued 50,044,658 common shares through two rights offering in aggregate amounting to net proceeds of $80,902, of which, the Company acquired 39,807,004 common shares of Temple for cash consideration of $64,972. The non-controlling interest share relating to Temple's rights offerings, net of transaction costs, amounted to $15,930. The difference between the cash consideration and the carrying value of the non-controlling interest share amounted to $2,498 and the amount has been recorded within retained earnings.

During the three and nine months ended September 30, 2019, Temple purchased for cancellation 7,200 common shares for cash consideration of $13 and the amount has been recorded within retained earnings.

During the three months ended September 30, 2020, the Company acquired 902,225 Units of Morguard REIT (2019 – nil Units) under its distribution reinvestment program for non-cash consideration of $4,463 (2019 - $nil) and for the nine months ended September 30, 2020, the Company acquired 2,284,113 of Morguard REIT (2019 – nil Units) for non-cash consideration of $11,657 (2019 - $nil). The difference between the non-cash consideration and the carrying value of the non-controlling interest acquired for the three months ended September 30, 2020 amounted to $5,590 (2019 - $nil) and for the nine months ended September 30, 2020 amounted to $15,515 (2019 - $nil) and the amounts have been recorded within retained earnings.

During the three months ended September 30, 2020, the Company acquired nil Units of Morguard REIT (2019 – nil Units) for cash consideration of $nil (2019 - $nil) and for the nine months ended September 30, 2020, the Company acquired nil Units of Morguard REIT (2019 – 338,048 Units) for cash consideration of $nil (2019 - $4,008). The difference between the cash consideration and the carrying value of the non-controlling interest acquired for the three months ended September 30, 2020 amounted to $nil (2019 - $nil) and for the nine months ended September 30, 2020 amounted to $nil (2019 - $3,544) and the amounts have been recorded within retained earnings.

(c) Stock Appreciation Rights Plan

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

As at September 30, 2020

Date of Grant	Exercise Price	Issued	Redeemed	Cancelled	Outstanding
March 20, 2008	$30.74	200,000	(66,000)	(61,500)	72,500
November 2, 2010	$43.39	55,000	(7,000)	(8,000)	40,000
May 13, 2014	$137.90	25,000	(2,000)	(8,000)	15,000
May 13, 2015	$153.82	10,000	—	—	10,000
January 11, 2017	$179.95	90,000	(1,500)	(3,500)	85,000
May 18, 2018	$163.59	125,000	—	—	125,000
August 8, 2018	$168.00	20,000	—	—	20,000
November 8, 2018	$184.00	10,000	—	—	10,000
Total		**535,000**	**(76,500)**	**(81,000)**	**377,500**

During the three and nine months ended September 30, 2020, the Company recorded a fair value adjustment to reduce compensation expense of $3,073 (2019 - increase in compensation expense of $3,866) and $13,993 (2019 - increase compensation expense of $6,566), respectively. The expense 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 14).

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 September 30, 2020: a dividend yield of 0.57% (2019 - 0.29%), expected volatility of approximately 28.99% (2019 - 21.70%) and the 10-year Bank of Canada Bond Yield of 0.57% (2019 - 1.39%).

(d) Accumulated Other Comprehensive Income

As at September 30, 2020, and December 31, 2019, accumulated other comprehensive income consists of the following amounts:

As at	September 30, 2020	December 31, 2019
Actuarial gain on defined benefit pension plans	**$18,826**	$49,410
Unrealized foreign currency translation gain	**203,898**	158,494
	$222,724	$207,904

NOTE 17
REVENUE

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Rental income	**$121,577**	$120,268	**$375,060**	$361,834
Realty taxes and insurance	**35,190**	34,775	**106,719**	103,027
Common area maintenance recoveries	**21,506**	24,474	**68,858**	77,005
Property management and ancillary income	**38,433**	35,736	**112,812**	109,320
	$216,706	$215,253	**$663,449**	$651,186

The components of revenue from hotel properties are as follows:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Room revenue	**$17,777**	$52,526	**$59,494**	$141,656
Other hotel revenue	**4,003**	12,999	**18,922**	42,695
	$21,780	$65,525	**$78,416**	$184,351

The components of management and advisory fees are as follows:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Property and asset management fees	**$8,039**	$9,704	**$25,737**	$29,176
Other fees	**1,303**	4,206	**5,883**	8,815
	$9,342	$13,910	**$31,620**	$37,991

NOTE 18
INTEREST EXPENSE

The components of interest expense are as follows:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Interest on mortgages	**$40,613**	$40,703	**$122,599**	$123,206
Interest on Unsecured Debentures (Note 10)	**11,357**	8,941	**33,699**	25,804
Interest on convertible debentures, net of accretion (Note 11)	**2,461**	2,455	**7,332**	9,640
Interest on bank indebtedness	**1,028**	1,984	**4,396**	3,990
Interest on loans payable and other	**301**	659	**1,405**	2,162
Interest on lease liabilities (Note 13)	**2,356**	2,411	**7,093**	7,254
Amortization of mark-to-market adjustments on mortgages, net	**(1,148)**	(1,347)	**(3,633)**	(4,199)
Amortization of deferred financing costs	**1,916**	1,779	**6,642**	5,413
Loss on extinguishment of mortgages payable	**—**	—	**—**	561
	58,884	57,585	**179,533**	173,831
Less: Interest capitalized to properties under development	**(164)**	(108)	**(489)**	(423)
	$58,720	$57,477	**$179,044**	$173,408

NOTE 19
FAIR VALUE GAIN (LOSS), NET

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Fair value gain (loss) on real estate properties, net (Note 4)	**($95,300)**	($4,787)	**($359,161)**	$59,482
Financial assets (liabilities):				
Fair value gain (loss) on conversion option of MRG convertible debentures (Note 11)	**194**	(2,157)	**2,662**	(3,383)
Fair value gain (loss) on MRG Units (Note 12)	**(2,897)**	(36,031)	**95,234**	(76,119)
Fair value gain (loss) on other real estate fund investments (Note 6(b))	**(4,690)**	(215)	**(4,698)**	4,115
Fair value gain (loss) on investment in marketable securities	**307**	13,033	**(47,747)**	16,018
Total fair value gain (loss), net	**($102,386)**	($30,157)	**($313,710)**	$113

NOTE 20
OTHER INCOME (EXPENSE)

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Foreign exchange gain (loss)	**$492**	$645	**$474**	($2,144)
Gain on sale of hotel property (Note 5)	**2,067**	—	**2,067**	508
Other income (expense)	**(306)**	565	**(1,423)**	1,885
	$2,253	$1,210	**$1,118**	$249

NOTE 21
RELATED PARTY TRANSACTIONS

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

(a) Paros Enterprises Limited ("Paros")

Paros is the majority shareholder and ultimate parent of the Company. Paros is owned by the Company's Chairman and Chief Executive Officer, Mr. K. Rai Sahi. The Company entered into a demand loan agreement with Paros that provides for the Company to borrow up to $22,000. The total loan payable outstanding from Paros as at September 30, 2020 was $nil (December 31, 2019 - $nil). During the three and nine months ended September 30, 2020, the Company incurred net interest expense of $nil (2019 - $nil) and $nil (2019 - $30), respectively.

(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 and nine months ended September 30, 2020, the Company received a management fee of $327 (2019 - $326) and $988 (2019 - $979), respectively, and paid rent and operating expenses of $168 (2019 - $166) and $496 (2019 - $511), respectively.

The Company has a revolving demand loan agreement with TWC that provides for either party to borrow up to $50,000 at either the prime rate or the bankers' acceptance rate plus applicable stamping fees. The total loan payable as at September 30, 2020 was $nil (December 31, 2019 - $33,679). During the three and nine months ended September 30, 2020, the Company paid net interest of $96 (2019 - $386) and $408 (2019 - $1,186), respectively.

(c) Share/Unit Purchase and Other Loans

As at September 30, 2020, share/Unit purchase and other loans to officers and employees of the Company and its subsidiaries of $5,475 (December 31, 2019 - $5,504) are outstanding. The loans are collateralized by their common shares of the Company, Units of Morguard REIT and Units of Morguard Residential REIT and are interest-bearing computed at the Canadian prime interest rate and are due on January 10, 2024. Other loans are secured against the underlying asset. The loans are classified as amounts receivable in the consolidated balance sheets. As at September 30, 2020, the fair market value of the common shares/Units held as collateral is $53,353.

NOTE 22
INCOME TAXES

(a) Tax Provision

For the three and nine months ended September 30, 2020, the Company recorded an income tax recovery of $10,801 (2019 - provision for $3,587) and $39,230 (2019 - provision for $28,475), respectively.

(b) Unrecognized Deductible Temporary Differences

As at September 30, 2020, the Company's U.S. subsidiaries have total net operating losses of US$102,710 (December 31, 2019 - US$81,266) of which no deferred tax assets were recognized in respect of US$77,454 (December 31, 2019 - US$68,362) net operating losses as it is not probable that taxable income will be available against which the deductible temporary difference can be utilized. The net operating losses expire in varying years commencing 2030.

As at September 30, 2020, the Company's Canadian subsidiaries have total net operating losses of $217,244 (December 31, 2019 - $205,433) of which no deferred tax assets were recognized as it is not probable that taxable income will be available against which they can be utilized. These losses expire in various years commencing 2022. As at September 30, 2020, the Company has other Canadian temporary differences for which no deferred tax asset was recognized of $72,230 (December 31, 2019 - $43,952). These other temporary differences have no expiration date.

(c) Recognized Deductible Temporary Differences

As at September 30, 2020, the Company's U.S. subsidiaries have total net operating losses of US$25,256 (December 31, 2019 - US$12,904) of which deferred tax assets were recognized. These net operating losses have no expiration date.

As at September 30, 2020, the Company's U.S. subsidiaries have total unutilized interest expense deductions of US$2,896 (December 31, 2019 - US$14,329) of which deferred tax assets were recognized.

NOTE 23
NET INCOME (LOSS) PER COMMON SHARE

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Net income (loss) attributable to common shareholders	**($4,606)**	($1,180)	**($36,590)**	$102,028
Weighted average number of common shares outstanding (000s) - basic and diluted	**11,203**	11,283	**11,236**	11,286
Net income (loss) per common share - basic and diluted	**($0.42)**	($0.10)	**($3.26)**	$9.04

NOTE 24
CONSOLIDATED STATEMENTS OF CASH FLOWS
(a) Items Not Affecting Cash

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Fair value loss (gain) on real estate properties, net	**$84,864**	($3,890)	**$370,243**	($49,330)
Fair value loss (gain) on conversion option of MRG convertible debentures (Note 19)	**(194)**	2,157	**(2,662)**	3,383
Fair value loss (gain) on MRG Units (Note 12)	**(2,537)**	30,987	**(111,527)**	61,886
Fair value loss (gain) on other real estate investment funds (Note 19)	**4,690**	215	**4,698**	(4,115)
Fair value loss (gain) on investment in marketable securities (Note 19)	**(307)**	(13,033)	**47,747**	(16,018)
Equity loss (income) from investments	**2,634**	28,448	**8,312**	31,660
Amortization of hotel properties	**6,610**	6,798	**20,615**	20,358
Amortization of capital assets and other	**1,964**	2,044	**5,949**	6,123
Amortization of deferred financing costs (Note 18)	**1,916**	1,779	**6,642**	5,413
Amortization of mark-to-market adjustments on mortgages, net (Note 18)	**(1,148)**	(1,347)	**(3,633)**	(4,199)
Loss on extinguishment of mortgages payable (Note 18)	**—**	—	**—**	561
Amortization of tenant incentive	**674**	553	**1,951**	1,486
Stepped rent - adjustment for straight-line method	**(522)**	468	**(258)**	345
Deferred income taxes	**(11,155)**	641	**(49,306)**	20,786
Accretion of convertible debentures	**246**	231	**754**	2,284
Gain on sale of hotel property (Note 20)	**(2,067)**	—	**(2,067)**	(508)
Provision for impairment	**7,588**	19,059	**31,479**	19,059
	$93,256	$75,110	**$328,937**	$99,174

(b) Net Change in Operating Assets and Liabilities

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Amounts receivable	**($10,103)**	$10,664	**($44,655)**	$5,111
Prepaid expenses and other	**(6,953)**	(1,292)	**(19,188)**	(24,304)
Accounts payable and accrued liabilities	**15,949**	(4,611)	**12,803**	2,486
Net change in operating assets and liabilities	**($1,107)**	$4,761	**($51,040)**	($16,707)

(c) Supplemental Cash Flow Information

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Interest paid	**$54,417**	$56,881	**$169,958**	$172,291
Interest received	**622**	1,506	**1,578**	4,178
Income taxes paid	**2,496**	4,101	**7,475**	18,492

During the three and nine months ended September 30, 2020, the Company issued non-cash dividends under the distribution reinvestment plan of $26 (2019 - $24) and $73 (2019 - $70), respectively.

(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	$4,365,279	$1,046,444	$193,503	$166,144	$33,679	$101,100	$5,906,149
Repayments	(82,794)	—	—	(1,284)	(35,234)	(350,059)	(469,371)
New financing, net	281,582	174,303	—	—	—	298,854	754,739
Lump-sum repayments	(190,169)	—	—	—	—	—	(190,169)
Non-cash changes	(16,465)	1,031	(630)	—	—	—	(16,064)
Foreign exchange	37,699	—	—	292	1,555	—	39,546
Balance, September 30, 2020	$4,395,132	$1,221,778	$192,873	$165,152	$—	$49,895	$6,024,830

NOTE 25
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 26

MANAGEMENT OF CAPITAL

Refer to the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2019, for an explanation of the Company's capital management policy.

The total managed capital for the Company as at September 30, 2020, and December 31, 2019, is summarized below:

As at	September 30, 2020	December 31, 2019
Mortgages payable, principal balance	**$4,407,357**	$4,375,947
Unsecured Debentures, principal balance	**1,225,000**	1,050,000
Convertible debentures, principal balance	**195,500**	195,500
Loans payable	**—**	33,679
Bank indebtedness	**49,895**	101,100
Lease liabilities	**165,152**	166,144
Shareholders' equity	**3,493,876**	3,548,906
	$9,536,780	$9,471,276

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, Morguard REIT and Temple (until the Company's privatization of Temple on February 18, 2020) 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 27

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer to the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2019, 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 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 September 30, 2020, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at September 30, 2020, of the mortgages payable before deferred financing costs and mark-to-market adjustments is estimated at $4,669,917 (December 31, 2019 - $4,406,348), compared with the carrying value of $4,407,357 (December 31, 2019 - $4,375,947). 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 September 30, 2020, the fair value of the Unsecured Debentures has been estimated at $1,225,772 (December 31, 2019 - $1,070,033) compared with the carrying value of $1,225,000 (December 31, 2019 - $1,050,000).

The fair value of the convertible debentures liability is based on their market trading prices (Level 1). As at September 30, 2020, the fair value of the convertible debentures before deferred financing costs has been estimated at $187,917 (December 31, 2019 - $202,838), compared with the carrying value of $195,500 (December 31, 2019 - $195,500).

The fair value of the finance lease receivable is determined by discounting the cash flows of the finance lease receivable using September 30, 2020, market rates for debt on similar terms (Level 3). Based on these assumptions, as at September 30, 2020, the fair value of the finance lease receivable has been estimated at $57,036 (December 31, 2019 - $56,574).

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

	September 30, 2020			December 31, 2019		
As at	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$9,949,386**	$—	$—	$10,201,283
Investments in marketable securities	**98,505**	**—**	**—**	142,911	—	—
Investments in real estate funds	**—**	**—**	**110,680**	—	—	109,712
Financial liabilities:						
Morguard Residential REIT Units	**—**	**405,402**	**—**	—	516,462	—
Conversion option on MRG convertible debentures	**—**	**810**	**—**	—	3,472	—

NOTE 28
SEGMENTED INFORMATION
(a) Operating Segments

The Company has the following five reportable segments after aggregation: (i) multi-suite residential, (ii) retail, (iii) office, (iv) industrial, and (v) hotel. The Company has applied judgment by aggregating its operating segments according to the nature of the property operations. Such judgment considers the nature of operations, types of customers and an expectation that operating segments within a reportable segment have similar long-term economic characteristics.

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

For the three months ended September 30, 2020	**Multi-suite Residential**	**Retail**	**Office**	**Industrial**	**Hotel**	**Total**
Revenue from real estate/hotel properties	**$97,922**	**$58,132**	**$58,017**	**$2,635**	**$21,780**	**$238,486**
Property/hotel operating expenses	**(34,327)**	**(30,026)**	**(26,096)**	**(924)**	**(16,845)**	**(108,218)**
Net operating income	**$63,595**	**$28,106**	**$31,921**	**$1,711**	**$4,935**	**$130,268**

For the three months ended September 30, 2019	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
Revenue from real estate/hotel properties	$90,982	$61,809	$59,346	$3,116	$65,525	$280,778
Property/hotel operating expenses	(31,326)	(25,755)	(25,512)	(945)	(47,181)	(130,719)
Net operating income	$59,656	$36,054	$33,834	$2,171	$18,344	$150,059

For the nine months ended September 30, 2020	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
Revenue from real estate/hotel properties	**$298,406**	**$177,846**	**$179,023**	**$8,174**	**$78,416**	**$741,865**
Property/hotel operating expenses	**(132,817)**	**(91,602)**	**(80,240)**	**(2,891)**	**(70,272)**	**(377,822)**
Net operating income	**$165,589**	**$86,244**	**$98,783**	**$5,283**	**$8,144**	**$364,043**

For the nine months ended September 30, 2019	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
Revenue from real estate/hotel properties	$273,596	$188,910	$178,788	$9,892	$184,351	$835,537
Property/hotel operating expenses	(126,666)	(83,754)	(77,370)	(3,117)	(139,852)	(430,759)
Net operating income	$146,930	$105,156	$101,418	$6,775	$44,499	$404,778

	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
As at September 30, 2020						
Real estate/hotel properties	**$5,083,550**	**$2,407,041**	**$2,324,210**	**$134,585**	**$572,390**	**$10,521,776**
Mortgages payable	**$2,157,741**	**$892,109**	**$1,091,047**	**$19,997**	**$234,238**	**$4,395,132**
For the nine months ended September 30, 2020						
Additions to real estate/hotel properties	**$27,772**	**$25,372**	**$13,011**	**$135**	**$3,773**	**$70,063**
Fair value gain (loss) on real estate properties	**$91,128**	**($367,975)**	**($90,357)**	**$8,043**	**$—**	**($359,161)**

	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
As at December 31, 2019						
Real estate/hotel properties	$4,889,129	$2,744,442	$2,402,757	$164,955	$628,783	$10,830,066
Mortgages payable	$2,099,509	$909,400	$973,631	$30,970	$351,769	$4,365,279
For the nine months ended September 30, 2019						
Additions to real estate/hotel properties	$30,210	$36,395	$68,751	$566	$14,229	$150,151
Fair value gain (loss) on real estate properties	$99,598	($28,527)	($13,660)	$2,071	$—	$59,482

(b) Regional Segments

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

As at	September 30, 2020	December 31, 2019
Real estate and hotel properties		
Canada	**$7,354,033**	$7,740,218
United States	**3,167,743**	3,089,848
	$10,521,776	$10,830,066

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Revenue from real estate and hotel properties				
Canada	**$169,798**	$218,443	**$531,311**	$645,790
United States	**68,688**	62,335	**210,554**	189,747
	$238,486	$280,778	**$741,865**	$835,537

NOTE 29

SUBSEQUENT EVENTS

As at November 5, 2020, the Company's collection of October rental revenue is summarized below by asset class:

Asset Class	% Collected	% of Rental Revenue
Multi-suite residential	95.8%	45.0%
Retail	78.3%	26.8%
Office	95.3%	27.0%
Industrial	95.9%	1.2%
Total	**90.5%**	**100.0%**

On October 1, 2020, the Company completed the refinancing of a U.S. multi-suite residential property located in Lake Worth, Florida, in the amount of $35,895 (US$27,005) at an interest rate of 2.17% and for a term of 10 years. The maturing mortgage amounted to $23,842 (US$17,937) was open and prepayable at no penalty before its scheduled maturity on January 1, 2021 and had an interest rate of 4.24%.

On October 9, 2020, the Company completed the refinancing of an office property located in Saint-Laurent, Québec, in the amount of $80,000 at an interest rate of 2.89% and for a term of 4 years. The maturing mortgage amounted to $65,474 and had an interest rate of 5.48%.

On November 2, 2020, the Company sold a hotel located in Red Deer, Alberta, for gross proceeds of $19,000 (including a promissory note receivable of $14,500), resulting in net proceeds of $4,500, before closing costs and working capital adjustments.

The Company substantially completed the redevelopment of its mid-rise property, 1643 Josephine Street, New Orleans, Louisiana. Due to COVID-19 social distancing requirements, virtual pre-leasing has begun with first occupancies taking place in late-October.

Subsequent to September 30, 2020, the Company acquired 43,200 common shares under its NCIB for cash consideration of $4,563 at a weighted average price of $105.63 per common share.