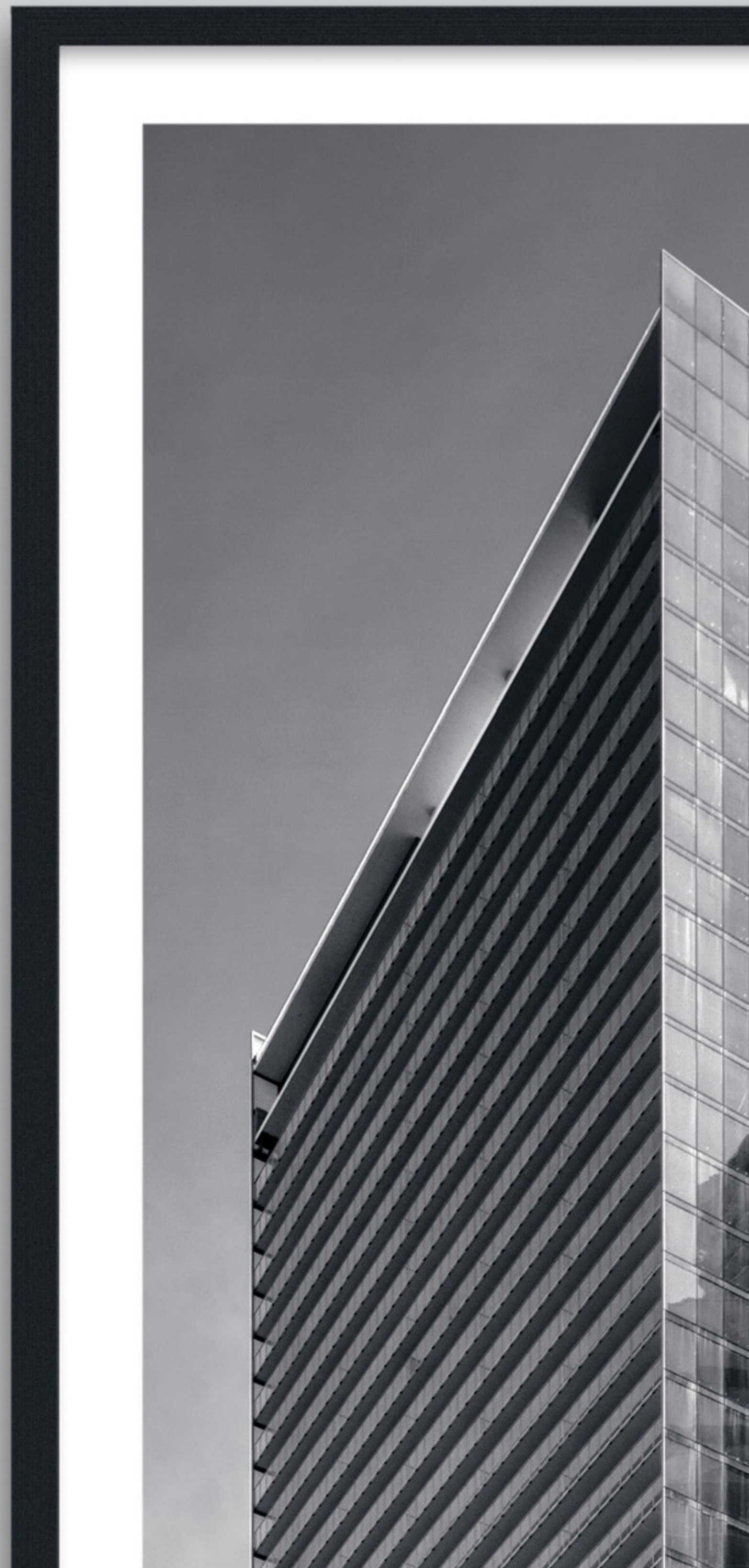
MORGUARD CORPORATION

2021 FIRST QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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Morguard

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

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PART I

Morguard Corporation ("Morguard" or the "Company") is pleased to provide this review of operations and update on our financial performance for the three months ended March 31, 2021. Unless otherwise noted, dollar amounts are stated in thousands of Canadian dollars, except per common share amounts.

The following Management's Discussion and Analysis ("MD&A") sets out the Company's strategies and provides an analysis of the financial performance for the three months ended March 31, 2021, and significant risks facing the business. Historical results, including trends that might appear, should not be taken as indicative of future operations or results.

This MD&A should be read in conjunction with the Company's unaudited condensed consolidated financial statements and accompanying notes for the three months ended March 31, 2021 and 2020. This MD&A is based on financial information prepared in accordance with International Financial Reporting Standards ("IFRS") IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and is dated May 4, 2021. Disclosure contained in this document is current to that date unless otherwise noted.

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

Statements contained herein that are not based on historical or current fact, including without limitation, statements containing the words "anticipates", "believes", "may", "continue", "estimate", "expects" and "will" and words of similar expression, constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, both nationally and in the regions in which the Company operates; changes in business strategy or development/acquisition plans; environmental exposures; financing risk; existing governmental regulations and changes in, or the failure to comply with, governmental regulations; liability and other claims asserted against the Company; risk and uncertainties relating to the outbreak of the novel strain of the coronavirus identified as COVID-19 and other factors referred to in the Company's filings with Canadian securities regulators. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not assume the obligation to update or revise any forward-looking statements.

Given the impact of the changing circumstances surrounding the COVID-19 pandemic and the related response from the Company, governments (federal, state, provincial and municipal), regulatory authorities, businesses and customers, there is inherently more uncertainty associated with the Company's assumptions as compared to prior periods. These assumptions and related risks, include but are not limited to management expectations with respect to the factors above as well as general economic conditions, such as the impact on the economy and financial markets of the COVID-19 pandemic and other health risks.

NON-IFRS FINANCIAL MEASURES

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

The following discussion describes the non-IFRS measures the Company uses in evaluating its operating results.

NET OPERATING INCOME ("NOI") AND ADJUSTED NET OPERATING INCOME ("ADJUSTED NOI")

NOI is defined by the Company as revenue from real estate properties and revenue from hotel properties less property operating costs, utilities, realty taxes and hotel operating expenses as presented in the consolidated statements of income (loss). NOI is an important measure in evaluating the operating performance of the Company's real estate properties and is a key input in determining the fair value of the Company's income producing properties.

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

Adjusted NOI represents NOI adjusted to exclude the impact of realty taxes accounted for under IFRIC 21, noted above. Adjusted NOI records realty taxes for all properties on a *pro rata* basis over the entire fiscal year.

A reconciliation of NOI and Adjusted NOI from the IFRS financial statement presentation of revenue from real estate properties and revenue from hotel properties less property operating costs, utilities, realty taxes and hotel operating expenses is provided in "Part III, Review of Operational Results."

COMPARATIVE NOI

Comparative NOI is used by the Company to evaluate the period-over-period performance of those properties that are stabilized and owned by the Company continuously for the current and comparable reporting period. The Company believes it is useful to provide an analysis of Comparative NOI, which eliminates non-recurring and non-cash items. Comparative NOI represents NOI from properties that have been adjusted for: (i) acquisitions, (ii) dispositions and (iii) properties subject to significant change as a result of recently completed development. Comparative NOI also excludes the impact of straight-line rents, realty taxes accounted for under IFRIC 21, lease cancellation fees and other non-cash and non-recurring items.

A reconciliation of Comparative NOI from the IFRS financial statement presentation of revenue from real estate properties and revenue from hotel properties less property operating costs, utilities, realty taxes and hotel operating expenses is provided in "Part III, Review of Operational Results."

FUNDS FROM OPERATIONS ("FFO") AND NORMALIZED FFO

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

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

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

NON-CONSOLIDATED MEASURES

The Company’s senior unsecured debentures (“Unsecured Debentures”) are subject to the following definitions and covenants pursuant to the Trust Indenture and subsequent Supplemental Indentures, (collectively, the “Indenture”), that are calculated based on the Company’s financial results, prepared in accordance with IFRS, adjusted to account for Morguard Real Estate Investment Trust (“Morguard REIT”), Morguard Residential REIT and Temple Hotels Inc. (“Temple”) until the Company’s privatization of Temple on February 18, 2020, collectively the Company’s “Public Entity Investments”, using the equity method of accounting and other adjustments as defined by the Indenture described below (“Non-Consolidated Basis” or “Morguard Non-Consolidated Basis”). The presentation of Non-Consolidated Basis measures represents a non-IFRS measure and may not accurately depict the legal and economic implications of the Company.

The Company computes an interest coverage ratio, an indebtedness to aggregate assets ratio and an adjusted shareholders’ equity covenant on a Non-Consolidated Basis. Reconciliations of the Non-Consolidated Basis inputs (discussed below) used in calculating the covenants from their IFRS financial statement presentation are provided in the section “Part IV, Balance Sheet Analysis.”

Non-consolidated measures that are calculated on a Non-Consolidated Basis are as follows:

NON-CONSOLIDATED INTEREST COVERAGE RATIO

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

Non-Consolidated EBITDA

Non-Consolidated EBITDA is defined as net income on a Non-Consolidated Basis before interest expense, income taxes, amortization, fair value adjustments to real estate properties, acquisition-related costs, debt settlement or other costs, any gain or loss attributed to the sale or disposition of any asset or liability, provision for impairment, other non-cash items and non-recurring items, plus the distributions received from Morguard REIT and Morguard Residential REIT.

Non-Consolidated Interest Expense

Non-Consolidated Interest Expense is defined as interest expense and interest capitalized to development properties on a Non-Consolidated Basis.

NON-CONSOLIDATED INDEBTEDNESS TO AGGREGATE ASSETS RATIO

Indebtedness to aggregate assets ratio is a compliance measure and establishes the limit for financial leverage of the Company on a Non-Consolidated Basis. Indebtedness to aggregate assets ratio is presented in this MD&A because management considers this non-IFRS measure to be an important compliance measure of the Company’s financial position.

Non-Consolidated Indebtedness

Indebtedness is a measure of the amount of debt financing utilized by the Company on a Non-Consolidated Basis.

Non-Consolidated Aggregate Assets

Aggregate assets is a measure of the value of the Company’s assets on a Non-Consolidated Basis, excluding goodwill and deferred income tax assets and adding back accumulated amortization of hotel properties.

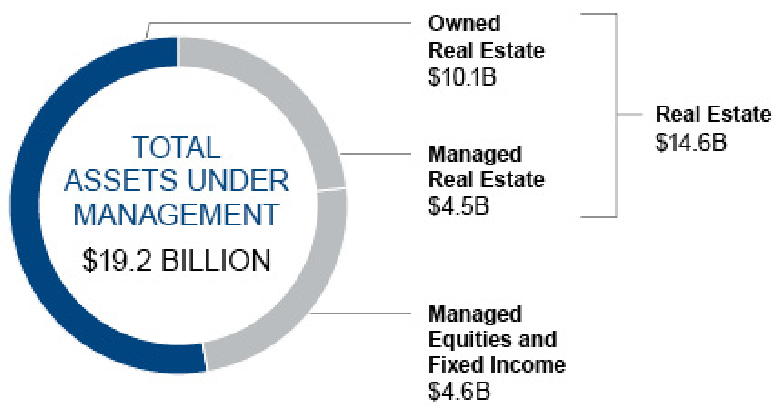
NON-CONSOLIDATED ADJUSTED SHAREHOLDERS’ EQUITY

Adjusted shareholders’ equity is defined as the aggregate shareholders’ equity computed on a Non-Consolidated Basis adjusted to exclude deferred tax assets and liabilities and to add back accumulated amortization of hotel properties. Adjusted shareholders’ equity is a compliance measure and establishes a minimum requirement of equity of the Company.

PART II

BUSINESS OVERVIEW

Morguard Corporation is a real estate investment company whose principal activities include the acquisition, development and ownership of multi-suite residential, commercial and hotel properties. Morguard is also one of Canada's premier real estate investment advisors and management companies, representing major institutional and private investors. Morguard's total assets under management (including both owned and managed assets) were valued at $19.2 billion as at March 31, 2021. The Company's common shares are publicly traded and listed on the Toronto Stock Exchange ("TSX") under the symbol "MRC." The Company's primary goal is to accumulate a portfolio of high-quality real estate assets and then deliver the benefits of such real estate ownership to shareholders.



MANAGEMENT AND ADVISORY SERVICES

The Company, through its wholly owned subsidiary, Morguard Investments Limited ("MIL"), provides real estate management services to Canadian institutional investors. Services include acquisitions, development, dispositions, leasing, performance measurement and asset and property management. For over 45 years, MIL has positioned itself as one of Canada's leading providers of real estate portfolio and asset and property management services. In addition, Morguard through its 60% ownership interest in Lincluden Investment Management Limited ("Lincluden") offers institutional clients and private investors a broad range of global investment products across equity, fixed-income and balanced portfolios.

As of March 31, 2021, MIL together with Lincluden manage a portfolio (excluding Morguard's corporately owned assets and assets owned by Morguard REIT and Morguard Residential REIT) of assets having an estimated value of $9.1 billion.

BUSINESS STRATEGY

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

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

- Increase property values and cash flow through aggressive leasing of available space and of space becoming available;
- Take advantage of long-standing relationships with national and regional tenants;
- Target and execute redevelopment and expansion projects that will generate substantial returns;

- Pursue opportunities to acquire or develop strategically located properties;
- Minimize operating costs by utilizing internalized functions, including property and asset management, leasing, finance, accounting, legal and information technology services; and
- Dispose of properties where the cash flows and values have been maximized.

SIGNIFICANT EVENTS

COVID-19 PANDEMIC

Since March 2020, the outbreak of the novel strain of coronavirus (“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. Government has reacted with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 pandemic is unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Company in future periods.

The Company recognizes the impact COVID-19 has on many of its tenants in North America and its stakeholders, and is committed to taking measures to protect the health of its employees, tenants and communities. Last year, Morguard initiated its crisis management plan with a team mandated to maintain a safe environment for our tenants, residents, employees and stakeholders, coordinating efforts across our portfolio, standardizing communications and responding as circumstances demand.

With the guidance of public health authorities, and at the direction of various levels of government, Morguard continues to implement measures to help reduce the spread of COVID-19. We are actively monitoring the ongoing developments with regards to COVID-19 and are committed to ensuring a healthy and safe environment, adjusting our service model as necessary.

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

LIQUIDITY

The Company has liquidity of approximately $562,000 comprised of $121,000 in cash and $441,000 available under its revolving credit facilities. In addition, the Company has approximately $1,315,000 of unencumbered income producing and hotel properties, and other investments which could be utilized for financing. To further enhance liquidity, the Company has narrowed down the scope of its capital expenditure program to ensure the availability of resources, allocating an amount that enables the Company to maintain the structural and overall safety of the properties. Management has also implemented various initiatives to reduce or defer operating expenses, property tax instalments, hydro payments and corporate income tax instalments. Management is also monitoring various government assistance programs in Canada and the U.S. structured to provide relief from personnel costs and commercial rent subsidies.

The Company has approximately $875,000 of mortgages payable maturing during 2021 and 2022 having an aggregate loan-to-value ratio of 42% which management expects to be able to refinance at similar or favourable terms. In addition, the Company has $200,000 of senior unsecured debentures maturing in May 2021. The Company expects to be able to issue new debt instruments and use current liquidity sufficient to permit the repayment of its 2021 and 2022 maturities.

RENTAL COLLECTION SUMMARY

As at May 4, 2021, the Company's collection of rental revenues since January 1, 2020 is summarized by asset class as follows:

Asset Class	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	April 2021	% of Rental Revenue
Residential	99.8%	99.6%	99.4%	99.2%	98.2%	95.8%	44.3%
Retail	98.3%	62.4%	85.6%	90.5%	86.5%	84.4%	27.1%
Office	99.9%	92.8%	98.1%	97.7%	97.7%	96.8%	27.3%
Industrial	100.0%	93.5%	96.9%	99.6%	98.0%	95.0%	1.3%
Total	**99.4%**	**86.6%**	**95.0%**	**96.2%**	**94.7%**	**92.9%**	**100.0%**

The table above is calculated based on contractual rent in-place, which includes lease modifications resulting in abated rent, the impact of deferral agreements and amounts received as part of the Canada Emergency Commercial Rent Assistance ("CECRA") program.

TENANT ACCOUNTS RECEIVABLE

The Company utilizes the simplified approach to measure expected credit losses ("ECL") under IFRS 9, Financial Instruments ("IFRS 9"), which requires the Company to recognize a lifetime expected credit loss allowance on all receivables at each reporting date. During each reporting period management reviews the Company's amounts receivables and determines an allowance for doubtful accounts recognized through bad debt expense in the consolidated financial statements of income (loss).

As at March 31, 2021, and December 31, 2020, the details of tenant receivables, net of an allowance for doubtful accounts is provided below:

			March 31, 2021	December 31, 2020
As at	**Tenant Receivables**	**Allowance for Doubtful Accounts**	**Net Tenant Receivables**	Net Tenant Receivables
Residential	$4,479	($1,800)	$2,679	$2,412
Retail	33,166	(13,951)	19,215	19,696
Office	6,195	(1,568)	4,627	7,269
Industrial	153	(14)	139	136
Hotel	3,563	(136)	3,427	2,736
Total	**$47,556**	**($17,469)**	**$30,087**	**$32,249**

As at March 31, 2021, tenant receivables, net of an allowance for doubtful accounts totalled $30,087, with retail (63.9%) and office (15.4%) representing 79.3% of total net tenant receivables, reflecting lower collections within the retail asset class which has averaged 81.4% subsequent to the first quarter of 2020. As a result of the COVID-19 pandemic, certain tenants were unable to fulfil their rent obligations and there are a large number of retail tenants who have requested consideration for a deferral or an abatement. Management has considered the financial uncertainties faced by the Company's tenants and has provided for tenant receivable balances based on an assessment of each tenant's expected credit loss, applying credit loss factors based on historical loss experience along with forward-looking information. In addition, during the third quarter of 2020, the Company finalized all applications under the CECRA program providing tenants with short-term financial certainty and management expects additional government programs offered will further benefit tenants impacted by temporary closure of non-essential businesses.

BAD DEBT EXPENSE (RECOVERY)

The Company utilizes the simplified approach to measure expected credit losses under IFRS 9, which requires the Company to recognize a lifetime expected credit loss allowance on all receivables at each reporting date.

The details of bad debt expense (recovery) recorded for the three months ended March 31, 2021 and 2020 is provided below:

For the three months ended March 31	2021	% of Revenue	2020	% of Revenue
Residential	**$782**	**0.8%**	$579	0.6%
Retail	**2,614**	**4.5%**	492	0.8%
Office	**(1,106)**	**(1.9%)**	42	0.1%
Industrial	**(10)**	**(0.3%)**	—	—%
Hotel	**20**	**0.1%**	115	0.2%
Total	**$2,300**	**1.0%**	$1,228	0.4%

CANADA EMERGENCY WAGE SUBSIDY ("CEWS") PROGRAM

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

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

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

OPERATIONAL UPDATE

The following provides an operating update on the Company's portfolio by asset class:

RESIDENTIAL

The Company is adhering to various federal, provincial, state and local eviction moratorium policies and has implemented a rent deferral program for our residential tenants who are financially constrained due to the impact of COVID-19. The Company will also ensure pertinent and timely information regarding government financial support programs is shared with tenants. As at May 4, 2021, approximately 0.9% of residential tenants have deferred payment plans. On December 26, 2020, the Ontario government announced another province-wide shutdown and stay-at-home order; and further announced on February 8, 2021, the transition to a regional approach to staged reopening. On April 7, 2021, the Ontario government announced sweeping changes to its COVID-19 lockdown framework and approved another province-wide shutdown and 28-day stay-at-home order requiring everyone to remain at home except for essential purposes. During this state of emergency, the Ontario government has issued an emergency order temporarily halting the enforcement of residential evictions. While the Landlord and Tenant Board ("LTB") will continue to hear eviction applications and issue eviction orders, these orders will not be carried out while the province is under a state of emergency. In the U.S. regions where the REIT operates, the Department of Health and Human Services and the Centers for Disease Control and Prevention issued an order titled *Temporary Halt in Residential Evictions to Prevent the Further Spread of COVID-19* for eligible tenants until December 31, 2020 which has subsequently been extended to June 30, 2021.

As at May 4, 2021, the Company's occupancy in Canada and the U.S. with the exception of a few properties directly impacted by university and local business closures remains stable as leasing agents work remotely and utilize online technology to continue leasing activity following the onset of social distancing guidelines. Generally speaking, current conditions including social distancing have reduced leasing traffic. In addition, management will continue to closely monitor any impact Ontario's current state of emergency as well as the extension of the U.S. eviction moratorium may have on traffic and turnover levels in the coming months.

RETAIL & OFFICE

Due to non-essential business closure orders issued by the various provinces in Canada, the majority of the Company's retail tenants were closed for portions of the second and fourth quarters of 2020 and the first quarter of 2021. The easing of these restrictions varied by province and by industry. Various provincial governing bodies and city councils with municipal jurisdiction have imposed additional restrictions to limit mobility in response to alarming surges in COVID-19 case counts, hospital and corresponding ICU admission rates. In extreme cases, provincial lockdowns have been implemented that have forced the closure of non-essential business and limit consumer access to deemed essential operators. Across the Company's owned and managed retail portfolio, centres remain open however at limited capacity and/or through curbside pickup options available.

Buildings within the Company's office portfolio have generally remained open during the pandemic, however, due to closure of non-essential businesses and social distancing requirements most of our tenants have implemented a work-from-home protocol. The Company has a significant amount of office space leased to government tenants which has helped mitigate the risk of non-payment of rent. Approximately 40% of the Company's office annualized rental revenue is derived from government tenants.

During 2020, the Government of Canada 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. The Company decided that it was important to participate in the program and actively worked with 634 tenants to finalize applications under the CECRA program, and as at December 31, 2020, the Company received all scheduled government funding.

On October 9, 2020, the Government of Canada announced the Canada Emergency Rent Subsidy ("CERS") program for tenants which is available until June 2021 and has subsequently been extended to September 25, 2021. The program will fund up to 65% of rent for businesses that have seen revenue decline by at least 70%. Businesses that have had revenue fall by less than 70% will receive gradual decreasing level of support in line with revenues. Businesses that are forced to temporarily shut down by mandatory orders will be able to qualify for funding that covers up to 95% of rent.

The Company continues to work with all tenants to review their circumstances and to consider rent deferrals or abatements as necessary and are being supportive of small business retail tenants. Deferrals and abatements are being considered on a case-by-case basis. The federal government has also introduced legislation to assist landlords and small businesses with their rent obligations during the COVID-19 pandemic.

HOTELS

The Company has undertaken significant steps to mitigate the operational and financial impacts from emergency measures enacted to combat the COVID-19 pandemic. As at May 4, 2021, of the Company's 37 hotels, 33 are currently open for business at reduced occupancy levels and are serving guests in compliance with government health guidelines. The Company's hotel asset class represents less than 10% of total NOI and less than 5% of total assets, as Morguard's diversified asset portfolio provides strength against economic and real estate cycles.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	March 31, 2021	December 31, 2020	March 31, 2020
Real estate properties	**$9,688,976**	$9,680,408	$10,359,710
Hotel properties	**541,293**	545,041	599,622
Equity-accounted and other fund investments	**210,773**	216,278	258,306
Total assets	**11,067,690**	11,052,688	11,858,885
Indebtedness(1)	**$5,780,314**	$5,835,647	$6,117,553
Indebtedness to total assets (%)	**52.2**	52.8	51.6
Non-Consolidated Indebtedness to total assets (%)(2)	**47.0**	47.6	47.1
Total equity	**$3,917,944**	$3,912,698	$4,376,688
Shareholders' equity per common share	**304.32**	303.57	327.37
Exchange rates - Canadian dollar to U.S. dollar	**$0.80**	$0.79	$0.70
Exchange rates - U.S. dollar to Canadian dollar	**$1.26**	$1.27	$1.42

(1) Total indebtedness is defined as the sum of the current and non-current portion of: (i) mortgages payable, (ii) Unsecured Debentures, (iii) convertible debentures, (iv) lease liabilities, (v) bank indebtedness, (vi) loans payable, and (vii) letters of credit.

(2) As defined in the Indenture, adjusted to exclude goodwill and deferred income tax assets and liabilities and to add back accumulated amortization of hotel properties.

For the three months ended March 31	**2021**	2020
Revenue from real estate properties	**$211,364**	$228,266
Revenue from hotel properties	**22,148**	47,805
Management and advisory fees	**10,126**	12,197
Total revenue	**246,962**	292,310
Net operating income	**86,474**	102,601
Fair value gain (loss), net	**38,926**	(36,822)
Net income attributable to common shareholders	**15,155**	33,412
Per common share - basic and diluted	**1.37**	2.97
Funds from operations	**44,351**	6,993
Per common share - basic and diluted	**4.00**	0.62
Normalized FFO	**43,224**	50,633
Per common share - basic and diluted	**3.89**	4.50
Distributions received from Morguard REIT	**3,123**	8,525
Distributions received from Morguard Residential REIT	**4,401**	4,402
Dividends declared/paid	**(1,665)**	(1,689)
Average exchange rates - Canadian dollar to U.S. dollar	**$0.79**	$0.74
Average exchange rates - U.S. dollar to Canadian dollar	**$1.27**	$1.34

Total assets as at March 31, 2021, were $11,067,690, compared to $11,052,688 as at December 31, 2020. Total assets increased by $15,002 primarily due to the following:

- An increase in real estate properties of $8,568, mainly due to a net fair value gain of $31,329, capital and development expenditures of $8,845 and tenant incentives and leasing commissions of $3,013, partially offset by a decrease resulting from a change in the foreign exchange rate amounting to $35,893;
- A decrease in hotel properties of $3,748;
- A decrease in equity-accounted and other fund investments of $5,505, primarily driven by a net fair value loss;
- An increase in other assets and prepaid expense of $31,229, primarily due to an increase in investment in marketable securities, accrued pension benefit asset and prepaid expenses;
- An increase in amounts receivable of $5,666; and
- A decrease in cash of $21,208.

Total revenue during the three months ended March 31, 2021, decreased by $45,348 to $246,962, compared to $292,310 in 2020. The decrease was primarily due to the following:

- A decrease in revenue from real estate properties in the amount of $16,902;
- A decrease in revenue from hotel properties in the amount of $25,657; and
- A decrease in management and advisory fees in the amount of $2,071.

PROPERTY PROFILE

As at March 31, 2021, the Company and its subsidiaries own a diversified portfolio of 203 multi-suite residential, retail, office, industrial and hotel properties located in Canada and in the United States.

PORTFOLIO COMPOSITION BY ASSET TYPE

The composition of the Company's real estate properties by asset type as at March 31, 2021 was as follows:

Asset Type	Number of Properties	GLA Square Feet (000s)(1)	Apartment Suites/Hotels Rooms(2)	Real Estate Properties
Multi-suite residential	56	—	17,752	$4,996,029
Retail	37	8,180	—	2,139,760
Office	48	7,591	—	2,308,823
Industrial	25	1,120	—	147,273
Hotel	37	—	5,517	550,624
Properties and land held for and under development	—	—	—	96,142
Total (3)	**203**	**16,891**	**23,269**	**$10,238,651**

(1) Total GLA is shown on a proportionate basis; on a 100% basis, total GLA of the Company's commercial properties is 20.4 million square feet.
(2) Total suites/hotel rooms include equity-accounted investments and non-controlling interest. The Company on a proportionate basis has ownership of 17,184 suites and 5,280 hotel rooms.
(3) Includes one multi-suite residential, two office properties and two hotel properties classified as equity-accounted investments and one office property classified as finance lease and excludes right-of-use assets on the Company's land leases.

The Company's multi-suite residential portfolio comprises 24 Canadian properties (21 high-rise buildings, two low-rise buildings and one mid-rise building located primarily throughout the Greater Toronto Area ("GTA")) and 32 U.S. properties (20 low-rise and eight mid-rise garden-style communities located in Colorado, Texas, Louisiana, Georgia, Florida, North Carolina, Virginia and Maryland and four high-rise buildings located in Chicago, Illinois and Los Angeles, California). The combined multi-suite residential portfolio represents 17,752 suites.

The Company's retail portfolio includes two broad categories of income producing properties: (i) enclosed full-scale, regional shopping centres that are dominant in their respective markets; and (ii) neighbourhood and community shopping centres that are primarily anchored by food retailers, discount department stores and banking institutions. The retail portfolio comprises 26 properties located in Canada and 11 properties located in Florida and Louisiana. The combined retail portfolio represents 8.2 million square feet of gross leasable area ("GLA").

The Company's office portfolio is focused on well-located, high-quality office buildings in major Canadian urban centres primarily located throughout the GTA, downtown Ottawa, Montréal, Calgary and Edmonton. The portfolio is balanced between single-tenant buildings under long-term lease to government and large national tenants and multi-tenant properties with well-distributed lease expiries that allow the Company to benefit from increased rent on lease renewals. The office portfolio represents 7.6 million square feet of GLA.

The Company's industrial portfolio comprises 25 industrial properties located throughout Ontario, Québec and British Columbia. The industrial portfolio represents 1.1 million square feet of GLA.

The Company's hotel portfolio comprises 22 branded and 15 unbranded hotel properties located in six Canadian provinces and the Northwest Territories. Branded hotels include Hilton, Marriott, Holiday Inn and Wyndham and consist of full and select service formats. The hotel portfolio represents 5,517 rooms.

AVERAGE OCCUPANCY LEVELS

COMPARATIVE AVERAGE OCCUPANCY LEVELS

	Suites/GLA Square Feet		Mar. 2021	Dec. 2020	Sep. 2020	June 2020	Mar. 2020
Multi-suite residential	17,752	(1)	91.9%	91.6%	94.0%	94.9%	96.8%
Retail	7,506,000	(2)	91.4%	93.2%	90.7%	91.2%	90.9%
Office	7,591,000		90.9%	90.6%	91.8%	91.8%	91.8%
Industrial	1,120,500		90.6%	90.9%	91.1%	91.3%	89.9%

(1) Includes two properties that commenced initial lease-up in the fourth quarter of 2020, one property located in Los Angeles, California and one property located in New Orleans, Louisiana. Excluding the two properties under initial lease-up, occupancy at March 31, 2021 was 93.3% and at December 31, 2020 was 93.1%.
(2) Retail occupancy has been adjusted to exclude development space of 673,746 square feet of GLA.

During the first quarter of 2021, 129,549 square feet of GLA relating to development space was taken off-stream to allow for future redevelopment and lease-up. As at March 31, 2021, the retail occupancy levels were adjusted to exclude development space (673,746 square feet of GLA), this adjustment increased retail occupancy from 83.9% to 91.4%.

LEASE PROFILE

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

Summary of Lease Expiries as at		2021		2022		2023	
March 31, 2021	Total SF	SF	%	SF	%	SF	%
Retail[1]	7,506	1,295	17%	887	12%	784	10%
Office	7,591	371	5%	520	7%	792	10%
Industrial	1,120	144	13%	249	22%	164	15%
Total	16,217	1,810	11%	1,656	10%	1,740	11%

(1) Retail SF has been adjusted to exclude development space of 673,746 square feet of GLA

PART III

REVIEW OF OPERATIONAL RESULTS

The Company's operational results for the three months ended March 31, 2021 and 2020 are summarized below:

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

NET INCOME (LOSS)

Net income for the three months ended March 31, 2021, was $17,948, compared to a net loss of $8,870 in 2020. The increase in net income of $26,818 for the three months ended March 31, 2021, was primarily due to the following:

- A decrease in net operating income of $16,127, primarily due to higher vacancy at residential properties and a decrease from the retail portfolio due to a decrease in basic rent and higher bad debt expense. In addition, lower NOI from the hotel portfolio was due to hotel closures and reduced occupancies from the impact of COVID-19 and was partially offset by a provision for CEWS;

- A decrease in management and advisory fees of $2,071;
- A decrease in interest expense of $5,396, mainly due to lower interest on mortgages payable, bank indebtedness, loans payable and other, and lower amortization of deferred financing cost;
- An increase in property management and corporate expense of $9,120, primarily due to an increase in non-cash compensation expense related to the Company's Stock Appreciation Rights ("SARs") plan, partially offset by a provision for CEWS;
- A decrease in provision for impairment of $23,891;
- An increase in non-cash net fair value gain of $75,748, mainly due to an increase in net fair value gain recorded on the Company's real estate properties and an increase in net fair value gain on the Company's marketable securities, partially offset by an increase in the fair value loss of the Company's other real estate fund investments and a lower fair value gain on Morguard Residential REIT units;
- An increase in equity income from investments of $2,933, primarily due to a lower fair value loss recorded on the Company's real estate property investments;
- An increase in other income of $4,982 mainly due to settlement proceeds received on four disclaimed leases from Sears Canada Inc. and due to a decrease in foreign exchange loss; and
- An increase in income tax expense (current and deferred) of $58,862.

NET OPERATING INCOME

Net operating income decreased by $16,127, or 15.7%, during the three months ended March 31, 2021, to $86,474, compared to $102,601 generated in 2020, and is further analyzed by asset type below.

ADJUSTED NOI BY ASSET TYPE

For the three months ended March 31	2021	2020
Multi-suite residential	**$50,749**	$58,632
Retail	**28,222**	33,834
Office	**33,519**	34,760
Industrial	**1,781**	1,956
Hotel	**4,058**	5,269
Adjusted NOI	**118,329**	134,451
IFRIC 21 adjustment - multi-suite residential	**(27,859)**	(27,656)
IFRIC 21 adjustment - retail	**(3,996)**	(4,194)
NOI	**$86,474**	$102,601

NOI from the multi-suite residential portfolio for the three months ended March 31, 2021, decreased by $8,086, or 26.1% to $22,890, compared to $30,976 in 2020. The decrease in NOI is due to the change in Adjusted NOI described below, and by an increase in the IFRIC 21 deduction of $203.

Adjusted NOI from the multi-suite residential portfolio for the three months ended March 31, 2021, decreased by $7,883, or 13.4% to $50,749, compared to $58,632 in 2020. The decrease in Adjusted NOI is primarily due to the following:

- A decrease in Canadian multi-suite residential properties of $2,228 primarily resulting from:
  - A decrease of $1,866 mainly due to increased vacancy. The increased vacancy was due to lower leasing traffic resulting from social distancing restrictions and current economic conditions. As the administration of vaccinations continues to progress across the country and as social distancing guidelines ease, we expect leasing traffic to increase. In addition, occupancy in the GTA was impacted by lower immigration levels, the increased number of suites on the market from existing and new supply, and the province-wide stay-at-home order that contributed to higher vacancy rates at the Company's urban locations in downtown Toronto, while suburban properties experienced lower vacancy rates. The average rental rate increased by 4.3% when compared to the same period in 2020. During the three months ended March 31, 2021, the Company's Canadian portfolio turned over 153 suites, or 1.9% of total suites and achieved AMR growth of 13.0% on suite turnover; and
  - A decrease of $362 due to a lower tax refund received during first quarter of 2021 when compared to the same period in 2020;

- A decrease in U.S. multi-suite residential properties of US$2,877 primarily resulting from:
  - A decrease of US$2,625 mainly due to higher vacancy and rental concessions at two properties located in Chicago, Illinois; and
- A decrease of $2,778 due to the change in the U.S. dollar foreign exchange rate.

NOI from the retail portfolio for the three months ended March 31, 2021, decreased by $5,414, or 18.3%, to $24,226, compared to $29,640 in 2020. The decrease in NOI is due to the change in Adjusted NOI described below, partially offset by a decrease in the IFRIC 21 deduction of $198.

Adjusted NOI from the retail portfolio for the three months ended March 31, 2021, decreased by $5,612, or 16.6%, to $28,222, compared to $33,834 in 2020. The decrease in Adjusted NOI is primarily due to the following:

- A decrease in Canadian retail properties of $5,227 primarily resulting from:
  - A decrease of $2,158 due to higher bad debt expense resulting from an expected credit loss due to the economic impact of COVID-19;
  - A decrease of $5,593 predominantly due to higher vacancy, lower recoveries of operating expenses and lower basic rent due to conversion to percentage rent leases; and
  - An increase of $2,524 in lease cancellation fees received.
- A decrease in U.S. retail properties of US$39; and
- A decrease of $346 due to the change in the U.S. dollar foreign exchange rate.

NOI from the office portfolio for the three months ended March 31, 2021, decreased by $1,241, or 3.6%, to $33,519, compared to $34,760 in 2020, primarily due to the following:

- A decrease of $2,455 predominantly due to lower basic rent, parking revenue, lower recoveries of operating expenses as well as rent abatement at a property in Calgary, Alberta; and
- An increase of $1,214 due to a recovery of bad debt provision at a property in Saint-Laurent, Québec.

NOI from the industrial portfolio for the three months ended March 31, 2021, decreased by $175, or 8.9%, to $1,781, compared to $1,956 in 2020, primarily due to the following:

- A decrease of $399 due to the sale of a property located in Puslinch, Ontario during the first quarter of 2020; and
- An increase of $224 due to higher basic rent mainly at two properties.

NOI from the hotel portfolio for the three months ended March 31, 2021, decreased by $1,211, or 23.0%, to $4,058, compared to $5,269 in 2020, primarily due to the following:

- A decrease of $5,734 mainly due to current economic conditions experienced in all provinces as a result of the COVID-19 pandemic. During the three months ended March 31, 2021, hotel occupancy was 30.1%, compared to 49.0% during the same period in 2020. The average daily rate (“ADR”) decreased to $119.25 during the three months ended March 31, 2021, compared to $139.71 in 2020 and revenue per available room (“RevPar”) decreased by $32.59 to $35.84 during the period, compared to $68.43 in 2020. The decrease in RevPar was partly offset by controlling variable hotel operating expenses in connection with decreased occupancy; partially offset by
- An increase of $4,523 due to a provision for CEWS.

COMPARATIVE NET OPERATING INCOME

For the three months ended March 31	2021	2020
Multi-suite residential (in local currency)	**$45,033**	$49,647
Retail (in local currency)	**24,317**	32,158
Office	**33,058**	34,682
Industrial	**1,804**	1,581
Hotel	**4,078**	5,404
Exchange amount to Canadian dollars	**7,526**	10,644
Comparative NOI	**115,816**	134,116
Dispositions	**(22)**	290
Realty tax expense accounted for under IFRIC 21	**(31,855)**	(31,850)
Lease cancellation fees	**2,659**	—
U.S. residential development	**(191)**	—
Realty tax refund/reassessment	**131**	493
Other	**(64)**	(448)
NOI	**$86,474**	$102,601

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

Comparative NOI for the three months ended March 31, 2021, decreased by $18,300, to $115,816 compared to $134,116 in 2020 due to the following:

- Multi-suite residential decreased by $4,614 as a result of an increased vacancy;
- Retail decreased by $7,841, mainly due to increased bad debt expense of $2,122 due to the economic impact of COVID-19, as well as higher vacancy, lower recoveries of operating expenses and lower basic rent mainly at the Canadian properties;
- Office decreased by $1,624, mainly due to lower basic rent, parking revenue, lower recoveries of operating expenses as well as rent abatement at a property in Calgary, Alberta, partially offset by an increase of $1,214 due to a recovery of bad debt provision at a property in Saint-Laurent, Québec;
- Hotel decreased by $1,326, mainly as a result of hotel closures and reduced occupancies due to current economic conditions experienced as a result of COVID-19, partially offset by a provision for CEWS; and
- The change in the foreign exchange rate decreased Comparative NOI for the U.S. properties by $3,118.

MANAGEMENT AND ADVISORY FEES

Morguard's management and advisory fee revenue for the three months ended March 31, 2021, decreased by $2,071, or 17.0%, to $10,126, compared to $12,197 in 2020. The decrease in property and asset management fee revenue was as a result of lower revenue/NOI generated at properties managed for third parties and a decrease in leasing and project management fee income which was impacted as a result lower leasing activity and hold on discretionary capital expenditure spending due to current economic conditions, as well as decrease in non-recurring disposition fees earned compared to 2020.

INTEREST AND OTHER INCOME

Interest and other income for the three months ended March 31, 2021, decreased by $718, or 17.8%, to $3,324, compared to $4,042 in 2020. The decrease was primarily due to lower income earned from investments.

INTEREST EXPENSE

Interest expense consists of the following:

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

Interest expense for the three months ended March 31, 2021, decreased by $5,396, or 8.8%, to $55,966, compared to $61,362 in 2020, mainly due to lower interest on mortgages payable, bank indebtedness, loans payable and other and lower amortization of deferred financing cost. The decrease in interest on mortgages payable is largely attributable to the extinguishment of mortgages during the first quarter of 2020 and from the strengthening of the Canadian dollar which decreased interest expense of U.S. mortgages.

PROPERTY MANAGEMENT AND CORPORATE

Property management and corporate expenses for the three months ended March 31, 2021, increased by $9,120, to $19,296, compared to $10,176 in 2020, primarily due to an increase in non-cash compensation expense related to the Company's SARs plan of $11,243, partially offset by a provision for CEWS.

AMORTIZATION OF HOTEL PROPERTIES AND OTHER

Amortization of hotel properties and other for the three months ended March 31, 2021, decreased by $766 to $8,358, compared to $9,124 in 2020.

PROVISION FOR IMPAIRMENT

Provision for impairment for the three months ended March 31, 2021, was $nil (2020 - $23,891).

During the three months ended March 31, 2020, impairment indicators were identified including interruptions to business operations at certain hotel properties resulting from emergency measures enacted to combat COVID-19. A recoverability analysis was completed in accordance with the procedures specified by IFRS, which indicated that an impairment provision of $23,891 should be recorded.

FAIR VALUE GAIN (LOSS) ON REAL ESTATE PROPERTIES

Fair value adjustments are determined based on the movement of various valuation parameters on a quarterly basis, including changes in projected cash flows as a result of leasing, capitalization rates, discount rates and terminal capitalization rates. During the three months ended March 31, 2021, the Company recognized a net fair value gain on real estate properties of $31,329, compared to a net fair value loss of $122,603 in 2020.

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

For the three months ended March 31	2021	2020
Multi-suite residential	**$42,568**	$10,983
Retail	**(2,484)**	(118,551)
Office	**(13,665)**	(22,969)
Industrial	**3,546**	5,853
Land held for development	**1,364**	2,081
	$31,329	($122,603)

For the three months ended March 31, 2021, the Company recognized a net fair value gain of $42,568 in the residential portfolio. The fair value gain is comprised of $14,868 at the Canadian properties primarily as a result of an increase in stabilized NOI, and a fair value gain of $27,700 at the U.S. properties, predominantly due to an adjustment on realty taxes accounted for under IFRIC 21.

For the three months ended March 31, 2021, the Company recognized a net fair value loss of $13,665 in the office portfolio. The fair value loss was mainly due to reductions in cash flow assumptions resulting from a lease amendment at a property located in Calgary, Alberta, and due to lower stabilized NOI at certain other properties.

FAIR VALUE GAIN ON MORGUARD RESIDENTIAL REIT UNITS

For the three months ended March 31, 2021, the Company recorded a fair value gain on the Morguard Residential REIT units of $5,206, which includes a mark-to-market gain of $10,643 on the units as a result of decrease in trading price and the distributions made to external unitholders of $5,437.

FAIR VALUE LOSS ON INVESTMENT IN MARKETABLE SECURITIES

Investment in marketable securities are classified as financial assets measured at FVTPL. For the three months ended March 31, 2021, the Company recorded a fair value gain on investment in marketable securities of $8,863 resulting from an increase in market value of the securities.

EQUITY INCOME (LOSS) FROM INVESTMENTS

Equity income (loss) from investments consists of the following:

For the three months ended March 31	2021	2020
Joint ventures	**$666**	($384)
Associates	**(237)**	(2,120)
	$429	($2,504)

Equity income from investments for the three months ended March 31, 2021, increased by $2,933 to $429, compared to equity loss of $2,504 in 2020. The increase is primarily due to a fair value gain recorded on the Company's investment in Lumina Hollywood during the three months ended March 31, 2021, compared to a fair value loss recorded in the same period in 2020, partially offset by a decrease in operating income as the property continues it initial lease up.

OTHER INCOME (EXPENSE)

Other income for the three months ended March 31, 2021, increased by $4,982 to $2,024, compared to other expense of $2,958 in 2020, primarily due to decrease in foreign exchange loss of $2,304 and due to $2,014 in settlement proceeds received on four disclaimed leases from Sears Canada Inc.

INCOME TAXES

For the three months ended March 31, 2021, the Company recorded an income tax expense of $39,735, compared to an income tax recovery of $19,127 in 2020. The increase in income tax expense of $58,862 comprises an increase of $64,898 in deferred tax recovery and a decrease of $6,036 in current tax expenses.

The decrease in current tax expenses for the three months ended March 31, 2021 is primarily a result of higher taxable income during the first quarter of 2020 from the disposition of a property. The increase in deferred tax recovery for the three months ended March 31, 2021, is primarily a result of lower fair value losses related to Canadian and U.S. properties compared to the same period in 2020.

PENSION PLANS

The Company's accounting policy under IFRS is to recognize actuarial gains/losses in the period in which they occur, and these gains/losses are reflected in the consolidated statements of comprehensive income. During the three months ended March 31, 2021, an actuarial gain of $13,856 was recorded in the consolidated statements of comprehensive income, compared to an actuarial loss of $23,985 for the three months ended March 31, 2020.

FUNDS FROM OPERATIONS

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

For the three months ended March 31	2021	2020
Multi-suite residential	**$50,749**	$58,632
Retail	**28,222**	33,834
Office	**33,519**	34,760
Industrial	**1,781**	1,956
Hotel	**4,058**	5,269
Adjusted NOI(1)	**118,329**	134,451
Other Revenue		
Management and advisory fees	**10,126**	12,197
Interest and other income	**3,324**	4,042
Equity-accounted FFO(2)	**(782)**	1,385
	12,668	17,624
Expenses and Other		
Interest	**(55,966)**	(61,362)
Principal repayment of lease liabilities	**(449)**	(472)
Property management and corporate	**(19,296)**	(10,176)
Internal leasing costs	**770**	757
Amortization of capital assets	**(835)**	(919)
Current income taxes(3)	**(832)**	(2,498)
Non-controlling interests' share of FFO(4)	**(14,495)**	(15,796)
Unrealized changes in the fair value of financial instruments	**1,968**	(54,427)
Other income (expense)	**2,489**	(189)
FFO	**$44,351**	$6,993
FFO per common share amounts – basic and diluted	**$4.00**	$0.62
Weighted average number of common shares outstanding (in thousands):		
Basic and diluted	**11,101**	11,262

(1) For the three months ended March 31, 2021 and 2020, Adjusted NOI excludes an IFRIC 21 adjustment of $31,855 and $31,850, respectively, which increased the IFRS presentation of realty tax expense.
(2) Equity-accounted FFO exclude fair value adjustments on real estate properties and amortization and impairment of hotel properties.
(3) Current income taxes for the three months ended March 31, 2021, excludes $nil (2020 - $4,370) of income tax relating to the disposal of property.
(4) For the three months ended March 31, 2021 and 2020, non-controlling share of FFO includes Morguard Residential REIT's non-controlling interest share of FFO in the amount of $5,727 and $6,826, respectively.

For the three months ended March 31, 2021, the Company recorded FFO of $44,351 ($4.00 per common share), compared to $6,993 ($0.62 per common share) in 2020. The increase in FFO of $37,358 is mainly due to the following:

- A decrease in Adjusted NOI of $16,122, primarily due to higher vacancy at residential properties and a decrease from the retail portfolio due to a decrease in basic rent and higher bad debt expense. In addition, lower Adjusted NOI from the hotel portfolio was due to hotel closures and reduced occupancies from the impact of COVID-19 and was partially offset by a provision for CEWS;
- A decrease in management and advisory fees of $2,071;
- A decrease in the equity-accounted FFO of $2,167, primarily due to the Company's investment in Lumina Hollywood, which is under initial lease-up;
- A decrease in interest of $5,396 mainly due to lower interest on mortgages payable, bank indebtedness, loans payable and other and lower amortization of deferred financing cost;
- An increase in property management and corporate expenses of $9,120 primarily due to an increase in non-cash compensation expense related to the Company's SARs plan, partially offset by a provision for CEWS.
- A decrease in current income taxes of $1,666;
- A decrease in the non-controlling interests' share of FFO of $1,301;
- An increase of $56,395 in unrealized changes in the fair value of the Company's financial instruments; and
- An increase in other income of $2,678 primarily due to settlement proceeds received on four disclaimed leases from Sears Canada Inc.

The change in foreign exchange rate had a negative impact on FFO of $1,006 ($0.09 per common share).

The Company believes it is useful to provide an analysis of Normalized FFO which excludes non-recurring items on a net of tax basis and other fair value adjustments excluded from REALpac's definition of FFO.

Normalized FFO

For the three months ended March 31	2021	2020
FFO (from above)	**$44,351**	$6,993
Add/(deduct):		
Unrealized changes in the fair value of financial instruments	**(1,968)**	54,427
SARs plan increase (decrease) in compensation expense	**456**	(10,787)
Sears settlement, net of non-controlling interest	**(1,238)**	—
Lease cancellation fee	**1,623**	—
	43,224	50,633
Tax effect	**—**	—
Normalized FFO	**$43,224**	$50,633
Per common share amounts – basic and diluted	**$3.89**	$4.50

Normalized FFO for the three months ended March 31, 2021, was $43,224, or $3.89 per common share, versus $50,633, or $4.50 per common share, for the same period in 2020, which represents decrease of $7,409, or 14.6%.

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

For the three months ended March 31	2021	2020
Net income attributable to common shareholders	**$15,155**	$33,412
Add/(deduct):		
Fair value loss (gain) on real estate properties, net[1]	**(32,825)**	126,279
Non-controlling interests' share of fair value loss on real estate properties, net	**(4,115)**	(48,732)
Fair value gain on Morguard Residential REIT Units	**(10,643)**	(142,510)
Distribution to Morguard Residential REIT's external unitholders	**5,437**	5,429
Non-controlling interest - Morguard Residential REIT	**(5,727)**	(6,826)
Fair value gain on conversion option of MRG convertible debentures	**(423)**	(3,127)
Amortization of intangible asset	**1,161**	1,062
Amortization of hotel properties[2]	**6,647**	7,356
Non-controlling interests' share of amortization of hotel properties	**—**	(676)
Foreign exchange loss	**465**	2,769
Deferred income taxes	**38,903**	(25,995)
Current tax on disposition of property	**—**	4,370
Principal repayment of lease liabilities	**(449)**	(472)
Internal leasing costs	**770**	757
Realty taxes accounted for under IFRIC 21[3]	**29,995**	30,006
Provision for impairment	**—**	23,891
FFO	**$44,351**	$6,993
FFO per common share – basic and diluted	**$4.00**	$0.62
Weighted average number of common shares outstanding (in thousands):		
Basic and diluted	**11,101**	11,262

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

PART IV

BALANCE SHEET ANALYSIS

REAL ESTATE PROPERTIES

The Company's real estate properties, together with hotel properties and equity-accounted and other real estate fund investments, represent approximately 94% of Morguard's total assets. Real estate properties include multi-suite residential, retail, office and industrial properties held to earn rental income and for capital appreciation. Real estate properties also include properties or land that is being constructed or developed for future use as income producing properties.

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

As at	March 31, 2021	December 31, 2020
Real estate properties		
Multi-suite residential	**$4,954,605**	$4,937,059
Retail	**2,259,043**	2,243,942
Office	**2,231,913**	2,253,706
Industrial	**147,273**	133,512
	9,592,834	9,568,219
Properties under development	**7,995**	25,416
Land held for development	**88,147**	86,773
Real estate properties	**$9,688,976**	$9,680,408

Real estate properties increased by $8,568 at March 31, 2021, to $9,688,976, compared to $9,680,408 at December 31, 2020. The increase is primarily the result of the following:

- A fair value gain on real estate properties of $31,329;
- Capitalization of property enhancements, including capital expenditures and tenant improvements totalling $9,347;
- Development expenditures of $2,511; and
- A decrease of $35,893 due to the change in the U.S. dollar foreign exchange rate.

APPRAISAL CAPITALIZATION AND DISCOUNT RATES

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

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

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

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

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

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

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

Fair values are most sensitive to changes in discount rates, capitalization rates and stabilized or forecast net operating income. Generally, an increase in 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 net operating income, with a lower capitalization rate resulting in a greater impact on the fair value of the property than a higher capitalization rate.

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

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

HOTEL PROPERTIES

Hotel properties consist of the following:

As at	**March 31, 2021**	December 31, 2020
Cost	**$763,630**	$761,016
Accumulated impairment provision	**(100,659)**	(100,659)
Accumulated amortization	**(121,678)**	(115,316)
Hotel properties	**$541,293**	$545,041

EQUITY-ACCOUNTED AND OTHER FUND INVESTMENTS

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

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

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

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

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

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

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

MORTGAGES PAYABLE

Mortgages payable totalled $4,222,160 at March 31, 2021, compared to $4,269,374 at December 31, 2020, a decrease of $47,214. The decrease was predominantly due to scheduled principal repayments of $29,934 and a decrease of $17,628 from the change in the foreign exchange rate.

MORTGAGE CONTINUITY SCHEDULE

As at	March 31, 2021	December 31, 2020
Opening mortgage balance	**$4,269,374**	$4,365,279
New mortgage financing	**—**	446,157
New mortgage financing costs	**(70)**	(2,997)
Mortgages discharged and matured	**—**	(397,462)
Scheduled principal repayments	**(29,934)**	(111,140)
Change in foreign exchange rate	**(17,628)**	(31,563)
Mortgages mark-to-market adjustment, net	**(760)**	(4,552)
Deferred financing costs (including extinguishment)	**1,178**	5,652
Closing mortgage balance	**$4,222,160**	$4,269,374

The Company's first mortgages are registered against specific real estate assets and hotel properties. As at March 31, 2021, mortgages payable bear interest at rates ranging between 2.03% and 7.08% per annum with a weighted average interest rate of 3.55% (December 31, 2020 - 3.58%), mature between 2021 and 2058 with a weighted average term to maturity of 4.6 years (December 31, 2020 - 4.8 years) and approximately 98% of the Company's mortgages have fixed interest rates.

MORTGAGE REPAYMENT SCHEDULE

As at March 31, 2021	Principal Instalment Repayments	Balance Maturing	Total	Weighted Average Contractual Interest Rate
2021 (remainder of the year)	$86,354	$480,265	$566,619	4.00%
2022	110,574	395,181	505,755	3.52%
2023	88,562	631,491	720,053	3.57%
2024	75,580	394,979	470,559	3.60%
2025	60,369	391,819	452,188	3.30%
Thereafter	159,930	1,359,299	1,519,229	3.49%
	$581,369	$3,653,034	4,234,403	3.55%
Mark-to-market adjustment, net			6,636	
Deferred financing costs			(18,879)	
			$4,222,160	

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

MORTGAGE MATURITY SCHEDULE

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

				2021				2022
Asset Type	Number of Properties	Principal Maturing	Weighted Average Interest Rate	Maturing Loan-to-Value Ratio	Number of Properties	Principal Maturing	Weighted Average Interest Rate	Maturing Loan-to-Value Ratio
Multi-suite residential	4	$75,280	3.97%	23.1%	6	$113,117	3.42%	38.4%
Retail	5	196,895	3.89%	34.7%	3	121,906	3.06%	49.8%
Office	4	79,311	3.47%	33.2%	2	158,766	3.93%	76.9%
Hotels(1)	5	83,515	4.23%	61.0%	2	11,496	4.66%	93.0%
	18	$435,001	3.78%	34.2%	13	$405,285	3.55%	53.5%

(1) The Company mortgages payable in breach of debt covenants required under IFRS to be included in the current portion of mortgages payable have been presented in the above table based on their contractual maturity.

UNSECURED DEBENTURES

The Company's Unsecured Debentures consist of the following:

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

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

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

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

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

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

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

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

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

The Company must maintain an interest coverage ratio computed on a Non-Consolidated Basis above 1.65 times, an indebtedness to aggregate assets ratio computed on a Non-Consolidated Basis not to exceed 65% and a minimum equity requirement computed on a Non-Consolidated Basis of at least $300,000. If the Company does not meet these covenants, the Unsecured Debentures will become immediately due and payable unless the Company is able to remedy the default or obtain a waiver from lenders.

Non-Consolidated Basis adjustments include the following:

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

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

Non-Consolidated Basis	**Covenant Requirements**	**March 31, 2021**	March 31, 2020
Interest coverage ratio(1)	1.65	**1.97**	2.65
Indebtedness to aggregate assets ratio(2)	Less than or equal to 65%	**47.0%**	47.1%
Adjusted shareholders' equity(3)	Not less than $300,000	**$3,434,721**	$3,662,275

(1) Calculated on a trailing twelve-month basis.
(2) As defined in the Indenture, adjusted to exclude goodwill and deferred income tax assets and to add back accumulated amortization of hotel properties.
(3) As defined in the Indenture, adjusted to exclude deferred income tax assets and liabilities and to add back accumulated amortization of hotel properties.

As at March 31, 2021, on a Non-Consolidated Basis, the Company's unencumbered assets which include real estate and hotel properties, and other investments amounted to $1,020,000 (December 31, 2020 - $1,026,000).

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

MORGUARD NON-CONSOLIDATED FINANCIAL STATEMENTS
BALANCE SHEET

As at	Morguard Consolidated	Morguard REIT	Morguard Residential REIT	Adjustments	March 31, 2021 Morguard Non-Consolidated Basis	December 31, 2020 Morguard Non-Consolidated Basis
ASSETS						
Real estate properties	$9,688,976	($2,489,994)	($2,955,447)	($237,878)	**$4,005,657**	$4,001,078
Hotel properties	541,293	—	—	121,678	**662,971**	660,357
Equity-accounted and other fund investments	210,773	(20,207)	(91,660)	1,311,747	**1,410,653**	1,408,183
Investment in Class C LP Units	—	—	—	83,144	**83,144**	83,944
Other assets	626,648	(39,921)	(43,322)	27,124	**570,529**	553,691
Total assets	$11,067,690	($2,550,122)	($3,090,429)	$1,305,815	**$6,732,954**	$6,707,253
LIABILITIES						
Mortgage payable and Class C LP Units	$4,222,160	($1,113,598)	($1,194,383)	($68,919)	**$1,845,260**	$1,865,693
Construction financing, loans and bank indebtedness	168,602	(44,602)	(3,896)	21,896	**142,000**	147,385
Class B LP Units	—	—	(268,164)	268,164	**—**	—
Debentures payable	1,217,111	(173,354)	(84,914)	63,648	**1,022,491**	1,022,152
Lease Liabilities	163,699	(10,961)	(8,991)	237	**143,984**	144,417
Morguard Residential REIT Units	435,620	—	—	(435,620)	**—**	—
Deferred income tax liabilities	687,762	—	(111,675)	(576,087)	**—**	—
Accounts payable and accrued liabilities	254,792	(50,189)	(59,425)	(680)	**144,498**	133,760
Total liabilities	7,149,746	(1,392,704)	(1,731,448)	(727,361)	**3,298,233**	3,313,407
Equity / Adjusted shareholders' equity	3,917,944	(1,157,418)	(1,358,981)	2,033,176	**3,434,721**	3,393,846
Total liabilities and equity	$11,067,690	($2,550,122)	($3,090,429)	$1,305,815	**$6,732,954**	$6,707,253

COMPUTATION FOR INTEREST COVERAGE RATIO

Twelve months ended March 31	Morguard Consolidated	Morguard REIT	Morguard Residential REIT	Adjustments	2021 Morguard Non-Consolidated Basis	2020 Morguard Non-Consolidated Basis
Revenue from real estate properties	$871,422	($248,361)	($246,708)	($18,033)	**$358,320**	$354,802
Revenue from hotel properties	72,389	—	—	—	**72,389**	100,029
Property operating expenses	(403,472)	128,353	113,281	(4,821)	**(166,659)**	(146,620)
Hotel operating expenses	(65,223)	—	—	—	**(65,223)**	(78,419)
Net operating income	475,116	(120,008)	(133,427)	(22,854)	**198,827**	229,792
Management and advisory fees and distributions	40,009	—	—	32,609	**72,618**	98,807
Interest and other income	15,021	—	(254)	8,054	**22,821**	25,139
Property management and corporate(1)	(68,727)	3,422	14,708	(19,297)	**(69,894)**	(84,360)
Other income (expense)(2)	1,905	(1,983)	—	—	**(78)**	(291)
Distributions from Morguard REIT and Morguard Residential REIT	—	—	—	35,672	**35,672**	50,905
EBITDA	$463,324	($118,569)	($118,973)	$34,184	**$259,966**	$319,992
Interest expense	$231,325	($55,076)	($64,150)	$20,118	**$132,217**	$120,797
Interest capitalized to development projects	692	(692)	—	—	**—**	—
Interest expense for interest coverage ratio	$232,017	($55,768)	($64,150)	$20,118	**$132,217**	$120,797

(1) Morguard consolidated property management and corporate expense for the twelve months ended March 31, 2021 includes a non-cash fair value adjustment relating to the Company's SARs liability and has been adjusted to remove the impact of the decrease in SARs expense of $918 (2020 - increase in SARs expense of $10,233).

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

CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

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

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

MORGUARD REIT

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

MORGUARD RESIDENTIAL REIT

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

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

MORGUARD RESIDENTIAL REIT UNITS

As at March 31, 2021, and December 31, 2020, the Company owned a 44.7% effective interest in Morguard Residential REIT through its ownership of 7,944,166 units and 17,223,090 Class B LP units. Although the Company owns less than 50% of Morguard Residential REIT, it continues to consolidate its investment on the basis of *de facto* control.

The non-controlling interest in Morguard Residential REIT units has been presented as a liability. Morguard Residential REIT units are redeemable at any time, in whole or in part, on demand by the holders. Upon receipt of the redemption notice by Morguard Residential REIT, all rights to and under the units tendered for redemption shall be surrendered, and the holder shall be entitled to receive a price per unit equal to the lesser of: (i) 90% of the market price of the units on the principal exchange market on which the units are listed or quoted for trading during the 10 consecutive trading days ending immediately prior to the date on which the units were surrendered for redemption; or (ii) 100% of the closing market price on the principal exchange market on which the units are listed or quoted for trading on the redemption date.

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

BANK INDEBTEDNESS

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

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

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

LEASE LIABILITIES

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

As at	March 31, 2021	December 31, 2020
Balance, beginning of period	**$164,255**	$166,144
Interest on lease liabilities	**2,336**	9,440
Payments	**(2,785)**	(11,162)
Foreign exchange gain	**(107)**	(167)
Balance, end of period	**$163,699**	$164,255

Future minimum lease payments under lease liabilities are as follows:

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

EQUITY

Total equity increased by $5,246 to $3,917,944 at March 31, 2021, compared to $3,912,698 at December 31, 2020.

The increase in equity was primarily the result of:

- Net income for the three months ended March 31, 2021 of $17,948;
- An actuarial gain on defined benefit pension plans of $13,856;
- Repurchase of common shares through the Company's NCIB (defined below) amounting to $1,007;
- Non-controlling interest distributions of $2,334;
- Dividends paid of $1,665; and
- Unrealized foreign currency translation loss of $18,774.

During the three months ended March 31, 2021, 8,870 common shares were repurchased through the Company's normal course issuer bid ("NCIB") for cash consideration of $1,007.

As at March 31, 2021, 11,100,340 common shares were outstanding. As at May 4, 2021, 11,100,340 common shares were outstanding.

PART V

LIQUIDITY

Morguard uses a combination of existing cash, cash generated from operations, mortgages, bank indebtedness, project-specific financing and equity to finance its activities. For the three months ended March 31, 2021, Morguard received approximately $8,766 in recurring distributions and dividends from subsidiaries and affiliated entities.

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

THREE MONTHS ENDED MARCH 31, 2021

Cash Provided by Operating Activities

Cash provided by operating activities during the three months ended March 31, 2021, was $40,877, compared to $59,996 in 2020. The cash provided by operating activities has been used to meet the Company's liquidity requirements, which consisted primarily of property re-leasing costs, maintenance costs and dividends to shareholders.

Cash Used in Investing Activities

Cash used in investing activities during the three months ended March 31, 2021, totalled $17,274, compared to cash used in investing activities of $8,354 in 2020. The cash used in investing activities reflects:

- Additions to real estate properties and tenant improvements of $7,956;
- Additions to hotel properties of $2,614;
- Investment in properties under development of $2,511; and
- Net investment in equity-accounted and other fund investments of $4,087.

Cash Provided by (Used in) Financing Activities

Cash used in financing activities during the three months ended March 31, 2021, totalled $43,502, compared to cash provided by financing activities of $19,934 in 2020. The cash used in financing activities reflects:

- Mortgage principal repayments of $29,934;
- Principal payment of lease liabilities of $449;
- Net repayment of bank indebtedness of $30,200;
- Net proceeds from loans payable of $22,000;
- Dividends paid of $1,642;
- Distributions to non-controlling interest of $1,656;
- Common shares repurchased for cancellation of $1,007; and
- Increase in restricted cash of $544.

PART VI

TRANSACTIONS WITH RELATED PARTIES

Related party transactions that are in the normal course of operations are subject to the same processes and controls as other transactions; that is, they are subject to standard approval procedures and management oversight, but are also considered by management for reasonability against fair value. Related party transactions that are found to be material are subject to review and approval by the Company's Audit Committee, which comprises Independent Directors.

PAROS ENTERPRISES LIMITED

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. On January 25, 2019, Paros acquired $12,500 aggregate principal amount of the Company's Series E unsecured debentures. 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 March 31, 2021 was $22,000 (December 31, 2020 - $nil). During the three months ended March 31, 2021, the Company incurred net interest expense of $33 (2020 - $nil).

TWC ENTERPRISES LIMITED

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

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

SHARE/UNIT PURCHASE AND OTHER LOANS

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

PART VII

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Company's condensed consolidated financial statements for the three months ended March 31, 2021 and 2020, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the IASB. The condensed consolidated financial statements use the same accounting policies and methods of their application as the most recent annual audited consolidated financial statements and accompanying notes for the three months ended March 31, 2021, which include the significant accounting policies most affected by estimates and judgements and should be read in conjunction with the most recent annual audited consolidated financial statements.

The MD&A for the year ended December 31, 2020, contains a discussion of the significant accounting policies most affected by estimates and judgments used in the preparation of the consolidated financial statements, being the accounting policies relating to *de facto* control, estimates of fair value of real estate properties, estimating deferred tax assets and liabilities, revenue recognition, valuation of financial instruments and the determination of whether an acquisition represents a business combination or an asset acquisition. Management determined that as at March 31, 2021, there is no change to the assessment of the significant accounting policies most affected by estimates and judgments as detailed in the MD&A for the year ended December 31, 2020.

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

FINANCIAL INSTRUMENTS

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

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

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

Fair Value of Financial Assets and Financial Liabilities

The fair values of cash, restricted cash, amounts receivable, accounts payable and accrued liabilities 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 method of amortization. The estimated fair values of long-term borrowings have been determined based on market information, where available, or by discounting future payments of interest and principal at estimated interest rates expected to be available to the Company.

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

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

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

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

RISKS AND UNCERTAINTIES

All investment properties are subject to a degree of risk and uncertainty. Income from real estate assets is affected by various factors, including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand particularly affect income property investments. The major categories of risk the Company encounters in conducting its business and some of the actions it takes to mitigate these risks are outlined in the Company’s MD&A for the year ended December 31, 2020 and the Company’s most recent Annual Information Form, dated February 25, 2021 and provide a more detailed discussion of these and other risks.

CONTROLS AND PROCEDURES CONCERNING FINANCIAL INFORMATION

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

The Company’s management has evaluated the effectiveness of the Company’s disclosure controls and procedures and, based on such evaluation, has concluded that their design is adequate and effective as of and for the three months ended March 31, 2021. The Company’s management has also evaluated the effectiveness of the internal controls over financial reporting and has concluded that their design is effective as of and for the three months ended March 31, 2021.

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

PART VIII

SUMMARY OF QUARTERLY INFORMATION

(In thousands of dollars, except per common share amounts)	Total Revenue	NOI	Adjusted NOI	Normalized FFO	Net Income (Loss)	Net Income (Loss) Attributable to Common Shareholders	Net Income (Loss) to Common Shareholders per Share - Basic/Diluted
March 31, 2021	**$246,962**	**$86,474**	**$118,329**	**$43,224**	**$17,948**	**$15,155**	**$1.37**
December 31, 2020	259,505	127,200	116,118	44,433	(98,540)	(62,328)	(5.57)
September 30, 2020	251,469	130,268	119,832	43,756	(37,602)	(4,606)	(0.42)
June 30, 2020	240,905	131,174	120,842	42,383	(105,038)	(65,396)	(5.81)
March 31, 2020	292,310	102,601	134,451	50,633	(8,870)	33,412	2.97
December 31, 2019	301,532	151,403	141,396	56,839	82,786	84,911	7.53
September 30, 2019	299,410	150,059	141,382	61,541	(2,291)	(1,180)	(0.10)
June 30, 2019	301,386	150,145	140,673	59,790	69,342	69,722	6.17

SUMMARY OF QUARTERLY RESULTS

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

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

Since 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. During the year ended December 31, 2020, the Company temporarily closed 21 hotels of which four hotels remain closed.

Significant Real Estate Property Transactions During the Year Ended December 31, 2020

During the first quarter of 2020, the Company disposed of its 50% interest held in one industrial property in Canada comprising 284,000 square feet of commercial leasable area.

During the third quarter of 2020, the Company disposed of one hotel property in Canada consisting of 145 rooms.

During the third quarter of 2020, the Company disposed of a retail property and an adjacent parcel of land in Canada classified as held for development consisting of approximately 10,000 square feet of commercial area.

During the fourth quarter of 2020, the Company disposed of one hotel property in Canada consisting of 241 rooms.

Significant Real Estate Property Transactions During the Year Ended December 31, 2019

During the second quarter of 2019, the Company disposed of one multi-suite residential property in the U.S. consisting of 48 suites.

During the third quarter of 2019, the Company acquired an office property in Canada consisting of approximately 157,350 square feet of commercial area.

During the third quarter of 2019, the Company disposed of one industrial property in Canada consisting of 242,521 square feet of commercial leasable area.

During the fourth quarter of 2019, the Company disposed of one retail property in the U.S. consisting of 167,500 square feet of commercial leasable area and an adjacent parcel of land classified as held for development.

During the fourth quarter of 2019, the Company acquired the remaining 50% co-ownership interest in an office property in Canada consisting of 398,500 square feet of commercial leasable area.

During the fourth quarter of 2019, the Company acquired the remaining 51% interest in a multi-suite residential property in the U.S. consisting of 690 suites.

Revenue and Net Operating Income

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

The Company has seen stable revenue during the quarters leading up to the onset of the COVID-19 pandemic which has declined since mainly at hotel and retail properties due to the impact of COVID-19. The change in foreign exchange rates and the impact of acquisition net of disposal of properties (described above) also contributed to the increase in revenue during the last eight quarters. Subsequent to the first quarter of 2020, revenue has increased mainly as a result of businesses re-opening towards the end of the second quarter of 2020. In addition, lower hotel revenue during the first quarter of 2020 and 2021 is seasonally impacted by the colder months.

Similar to the reasons described above, NOI over the last eight quarters has followed a similar pattern. The decline in NOI subsequent to the first quarter of 2020 in addition to lower revenue (as described above) was due to higher bad debt expense due to the impact of COVID-19. The impact of foreign exchange rates and of acquisitions and dispositions also factor into the variance from quarter to quarter. The first quarter results (three months ended March 31) are impacted by IFRIC 21, whereby the Company records the entire annual realty tax expense for its U.S. properties on January 1, except for U.S. properties acquired during the year in which the realty taxes are not recorded in the year of acquisition. As a result, the second, third and fourth quarters typically have no realty tax expense which results in higher NOI and NOI margins. Adjusted NOI which excludes IFRIC 21 is presented in the table above to illustrate a more comparable quarter-to-quarter analysis.

Net Income (Loss) Attributable to Common Shareholders

Taking into account the above factors for revenue and NOI variations, the change in net income (loss) is predominantly due to lower interest expense mainly due to lower interest on mortgages payable attributable to the extinguishment of mortgages during in the first quarter of 2020. In addition, the change in net income (loss) resulted from the following non-cash components:

- The Company valued the Morguard Residential units (presented as a liability under IFRS) based on the market value of the TSX-listed units; During the three months ended March 31, 2020, the volatility of the stock market from the impact of the global health crisis resulted in a significant decline in the unit price of Morguard Residential that resulted in a fair value gain. Prior and subsequent to the first quarter of 2020, there has been an upward trend in the trading price of the Morguard Residential units resulting in a fair value loss recorded to net income (loss);
- The Company recorded fair value gain on real estate properties for the three months ended March 31, 2021. The Company recorded a fair value loss on real estate properties for the year ended December 31, 2020 due to an increase in the capitalization rates at the Company's enclosed malls which have experienced lower collections and higher tenant failures due to the impact of COVID-19;
- During the three months ended March 31, 2021, the Company recorded a non-cash compensation expense related to the Company's SARs plan. During the year ended December 31, 2020, the Company recorded a non-cash reduction to compensation expense related to the Company's SARs plan;
- During the three months ended March 31, 2021, the Company recorded a deferred tax expense coinciding with the net fair value gains recorded on the Company's real estate properties. During the year ended December 31, 2020, the Company recorded deferred tax recovery coinciding with the fair value loss recorded on the Company's real estate properties;
- The Company recorded an impairment provision on hotel properties of $5,562, $7,588, $23,891, $19,059 and $3,864 during the fourth quarter of 2020, third quarter of 2020, first quarter of 2020, third quarter of 2019 and fourth quarter of 2019, respectively.

SUBSEQUENT EVENTS

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

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

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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BALANCE SHEETS

In thousands of Canadian dollars

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

Contingencies 24

See accompanying notes to the condensed consolidated financial statements.

On behalf of the Board:

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

K. Rai Sahi,
Director

Bruce K. Robertson,
Director

STATEMENTS OF INCOME (LOSS)

In thousands of Canadian dollars, except per common share amounts

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

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
In thousands of Canadian dollars

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

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
In thousands of Canadian dollars

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

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

For the three months ended March 31	Note	2021	2020
OPERATING ACTIVITIES			
Net income (loss) for the period		**$17,948**	($8,870)
Add items not affecting cash	23(a)	**34,539**	75,149
Distributions from equity-accounted and other fund investments	6	**1,242**	10,750
Additions to tenant incentives and leasing commissions	4	**(1,391)**	(1,438)
Net change in operating assets and liabilities	23(b)	**(11,461)**	(15,595)
Cash provided by operating activities		**40,877**	59,996
INVESTING ACTIVITIES			
Additions to real estate properties and tenant improvements	4	**(7,956)**	(16,141)
Additions to hotel properties	5	**(2,614)**	(1,873)
Additions to capital and intangible assets		**(106)**	(956)
Proceeds from the sale of real estate properties, net	4	**—**	28,079
Investment in properties under development	4	**(2,511)**	(11,271)
Investment in equity-accounted and other fund investments, net	6	**(4,087)**	(6,192)
Cash used in investing activities		**(17,274)**	(8,354)
FINANCING ACTIVITIES			
Proceeds from new mortgages		**—**	100,000
Financing costs on new mortgages		**(70)**	(420)
Repayment of mortgages			
Principal instalment repayments		**(29,934)**	(28,866)
Repayments on maturity		**—**	(20,661)
Repayments due to mortgage extinguishments		**—**	(111,774)
Principal payment of lease liabilities		**(449)**	(472)
Proceeds from bank indebtedness		**16,122**	243,210
Repayment of bank indebtedness		**(46,322)**	(91,604)
Proceeds from (repayments of) loans payable, net		**22,000**	(13,233)
Dividends paid		**(1,642)**	(1,668)
Distributions to non-controlling interest, net		**(1,656)**	(4,560)
Common shares repurchased for cancellation	15(a)	**(1,007)**	(6,756)
Investment in subsidiaries	15(b)	**—**	(44,149)
Decrease (increase) in restricted cash		**(544)**	887
Cash provided by (used in) financing activities		**(43,502)**	19,934
Net increase (decrease) in cash during the period		**(19,899)**	71,576
Net effect of foreign currency translation on cash balance		**(1,309)**	3,057
Cash, beginning of period		**142,088**	123,168
Cash, end of period		**$120,880**	$197,801

See accompanying notes to the condensed consolidated financial statements.

NOTES

For the three months ended March 31, 2021 and 2020

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

NOTE 1

NATURE AND DESCRIPTION OF COMPANY

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

NOTE 2

STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

NOTE 3

SUBSIDIARIES WITH NON-CONTROLLING INTEREST

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

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

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

Morguard Real Estate Investment Trust (“Morguard REIT” or “MRT”)

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

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

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

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

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

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

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

NOTE 4
REAL ESTATE PROPERTIES

Real estate properties consist of the following:

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

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

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

Transactions completed during the three months ended March 31, 2021

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

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

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

Transactions completed during the year ended December 31, 2020

Acquisitions

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

Dispositions

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

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

Capitalization Rates

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

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

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

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

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

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

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

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

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

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

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

NOTE 5

HOTEL PROPERTIES

Hotel properties consist of the following:

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

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

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

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

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

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

Transactions completed during the year ended December 31, 2020

Dispositions

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

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

Impairment Provision

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

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

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

NOTE 6

EQUITY-ACCOUNTED AND OTHER FUND INVESTMENTS

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

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

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

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

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

Equity-accounted investments

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

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

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

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

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

(b) Income Recognized from Other Fund Investments:

Other Real Estate Fund Investments

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

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

NOTE 7
OTHER ASSETS

Other assets consist of the following:

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

NOTE 8
AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

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

Government grants

Canada Emergency Wage Subsidy

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

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

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

NOTE 9

MORTGAGES PAYABLE

Mortgages payable consist of the following:

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

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

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

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

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

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

NOTE 10

DEBENTURES PAYABLE

The Company's debentures consist of the following:

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

(a) Unsecured debentures

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

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

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

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

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

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

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

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

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

(b) Convertible debentures

Convertible debentures consist of the following:

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

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

Morguard REIT

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

Morguard Residential REIT

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

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

NOTE 11

MORGUARD RESIDENTIAL REIT UNITS

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

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

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

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

NOTE 12

LEASE LIABILITIES

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

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

Future minimum lease payments under lease liabilities are as follows:

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

NOTE 13

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

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

NOTE 14

BANK INDEBTEDNESS

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

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

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

NOTE 15

SHAREHOLDERS' EQUITY

(a) Share Capital Authorized

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

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

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

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

(b) Contributed Surplus

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

(c) Stock Appreciation Rights Plan

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

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

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

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

(d) Accumulated Other Comprehensive Income

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

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

NOTE 16
REVENUE

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

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

The components of revenue from hotel properties are as follows:

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

The components of management and advisory fees are as follows:

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

NOTE 17
INTEREST EXPENSE

The components of interest expense are as follows:

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

NOTE 18
FAIR VALUE GAIN (LOSS), NET

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

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

NOTE 19
OTHER INCOME (EXPENSE)

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

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

NOTE 20
RELATED PARTY TRANSACTIONS

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

(a) Paros Enterprises Limited ("Paros")

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

(b) TWC Enterprises Limited ("TWC")

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

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

(c) Share/unit Purchase and Other Loans

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

NOTE 21
INCOME TAXES
(a) Tax Provision

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

(b) Unrecognized Deductible Temporary Differences

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

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

(c) Recognized Deductible Temporary Differences

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

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

NOTE 22
NET INCOME PER COMMON SHARE

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

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

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

(b) Net Change in Operating Assets and Liabilities

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

(c) Supplemental Cash Flow Information

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

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

(d) Reconciliation of Liabilities Arising from Financing Activities

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

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

NOTE 24

CONTINGENCIES

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

NOTE 25

MANAGEMENT OF CAPITAL

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

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

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

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

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

NOTE 26

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Fair Value of Financial Assets and Financial Liabilities

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

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

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

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

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

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

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

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

NOTE 27

SEGMENTED INFORMATION

(a) Operating Segments

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

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

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

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

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

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

(b) Regional Segments

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

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

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

NOTE 28

COMPARATIVE AMOUNTS

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

NOTE 29

SUBSEQUENT EVENTS

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

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

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