MANAGEMENT'S DISCUSSION AND ANALYSIS AND
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2020 FIRST QUARTER MORGUARD CORPORATION

TAKING DECISIVE
ACTION TOGETHER

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, 2020. 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, 2020, 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, 2020 and 2019. 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 5, 2020. 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 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 taxes 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) 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.

A reconciliation of net income (loss) 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 (loss) on a Non-Consolidated Basis before interest expense, income taxes, amortization, fair value adjustments to real estate properties, acquisition-related costs, debt settlement or other costs, any gain or loss attributed to the sale or disposition of any asset or liability, 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.

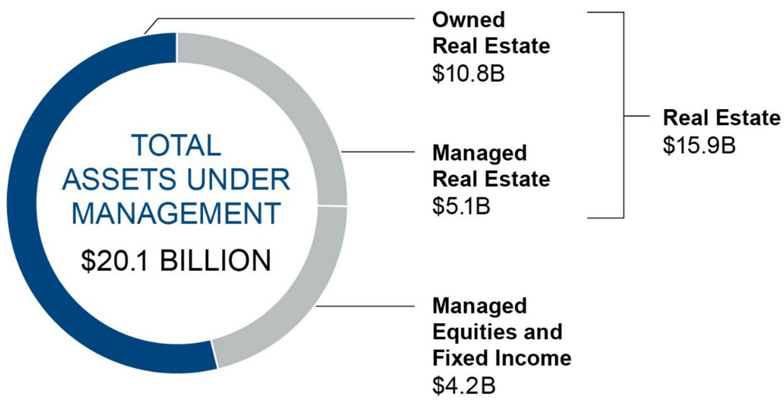
NON-CONSOLIDATED ADJUSTED SHAREHOLDERS’ EQUITY

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 $20.1 billion as at March 31, 2020. 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 40 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, 2020, 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 $9.3 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

OPERATING UPDATE - COVID-19 PANDEMIC

During 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 currently 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 in taking measures to protect the health of its employees, tenants and communities. In March, 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.

These are unprecedented times. Everyone has been impacted by the global efforts to reduce the spread of COVID-19. With the guidance of public health authorities, and at the direction of various level of government, Morguard has implemented measures to help reduce the spread of COVID-19 including:

- eliminating amenities deemed to be risky and ensuring the continuation of critical services;
- intensified cleaning, focusing staff efforts on cleaning high-touch point areas at all our properties using approved cleaning products;
- management offices are staffed but doors are locked;
- maintenance orders for non-emergency repairs have been deferred;
- added additional hand sanitizers to help tenants and residents maintain recommended practices for hand washing; and
- posted health and safety best practice reminders to increase awareness of the most current guidelines.

We are currently monitoring the ongoing developments with regards to COVID-19 and are committed in ensuring a healthy and safe environment, adjusting our service model as necessary.

Despite the recent volatility, our core philosophy remains strong:

- Real estate is a defensive position during economic uncertainty.
- The strength of our diversified real estate portfolio provides greater stability during volatility. Historically, this diversification has helped make our financial performance more reliable over time, providing insulation from downturns.
- We will shift away from the risks and towards the opportunities as we move ahead.

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

LIQUIDITY

The Company has liquidity of approximately $300,000 comprised of $180,000 in cash and $120,000 available under its revolving credit facilities. In addition, the Company has approximately $990,000 of unencumbered income producing properties which could be financed. 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 our properties. Management has also implemented various initiatives to reduce or defer operating expenses, property tax installments, hydro payments and corporate income tax installments. 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 $292,000 of mortgages payable maturing during 2020 having an aggregate loan-to-value ratio of 30% which management expects to be able to refinance these loans at similar or favorable terms. In addition, the Company has $200,000 of senior unsecured debentures maturing in November 2020. The Company expects to be able to use current liquidity and to issue new debt instruments sufficient to permit the repayment of its 2020 maturities.

APRIL 2020 COLLECTIONS & OPERATIONAL UPDATE

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

Asset Class	% Collected	% Rental Revenue
Residential	95.9%	41.9%
Retail	47.2%	27.3%
Office	92.8%	29.6%
Industrial	86.6%	1.2%
Total	**81.6%**	**100.0%**

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

RESIDENTIAL

The Company has halted evictions for non-payment of rent and 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. In addition, commencing with April's rental payment, the Company has waived the collection of recent rental increases and late fees for existing tenants and will suspend collection of further rental increases during this period of crisis. Currently 3.5% of residential tenants have requested deferred payment plans.

As at May 5, 2020, the Company has collected approximately 95.9% (97.0% in Canada / 95.2% in the U.S.) of April residential rental revenue which is materially in line with historical collection rates. Management will monitor rent collections and compassionately follow up with those accounts in arrears as the impact of the pandemic continues to weigh on the North American economy over the remainder of the year.

As at May 5, 2020, the Company's occupancy remains stable at 95.4% in Canada and the U.S. as leasing agents work remotely and utilize the use of online technology to continue leasing activity following the onset of the pandemic and social distancing guidelines. Generally speaking, current conditions including social distancing has reduced leasing traffic. Management will closely monitor traffic and turnover levels in the coming months as we approach our peak leasing season.

RETAIL & OFFICE

The order to close non-essential businesses issued by various levels of government across North America has significantly impacted our retail tenants. As at May 5, 2020, all except one of the Company's enclosed malls are open. Across the Company's retail portfolio, approximately 40% of retail stores are currently open (measured by gross leasable area), with the remaining 60% closed. The retail tenants that have closed represent approximately 16% of the Company's annualized revenues.

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 protocols most our tenants have implemented a work-from-home protocol. The Company has a significant amount of office space leased to government tenants. This will help mitigate the risk of non-payment of rent. Approximately 37% of the Company's office annualized rental revenue is derived from government tenants.

The Company is working with all tenants to review their circumstances and to consider rent deferrals as necessary and are being especially supportive of small business retail tenants. Deferrals are being considered on a case-by-case basis. As at May 5, 2020, most retailers are waiting for clarification on the extent of the economic crisis before settling deferral terms. 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 5, 2020, of the Company's 39 hotels, 20 are currently open for business at reduced occupancy levels and are serving guests in compliance with government health guidelines. The temporary closure of 19 hotels allows the Company to minimize any financial impact and to consolidate operations at certain hotels within the same sub-market. The Company's hotel asset class represents less than 10% of total NOI, as Morguard's diversified asset portfolio provides strength against economic and real estate cycles.

TEMPLE PRIVATIZATION

On December 19, 2019, the Company entered into a definitive agreement (the "Arrangement Agreement") with Temple to acquire all of the outstanding common shares of Temple not currently owned by the Company. The transaction was effected by way of a court-approved plan of arrangement under the *Canada Business Corporations Act*. The Arrangement Agreement provides that holders of Temple common shares, excluding the Company, will receive cash consideration of $2.10 per Temple common share from the Company. On the day of the Arrangement Agreement, the Company owned 54,492,911 Temple Shares, representing approximately 72.6% of the total Temple Shares issued and outstanding.

A meeting of Temple shareholders was held February 10, 2020, whereat Temple shareholders approved a special resolution approving the acquisition by the Company of all of the issued and outstanding common shares of Temple not already owned by the Company. The arrangement agreement was completed on February 18, 2020, and the Company acquired an aggregate of 20,668,856 Temple common shares for a total consideration of $44,149. On February 19, 2020, Temple de-listed from the Toronto Stock Exchange.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	March 31, 2020	December 31, 2019	March 31, 2019
Real estate properties	**$10,359,710**	$10,201,283	$9,746,826
Hotel properties	**599,622**	628,783	660,817
Equity-accounted and other fund investments	**258,306**	248,665	285,024
Total assets	**11,858,885**	11,703,084	11,244,717
Indebtedness(1)	**$6,117,553**	$5,919,939	$5,588,326
Indebtedness to total assets (%)	**51.6**	50.6	49.7
Non-Consolidated Indebtedness to total assets (%)(2)	**47.1**	43.8	41.3
Total equity	**$4,376,688**	$4,305,717	$4,236,266
Shareholders' equity per common share	**327.37**	314.55	304.99
Exchange rates - Canadian dollar to U.S. dollar	**$0.70**	$0.77	$0.75
Exchange rates - U.S. dollar to Canadian dollar	**$1.42**	$1.30	$1.34

(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	2020	2019
Revenue from real estate properties	**$228,266**	$219,840
Revenue from hotel properties	**47,805**	53,627
Management and advisory fees	**12,197**	11,651
Total revenue	**292,310**	289,517
Net operating income	**102,601**	104,574
Fair value gain (loss), net	**(36,822)**	20,956
Net income attributable to common shareholders	**33,412**	33,486
Per common share - basic and diluted	**2.97**	2.97
Funds from operations	**6,993**	53,566
Per common share - basic and diluted	**0.62**	4.74
Normalized FFO	**51,356**	52,477
Per common share - basic and diluted	**4.56**	4.65
Distributions received from Morguard REIT	**8,525**	8,390
Distributions received from Morguard Residential REIT	**4,402**	4,057
Dividends declared/paid	**(1,689)**	(1,693)
Average exchange rates - Canadian dollar to U.S. dollar	**$0.74**	$0.75
Average exchange rates - U.S. dollar to Canadian dollar	**$1.34**	$1.33

Total assets as at March 31, 2020, were $11,858,885, compared to $11,703,084 as at December 31, 2019. Total assets increased by $155,801 primarily due to the following:

- An increase in real estate properties of $158,427, mainly due to capital and development expenditures of $22,859, tenant incentives and leasing commissions of $5,991, an increase resulting from a change in the foreign exchange rate amounting to $286,492, partially offset by a net fair value loss of $122,603 and the disposition of a real estate property of $38,577;
- A decrease in hotel properties of $29,161, primarily due to an impairment provision of $23,891 and amortization of $7,143;
- An increase in equity-accounted and other fund investments of $9,641, predominantly due to a change in the foreign exchange rate, partially offset by an increase in distributions received;
- A decrease in other assets and prepaid expense of $58,502, primarily due to a decrease in investment in marketable securities and accrued pension benefit asset; and
- An increase in cash of $74,633.

Total revenue during the three months ended March 31, 2020, increased by $2,793 to $292,310, compared to $289,517 in 2019. The increase was primarily due to the following:

- An increase in revenue from real estate properties in the amount of $8,426; partially offset by;
- A decrease in revenue from hotel properties in the amount of $5,822.

PROPERTY PROFILE

As at March 31, 2020, the Company and its subsidiaries own a diversified portfolio of 206 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, 2020 was as follows:

Asset Type	Number of Properties	GLA Square Feet (000s)(1)	Apartment Suites/Hotels Rooms(2)	Real Estate Properties
Multi-suite residential	55	—	17,637	$5,153,767
Retail	39	8,264	—	2,494,593
Office	49	7,665	—	2,432,254
Industrial	24	1,014	—	127,885
Hotel	39	—	5,903	612,304
Properties and land held for and under development	—	—	—	143,668
Total (3)	**206**	**16,943**	**23,540**	**$10,964,471**

(1) Total GLA is shown on a proportionate basis; on a 100% basis, total GLA of the Company's commercial properties is 20.5 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 17,069 suites and 5,666 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 31 U.S. properties (20 low-rise and seven 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 17,637 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 29 properties located in Canada and 10 properties located in Florida and Louisiana. The combined retail portfolio represents 8.3 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 7.7 million square feet of GLA.

The Company's industrial portfolio comprises 24 industrial properties located throughout Ontario, Québec and British Columbia. The Industrial portfolio represents 1.0 million square feet of GLA.

The Company's hotel portfolio comprises 22 branded and 17 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 5,903 rooms.

AVERAGE OCCUPANCY LEVELS

COMPARATIVE AVERAGE OCCUPANCY LEVELS

	Suites/GLA Square Feet		Mar. 2020	Dec. 2019	Sep. 2019	June 2019	Mar. 2019
Multi-suite residential	17,338	(1)	**96.8%**	96.6%	96.9%	96.9%	96.7%
Retail	7,800,000	(2)	**90.9%**	91.4%	89.6%	88.9%	89.3%
Office	7,665,000		**91.8%**	91.8%	92.5%	92.6%	92.5%
Industrial	1,014,000		**89.9%**	89.9%	91.4%	92.9%	88.7%

(1) Excludes two properties, one property located in Los Angeles, California and one property under development in New Orleans, Louisiana.
(2) Retail occupancy has been adjusted to exclude development space (464,679 square feet of GLA) affected by either disclaimed or acquired Target and Sears leases.

The retail occupancy levels were adjusted to exclude development space (464,679 square feet of GLA) affected primarily by either disclaimed or acquired Target and Sears leases. As at March 31, 2020, this adjustment increased retail occupancy from 85.8% to 90.9%.

PART III

REVIEW OF OPERATIONAL RESULTS

The Company's operational results for the three months ended March 31, 2020, and 2019 are summarized below:

For the three months ended March 31	2020	2019
Revenue from real estate properties	**$228,266**	$219,840
Revenue from hotel properties	**47,805**	53,627
Property operating expenses		
Property operating costs	**(48,750)**	(45,844)
Utilities	**(15,241)**	(15,763)
Realty taxes	**(66,943)**	(62,772)
Hotel operating expenses	**(42,536)**	(44,514)
Net operating income	**102,601**	104,574
OTHER REVENUE		
Management and advisory fees	**12,197**	11,651
Interest and other income	**4,042**	4,399
	16,239	16,050
EXPENSES		
Interest	**61,362**	59,047
Property management and corporate	**10,176**	27,532
Amortization of hotel properties	**7,143**	6,772
Amortization of capital assets and other	**1,981**	2,017
Provision for impairment	**23,891**	—
	104,553	95,368
OTHER INCOME (EXPENSE)		
Fair value gain (loss), net	**(36,822)**	20,956
Equity income (loss) from investments	**(2,504)**	1,446
Other income (expense)	**(2,958)**	185
	(42,284)	22,587
Income (loss) before income taxes	**(27,997)**	47,843
Provision for (recovery of) income taxes		
Current	**6,868**	1,138
Deferred	**(25,995)**	7,746
	(19,127)	8,884
Net income (loss) for the period	**($8,870)**	$38,959
Net income (loss) attributable to:		
Common shareholders	**$33,412**	$33,486
Non-controlling interest	**(42,282)**	5,473
	($8,870)	$38,959
Net income per common share attributable to:		
Common shareholders - basic and diluted	**$2.97**	$2.97

NET INCOME (LOSS)

Net loss for the three months ended March 31, 2020, was $8,870, compared to net income of $38,959 in 2019. The decrease in net income of $47,829 for the three months ended March 31, 2020, was primarily due to the following:

- A decrease in net operating income of $1,973, primarily due to lower NOI from the retail and hotel portfolio, partially offset by higher NOI from the net impact of acquisitions and dispositions completed during and subsequent to the three months ended March 31, 2019;
- An increase in interest expense of $2,315 mainly due to higher interest on Unsecured Debentures and interest on bank indebtedness, partially offset by lower interest on convertible debentures;
- A decrease in property management and corporate expense of $17,356, primarily due to a decrease in non-cash compensation expense related to the Company's Stock Appreciation Rights ("SARs") plan;
- An increase in provision for impairment of $23,891;
- A decrease in non-cash net fair value gain of $57,778, mainly due to a net fair loss recorded on the Company's real estate properties and an increase in fair value loss on the Company's marketable securities, partially offset by an increase in the fair value gain on Morguard Residential REIT Units;
- An increase in equity loss from investments of $3,950, mainly due to an increase in fair value loss;
- An increase in other expense of $3,143, primarily due to a higher foreign exchange loss compared to 2019 and lower income on insurance proceeds; and
- A decrease in income taxes (current and deferred) of $28,011.

NET OPERATING INCOME

Net operating income decreased by $1,973 or 1.9%, during the three months ended March 31, 2020, to $102,601, compared to $104,574 generated in 2019, and is further analyzed by asset type below.

ADJUSTED NOI BY ASSET TYPE

For the three months ended March 31	2020	2019
Multi-suite residential	**$58,632**	$51,076
Retail	**33,834**	36,811
Office	**34,760**	33,727
Industrial	**1,956**	2,148
Hotel	**5,269**	9,113
Adjusted NOI	**134,451**	132,875
IFRIC 21 adjustment - multi-suite residential	**(27,656)**	(24,158)
IFRIC 21 adjustment - retail	**(4,194)**	(4,143)
NOI	**$102,601**	$104,574

NOI from the multi-suite residential portfolio for the three months ended March 31, 2020, increased by $4,058, or 15.1% to $30,976, compared to $26,918 in 2019. The increase in NOI is due to the change in Adjusted NOI described below, partially offset by an increase in the IFRIC 21 adjustment of $3,498.

Adjusted NOI from the multi-suite residential portfolio for the three months ended March 31, 2020, increased by $7,556, or 14.8% to $58,632, compared to $51,076 in 2019. The increase in Adjusted NOI is primarily due to the following:

- An increase in Canadian multi-suite residential properties of $1,926 primarily resulting from:
  - An increase of $1,433 mainly from rental rate growth at properties located in Canada. The average rental rate increased by 3.9% when compared to the same period in 2019. During the three months ended March 31, 2020, the Company's Canadian portfolio turned over 190 suites, or 2.4% of total suites and achieved average monthly rent ("AMR") growth of 21.5% on suite turnover; and
  - An increase of $493 due to a realty tax refund received at a property located in Mississauga, Ontario;
- An increase in U.S. multi-suite residential properties of US$3,951 primarily resulting from:
  - An increase of US$965 mainly from rental rate growth at properties located in the U.S. The average rental rate increased by 2.8% when compared to the same period in 2019;

  - An increase of US$3,550 predominantly due to the acquisition of the remaining 51% interest in the Marquee at Block 37 and consolidation of its equity investment interest during the fourth quarter of 2019; and
  - A decrease of US$564 due to the sale of five properties located in Louisiana, during the first and second quarters of 2019; and
- An increase of $1,679 due to the change in the U.S. dollar foreign exchange rate.

NOI from the retail portfolio for the three months ended March 31, 2020, decreased by $3,028, or 9.3%, to $29,640, compared to $32,668 in 2019. The decrease in NOI is due to the change in Adjusted NOI described below and by the increase in the IFRIC 21 adjustment of $51.

Adjusted NOI from the retail portfolio for the three months ended March 31, 2020, decreased by $2,977, or 8.1%, to $33,834, compared to $36,811 in 2019. The decrease in Adjusted NOI is primarily due to the following:

- A decrease in Canadian retail properties of $2,473 primarily resulting from:
  - A decrease in lease cancellation fees of $482 primarily due to lease cancellation fees received at two properties during 2019;
  - A decrease of $1,064 due to non-recurring income from a prior year realty tax refund and a settlement of disputed charges received in 2019; and
  - A decrease of $927 due to lower base rent, lower occupancy and increased non-recoverable operating expenses;
- A decrease in U.S. retail properties of US$418 primarily resulting from:
  - A decrease of US$46 due to lower revenue due to loss of tenants at one retail shopping centre in Louisiana, partially offset by additional rental revenue from new tenants and lower operating expenses predominantly at two U.S. properties;
  - A decrease of US$250 in lease cancellation fees mainly due to lease cancellation fees received from a tenant in 2019; and
  - A decrease of US$122 due to the sale of a property during the fourth quarter of 2019; and
- A decrease of $86 due to the change in the U.S. dollar foreign exchange rate.

NOI from the office portfolio for the three months ended March 31, 2020, increased by $1,033, or 3.1%, to $34,760, compared to $33,727 in 2019 due primarily to the following:

- An increase of $2,240 due to the acquisition of 99 Metcalfe Street, Ottawa, Ontario and a 50% interest in Mississauga City Centre, a four building portfolio located in Mississauga, Ontario completed subsequent to first quarter of 2019;
- An increase of $259 in the Canadian office properties due to higher base rent, higher occupancy, higher non-recoverable operating expenses and amortized step rent;
- A decrease of $1,160 due to rent abatement provided to a tenant in a single tenant property located in Calgary, Alberta; and
- A decrease in lease cancellation fees of $306 due to lease cancellation fee received from a tenant at a property in Saint-Laurent, Québec during 2019.

NOI from the industrial portfolio for the three months ended March 31, 2020, decreased by $192, or 8.9%, to $1,956, compared to $2,148 in 2019 due to the following:

- A decrease of $328 due to the sale of a property located in Salaberry-de-Valleyfield, Québec and a property located in Puslinch, Ontario subsequent to the first quarter of 2019; and
- An increase of $136 due to increased base rent and recoveries.

NOI from the hotel portfolio for the three months ended March 31, 2020, decreased by $3,844, or 42.2%, to $5,269, compared to $9,113 in 2019 due primarily to the following:

- A decrease of $4,579 mainly due to higher vacancy and lower revenue per available room (“RevPar”) due to current economic conditions experienced in all provinces as a result of the COVID-19 pandemic;
- An increase in net operating income of $735 at the newly re-developed, dual-branded Hilton Garden Inn and Homewood Suites by Hilton located in Ottawa, Ontario which commenced operations on January 1, 2019.

COMPARATIVE NET OPERATING INCOME

For the three months ended March 31	2020	2019
Multi-suite residential (in local currency)	**$45,911**	$43,519
Retail (in local currency)	**32,185**	33,158
Office	**32,456**	33,315
Industrial	**1,540**	1,410
Hotel	**4,863**	9,442
Exchange amount to Canadian dollars	**9,359**	8,644
Comparative NOI	**126,314**	129,488
Acquired properties	**7,262**	243
Dispositions	**399**	1,639
Realty tax expense accounted for under IFRIC 21	**(31,850)**	(28,301)
U.S. retail - lease cancellation fees	**—**	334
Canadian retail - lease cancellation fees	**—**	482
Canadian office - lease cancellation fees	**—**	306
Canadian hotel development	**406**	(329)
Realty tax refund/reassessment	**493**	464
Other	**(423)**	248
NOI	**$102,601**	$104,574

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, 2020, decreased by $3,174, or 2.5%, to $126,314 compared to $129,488 in 2019 due to the following:

- Multi-suite residential increased by $2,392 as a result of an increase in Canadian and U.S. rental rate growth, and improved occupancy;
- Retail decreased by $973 is primarily due to lower base rent, lower occupancy at Canadian properties;
- Office decreased by $859 mainly due to rent abatements given to a tenant, partially offset by higher base rents and lower non-recoverable operating expenses;
- Industrial increased by $130 due to higher base rent and recoveries;
- Hotel decreased by $4,579 mainly as a result of higher vacancy and lower revenue per available room due to current economic conditions experienced in all provinces as a result of the COVID-19 pandemic; and
- The change in the foreign exchange rate increased Comparative NOI for the U.S. properties by $715.

MANAGEMENT AND ADVISORY FEES

Morguard's management and advisory fee revenue for the three months ended March 31, 2020, increased by $546, or 4.7%, to $12,197, compared to $11,651 in 2019, primarily due to higher leasing and disposition fees, partially offset by lower property management fees earned compared to 2019.

INTEREST AND OTHER INCOME

Interest and other income for the three months ended March 31, 2020, decreased by $357, or 8.1%, to $4,042, compared to $4,399 in 2019. 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	2020	2019
Mortgages payable	**$41,425**	$41,433
Unsecured Debentures	**11,171**	8,020
Convertible debentures, net of accretion	**2,422**	4,699
Bank indebtedness	**1,579**	955
Loans payable and other	**1,046**	884
Lease liabilities	**2,371**	2,422
Amortization of mark-to-market adjustments on mortgages, net	**(1,264)**	(1,476)
Amortization of deferred financing costs	**2,775**	1,818
Loss on extinguishment of mortgage payable	**—**	491
	61,525	59,246
Less: Interest capitalized to properties under development	**(163)**	(199)
	$61,362	$59,047

Interest expense for the three months ended March 31, 2020, increased by $2,315, or 3.9%, to $61,362, compared to $59,047 in 2019, mainly due to higher interest on Unsecured Debentures resulting from the issuance of the Series E and Series F unsecured debentures in January 2019 and November 2019, respectively, higher interest on bank indebtedness and higher amortization of deferred financing cost, partially offset by lower interest on convertible debentures due to the repayment of Temple's Series E convertible debentures in April 2019 and a loss on extinguishment of mortgage payable recognized in 2019.

PROPERTY MANAGEMENT AND CORPORATE

Property management and corporate expenses for the three months ended March 31, 2020, decreased by $17,356, to $10,176, compared to $27,532 in 2019, primarily due to a decrease in non-cash compensation expense related to the Company's SARs plan of $14,831 and other corporate expenses.

AMORTIZATION OF HOTEL PROPERTIES, CAPITAL ASSETS AND OTHER

Amortization of hotel properties, capital assets and other for the three months ended March 31, 2020, increased by $335 to $9,124, compared to $8,789 in 2019.

PROVISION FOR IMPAIRMENT

In accordance with IFRS, management assesses all hotel properties at the end of each reporting period to determine if there is any indication that an asset may be impaired. A recoverability analysis was completed in accordance with the procedures specified by IFRS which included all hotel properties.

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. As at March 31, 2020, fifteen of the Company's hotel properties were subject to temporary closure. 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, 2020, the Company recognized a net fair value loss on real estate properties of $122,603, compared to a net fair value gain of $48,487 in 2019.

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

For the three months ended March 31	2020	2019
Multi-suite residential	**$10,983**	$45,446
Retail	**(118,551)**	11,785
Office	**(22,969)**	(9,678)
Industrial	**5,853**	567
Properties under development	**—**	367
Land held for development	**2,081**	—
	($122,603)	$48,487

For the three months ended March 31, 2020, the Company recognized a net fair value gain of $10,983 in the residential portfolio. The fair value gain is predominantly due to a $27,656 adjustment on realty taxes accounted for under IFRIC 21, partially offset by a $9,812 fair value loss at the U.S. properties and a $6,861 fair value loss at the Canadian properties.

For the three months ended March 31, 2020, the Company recognized a net fair value loss of $118,551 in the retail portfolio. The fair value loss consists of $113,618 at the Canadian properties predominantly due to 25 basis points increase in the capitalization rates at most of the Company's enclosed malls as well as assumptions on the collectability of rental revenue on cash flows due to COVID-19 and a fair value loss of $9,127 at the U.S. properties which was predominantly due to a 25 basis point increase in capitalization rates at a property located Louisiana, partially offset by an fair value gain of $4,194 due to an IFRIC 21 adjustment.

For the three months ended March 31, 2020, the Company recognized a net fair value loss of $22,969 in the office portfolio. The fair value loss was mainly due to lower stabilized NOI resulting from a lease amendment that provided a rent abatement to Obsidian Energy Ltd. at a property located in Calgary, Alberta.

FAIR VALUE GAIN ON MORGUARD RESIDENTIAL REIT UNITS

For the three months ended March 31, 2020, the Company recorded a fair value gain on the Morguard Residential REIT Units of $137,081, which includes a mark-to-market gain of $142,510 on the Units as a result of a downward trend in the trading price and the distributions made to external Unitholders of $5,429.

FAIR VALUE LOSS ON INVESTMENT IN MARKETABLE SECURITIES

Investment in marketable securities are classified as financial assets measured at fair value through profit or loss ("FVTPL"). For the three months ended March 31, 2020, the Company recorded a fair value loss on investment in marketable securities of $55,150 resulting from a decrease 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	2020	2019
Joint ventures	**($384)**	$590
Associates	**(2,120)**	856
	($2,504)	$1,446

Equity loss from investments for the three months ended March 31, 2020, increased by $3,950 to $2,504, compared to equity income of $1,446 in 2019. The increase in equity loss is due to a fair value loss at the Company's investment in Sunset & Gordon during the three months ended March 31, 2020, compared to a fair value gain in the same period in 2019, partially offset by an increase in operating income.

OTHER INCOME (EXPENSE)

Other expense for the three months ended March 31, 2020, increased by $3,143 to $2,958, compared to an income of $185 in 2019, primarily due to an increase in foreign exchange loss of $1,089 and lower income on insurance proceeds.

IFRS requires monetary assets and liabilities denominated in foreign currencies to be translated into Canadian dollars at the exchange rate in effect at the reporting date, and any gain or loss is recognized in the consolidated statements of income (loss).

INCOME TAXES

For the three months ended March 31, 2020, the Company recorded an income tax recovery of $19,127, compared to an income tax expense of $8,884 in 2019. The increase in income tax recovery of $28,011 comprises an increase of $33,741 in deferred tax recovery, partially offset by increase of $5,730 in current tax expenses.

The increase in current tax expenses for the three months ended March 31, 2020 is primarily a result of the taxable income as the result of the disposition of an industrial property comprising 284,000 square feet located in Puslinch, Ontario during the first quarter of 2020. The deferred tax recovery for the three months ended March 31, 2020, is primarily a result of fair value losses related to Canadian and U.S. properties compared to the fair value gains for the same period in 2019.

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, 2020, an actuarial loss of $23,985 was recorded in the consolidated statements of comprehensive income, compared to an actuarial gain of $10,676 for the three months ended March 31, 2019.

FUNDS FROM OPERATIONS

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

For the three months ended March 31	2020	2019
Multi-suite residential	**$58,632**	$51,076
Retail	**33,834**	36,811
Office	**34,760**	33,727
Industrial	**1,956**	2,148
Hotel	**5,269**	9,113
Adjusted NOI(1)	**134,451**	132,875
Other Revenue		
Management and advisory fees	**12,197**	11,651
Interest and other income	**4,042**	4,399
Equity-accounted FFO(2)	**1,385**	528
	17,624	16,578
Expenses and Other		
Interest	**(61,362)**	(59,047)
Principal repayment of lease liabilities	**(472)**	—
Property management and corporate	**(10,176)**	(27,532)
Internal leasing costs	**757**	610
Amortization of capital assets	**(919)**	(1,507)
Current income taxes(3)	**(2,498)**	(1,138)
Non-controlling interests' share of FFO	**(8,970)**	(10,863)
Non-controlling interest - Morguard Residential REIT	**(6,826)**	(5,389)
Unrealized changes in the fair value of financial instruments	**(54,427)**	7,622
Other income (expense)	**(189)**	1,357
FFO	**$6,993**	$53,566
FFO per common share amounts – basic and diluted	**$0.62**	$4.74
Weighted average number of common shares outstanding (in thousands):		
Basic and diluted	**11,262**	11,290

(1) For the three months ended March 31, 2020 and 2019, an IFRIC 21 adjustment of $31,850 and $28,301, respectively, was subtracted from the IFRS presentation of revenue from real estate properties and revenue from hotel properties less property operating costs, utilities, realty taxes and hotel operating expenses.

(2) Equity-accounted FFO exclude fair value adjustments on real estate properties and amortization of hotel properties.

(3) Current income taxes for the three months ended March 31, 2020, excludes $4,370 (2019 - $nil) of income tax relating to the disposal of property.

For the three months ended March 31, 2020, the Company recorded FFO of $6,993 ($0.62 per common share), compared to $53,566 ($4.74 per common share) in 2019. The decrease in FFO of $46,573 is mainly due to the following:

- An increase in Adjusted NOI of $1,576, primarily due from the net impact of acquisitions and dispositions, partially offset by lower Adjusted NOI from the retail and hotel portfolio;
- An increase in interest expense of $2,315, mainly due to higher interest on Unsecured Debentures resulting from the issuance of the Series E and Series F unsecured debentures in January 2019 and November 2019, respectively, and higher interest on bank indebtedness, partially offset by lower interest on convertible debentures due to the repayment of Temple's Series E convertible debentures in April 2019;
- A decrease in property management and corporate expenses of $17,356 primarily due to a decrease in non-cash compensation expense related to the Company's SARs plan;
- An increase in current income taxes of $1,360;
- An increase in the non-controlling interests' share of FFO of $1,893; and
- A decrease of $62,049 in unrealized changes in the fair value of the Company's marketable securities.

The change in foreign exchange rate had a positive impact on FFO of $145 ($0.01 per common share).

Normalized FFO

For the three months ended March 31	2020	2019
FFO (from above)	**$6,993**	$53,566
Add/(deduct):		
Unrealized loss (gain) on investment in marketable securities	**55,150**	(2,587)
SARs plan increase (decrease) in compensation expense	**(10,787)**	4,044
Insurance proceeds	**—**	(1,733)
Lease cancellation fee	**—**	(853)
	51,356	52,437
Tax effect	**—**	40
Normalized FFO	**$51,356**	$52,477
Per common share amounts – basic and diluted	**$4.56**	$4.65

Normalized FFO for the three months ended March 31, 2020, was $51,356, or $4.56 per common share, versus $52,477, or $4.65 per common share, for the same period in 2019, which represents a decrease of $1,121, or 2.1%.

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

For the three months ended March 31	2020	2019
Net income attributable to common shareholders	**$33,412**	$33,486
Add/(deduct):		
Fair value loss (gain) on real estate properties, net(1)	**126,279**	(49,621)
Non-controlling interests' share of fair value loss on real estate properties, net	**(48,732)**	(1,572)
Fair value loss (gain) on Morguard Residential REIT Units	**(142,510)**	29,207
Distribution to Morguard Residential REIT's external Unitholders	**5,429**	4,594
Non-controlling interest - Morguard Residential REIT	**(6,826)**	(5,389)
Fair value loss (gain) on conversion option of MRG convertible debentures	**(3,127)**	1,352
Amortization of intangible asset	**1,062**	510
Amortization of hotel properties(2)	**7,356**	6,988
Non-controlling interests' share of amortization of hotel properties	**(676)**	(1,943)
Foreign exchange loss	**2,769**	1,680
Deferred income taxes	**(25,995)**	7,746
Non-controlling interests' share of deferred income tax provision	**—**	(158)
Current tax on disposition of property	**4,370**	—
Principal repayment of lease liabilities	**(472)**	—
Internal leasing costs	**757**	610
Realty taxes accounted for under IFRIC 21(3)	**30,006**	26,584
Provision for impairment	**23,891**	—
Gain on sale of hotel property	**—**	(508)
FFO	**$6,993**	$53,566
FFO per common share – basic and diluted	**$0.62**	$4.74
Weighted average number of common shares outstanding (in thousands):		
Basic and diluted	**11,262**	11,290

(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 investments, represent approximately 95% of Morguard's total assets. Real estate properties include multi-suite residential, retail, office and industrial properties held to earn rental income and for capital appreciation. Real estate properties also include properties or land 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, 2020	December 31, 2019
Real estate properties		
Multi-suite residential	**$5,110,499**	$4,838,483
Retail	**2,623,938**	2,702,613
Office	**2,353,720**	2,372,524
Industrial	**127,885**	160,555
	10,216,042	10,074,175
Properties under development	**56,560**	43,650
Land held for development	**87,108**	83,458
Real estate properties	**$10,359,710**	$10,201,283

Real estate properties increased by $158,427 at March 31, 2020, to $10,359,710, compared to $10,201,283 at December 31, 2019. The increase is primarily the result of the following:

- Capitalization of property enhancements, including capital expenditures and tenant improvements totalling $17,579;
- Development expenditures of $11,271;
- Disposition of a 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:
- A fair value loss on real estate properties of $122,603; and
- An increase of $286,492 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.

During March 2020, the outbreak of COVID-19 resulted in governments enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, closure of non-essential businesses, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. As at March 31, 2020, the duration and impact of the COVID-19 pandemic is unknown. The impact of COVID-19 on estimating fair values for retail properties at March 31, 2020, required judgment based on evolving facts and available information. During the three months ended March 31, 2020, the Company recorded a $117,701 fair value loss relating to its retail properties, predominantly due to an increase in capitalization rates at most of the Company's enclosed malls as well as assumptions on the collectability of rental revenue considering the number of tenants that did not pay their April rent. In addition, it is currently not possible to estimate the full extent of impacts COVID-19 will have on the Company's valuation of income producing properties as the length and severity of these developments are therefore subject to significant uncertainty.

Using the direct capitalization approach, the multi-suite residential, retail, office and industrial properties were valued using capitalization rates in the range of 3.5% to 8.8% (December 31, 2019 - 3.5% to 8.5%), resulting in an overall weighted average capitalization rate of 5.5% (December 31, 2019 - 5.5%).

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

As at	March 31, 2020 Occupancy Rates		March 31, 2020 Capitalization Rates			December 31, 2019 Occupancy Rates		December 31, 2019 Capitalization Rates		
	Max.	**Min.**	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Max.	Min.	Weighted Average
Multi-suite residential	**98.0%**	**92.0%**	**6.8%**	**3.5%**	**4.5%**	98.0%	92.0%	6.8%	3.5%	4.5%
Retail	**100.0%**	**85.0%**	**8.8%**	**5.3%**	**6.7%**	100.0%	85.0%	8.5%	5.3%	6.5%
Office	**100.0%**	**90.0%**	**8.5%**	**4.3%**	**6.1%**	100.0%	90.0%	8.5%	4.3%	6.1%
Industrial	**100.0%**	**95.0%**	**6.8%**	**5.0%**	**5.3%**	100.0%	95.0%	6.8%	5.0%	5.2%

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

As at	March 31, 2020			December 31, 2019		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
Retail						
Discount rate	**9.5%**	**6.0%**	**7.1%**	9.3%	6.0%	7.0%
Terminal cap rate	**8.8%**	**5.3%**	**6.1%**	8.5%	5.3%	5.9%
Office						
Discount rate	**8.0%**	**5.3%**	**6.4%**	8.0%	5.3%	6.5%
Terminal cap rate	**7.3%**	**4.3%**	**5.7%**	7.3%	4.3%	5.7%
Industrial						
Discount rate	**6.5%**	**6.0%**	**6.1%**	6.5%	6.0%	6.1%
Terminal cap rate	**6.0%**	**5.0%**	**5.4%**	6.0%	5.0%	5.4%

Fair values are most sensitive to changes in discount rates, capitalization rates and stabilized or forecast net operating income. Generally, an increase in 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, 2020, and December 31, 2019, is set out in the table below:

As at	March 31, 2020		December 31, 2019	
Change in capitalization rate:	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Multi-suite residential	**($269,929)**	**$302,386**	($246,954)	$275,369
Retail	**(86,313)**	**93,084**	(89,687)	96,807
Office	**(91,765)**	**99,866**	(89,194)	96,766
Industrial	**(5,346)**	**5,879**	(6,944)	7,649
	($453,353)	**$501,215**	($432,779)	$476,591

HOTEL PROPERTIES

Hotel properties consist of the following:

As at	March 31, 2020	December 31, 2019
Cost	**$802,711**	$800,838
Accumulated impairment provision	**(101,072)**	(77,181)
Accumulated amortization	**(102,017)**	(94,874)
Hotel properties	**$599,622**	$628,783

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. As at March 31, 2020, 15 of the Company's hotel properties were subject to temporary closure. 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. The tables below provide details of first year net operating income (loss) and the discount rates used for valuing the hotel properties.

	Acclaim Hotel Calgary Airport	Clearwater Suite Hotel	Nomad Hotel & Suites	Vantage Inn & Suites	Temple Gardens Mineral Spa	Merit Hotel & Suites	Days Hotel and Suites	Wingate by Wyndham
Recoverable amount	$11,900	$9,000	$3,000	$3,500	$27,000	$6,800	$5,100	$6,000
Impairment provision	$1,529	$503	$535	$572	$4,062	$1,040	$1,378	$2,722
Cumulative impairment provision	$1,529	$8,643	$8,751	$4,465	$7,171	$4,759	$3,160	$9,929
Projected first year net operating income (loss)	($419)	$435	($368)	$168	($661)	($79)	($493)	($621)
Discount rate	11.8%	10.8%	12.8%	11.8%	10.3%	11.8%	9.3%	9.8%

	Days Inn and Suites Yellowknife	Holiday Inn Winnipeg	Cambridge Red Deer Hotel	Saskatoon Inn
Recoverable amount	$8,800	$16,000	$19,000	$18,500
Impairment provision	$1,550	$2,203	$6,174	$1,623
Cumulative impairment provision	$1,550	$2,203	$12,991	$18,837
Projected first year net operating loss	($248)	($485)	($1,497)	($815)
Discount rate	9.3%	8.8%	10.8%	10.8%

Subsequent to March 31, 2020, an additional four of the Company's hotel properties were subject to temporary closure.

EQUITY-ACCOUNTED AND OTHER FUND INVESTMENTS

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

As at	March 31, 2020	December 31, 2019
Joint ventures	**$51,871**	$53,118
Associates	**82,924**	85,835
Equity-accounted investments	**134,795**	138,953
Other real estate fund investments	**123,511**	109,712
Equity-accounted and other fund investments	**$258,306**	$248,665

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

				Company's Ownership		Carrying Value	
Property/Investment	Principal Place of Business	Investment Type	Asset Type	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Petroleum Plaza	Edmonton, AB	Joint Venture	Office	**50.0%**	50.0%	**$22,656**	$23,705
Quinte Courthouse	Belleville, ON	Joint Venture	Office	**50.0%**	50.0%	**2,973**	2,994
Greypoint Capital L.P.(1)	Toronto, ON	Joint Venture	Other	**22.4%**	22.6%	**12,036**	12,028
Courtyard by Marriott	Ottawa, ON	Joint Venture	Hotel	**50.0%**	50.0%	**9,460**	9,595
Marriott Residence Inn	London, ON	Joint Venture	Hotel	**50.0%**	50.0%	**4,746**	4,796
Sunset & Gordon	Los Angeles, CA	Associate	Residential	**59.1%**	59.1%	**69,145**	63,803
MIL Industrial Fund II LP(2)(3)	Various	Associate	Industrial	**18.8%**	18.8%	**13,779**	22,032
						$134,795	$138,953

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

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

As at	March 31, 2020	December 31, 2019
Balance, beginning of period	**$138,953**	$177,480
Additions	**3,257**	64,914
Transfer(1)	**—**	(63,504)
Share of net loss	**(2,504)**	(28,825)
Distributions received	**(10,750)**	(6,778)
Foreign exchange gain (loss)	**5,839**	(4,334)
Balance, end of period	**$134,795**	$138,953

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

MORTGAGES PAYABLE

Mortgages payable totalled $4,427,027 at March 31, 2020, compared to $4,365,279 at December 31, 2019, an increase of $61,748. The increase was predominantly due to net proceeds from new financing of $99,580 and an increase of $133,216 from the change in the foreign exchange rate, partially offset by the repayment of mortgages discharged and matured of $142,933 and scheduled principal repayments of $28,866.

MORTGAGE CONTINUITY SCHEDULE

As at	March 31, 2020	December 31, 2019
Opening mortgage balance	**$4,365,279**	$4,362,701
New mortgage financing	**100,000**	475,981
New mortgage financing costs	**(420)**	(3,275)
Mortgages discharged and matured	**(142,933)**	(401,044)
Scheduled principal repayments	**(28,866)**	(110,771)
Transfer of mortgage from equity-accounted investment	**—**	109,189
Change in foreign exchange rate	**133,216**	(66,678)
Mortgages mark-to-market adjustment, net	**(1,264)**	(5,501)
Deferred financing costs (including extinguishment)	**2,015**	4,677
Closing mortgage balance	**$4,427,027**	$4,365,279

MORTGAGE REPAYMENT SCHEDULE

As at March 31, 2020	Principal Instalment Repayments	Balance Maturing	Total	Weighted Average Contractual Interest Rate
2020 (remainder of the year)	$82,512	$336,490	$419,002	4.81%
2021	108,992	403,073	512,065	4.36%
2022	105,772	403,557	509,329	3.52%
2023	82,486	674,266	756,752	3.56%
2024	69,408	323,961	393,369	3.75%
Thereafter	204,084	1,643,514	1,847,598	3.53%
	$653,254	$3,784,861	4,438,115	3.73%
Mark-to-market adjustment, net			10,681	
Deferred financing costs			(21,769)	
			$4,427,027	

The Company's first mortgages are registered against specific real estate assets and hotel properties. As at March 31, 2020, mortgages payable bear interest at rates ranging between 2.25% and 7.08% per annum with a weighted average interest rate of 3.73% (December 31, 2019 - 3.80%), mature between 2020 and 2058 with a weighted average term to maturity of 5.1 years (December 31, 2019 - 5.1 years) and approximately 95% 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, 2020, and December 31, 2019, the Company was not in compliance with five debt service covenants affecting five mortgage loans amounting to $55,262 (December 31, 2019 - $80,877). None of the lenders have demanded payment of the mortgage loans. However, IFRS requires that the loan balance of mortgages payable in breach of debt covenants be included in the current portion of mortgages payable. As a result, the current portion of debt includes $53,868 scheduled to retire after March 31, 2021.

Short-term fluctuations in working capital are funded through pre-established operating lines of credit. The Company anticipates meeting all future obligations. The Company has no off balance sheet financing arrangements.

MORTGAGE MATURITY SCHEDULE

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

			2020			2021
Asset Type	Number of Properties	Principal Maturing	Weighted Average Interest Rate	Number of Properties	Principal Maturing	Weighted Average Interest Rate
Multi-suite residential	1	$8,825	4.25%	5	$100,523	4.04%
Retail	2	44,356	4.01%	6	201,887	4.38%
Office	5	131,230	4.68%	3	50,915	3.94%
Hotels(1)	6	107,693	5.23%	3	49,748	5.37%
	14	$292,104	4.77%	17	$403,073	4.36%

(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.

The following table details the new and refinancing activities completed during the three months ended March 31, 2020.

Date	Asset Type	Location	New Interest Rate	Maturing Interest Rate	Term (years)	Mortgage Amount
January 15, 2020	Office	Mississauga, ON	3.53%	—%	7.0	$100,000
Weighted Averages and Total			**3.53%**	**—%**	**7.0**	**$100,000**

The following table details the mortgages repaid at maturity and extinguished prior to maturity during the three months ended March 31, 2020.

Date	Asset Type	Location	Mortgage Amount
January 15, 2020	Office	Mississauga, ON	$20,661
March 25, 2020	Industrial	Puslinch, ON	10,498
February 18, 2020	Hotel	Fort McMurray, AB	9,009
February 18, 2020	Hotel	Fort McMurray, AB	4,146
February 19, 2020	Hotel	Yellowknife, NT	6,128
February 19, 2020	Hotel	Yellowknife, NT	8,370
February 19, 2020	Hotel	Mississauga, ON	13,341
February 19, 2020	Hotel	Winnipeg, MB	7,713
February 19, 2020	Hotel	Fort McMurray, AB	13,230
February 21, 2020	Hotel	Lloydminster, AB	1,675
February 21, 2020	Hotel	Fort McMurray, AB	4,176
February 21, 2020	Hotel	Saskatoon, SK	20,298
February 21, 2020	Hotel	Red Deer, AB	23,688
Total			**$142,933**

UNSECURED DEBENTURES

The Company's Unsecured Debentures consist of the following:

As at	Maturity Date	Coupon Interest Rate	March 31, 2020	December 31, 2019
Series B senior unsecured debentures	November 18, 2020	4.013%	**$200,000**	$200,000
Series C senior unsecured debentures	September 15, 2022	4.333%	**200,000**	200,000
Series D senior unsecured debentures	May 14, 2021	4.085%	**200,000**	200,000
Series E senior unsecured debentures	January 25, 2024	4.715%	**225,000**	225,000
Series F senior unsecured debentures	November 27, 2024	4.204%	**225,000**	225,000
Unamortized financing costs			**(3,213)**	(3,556)
			$1,046,787	$1,046,444

On November 18, 2016, the Company issued $200,000 (net proceeds including issuance costs - $199,198) of Series B senior unsecured debentures due on November 18, 2020. Interest on the Series B senior unsecured debentures is payable semi-annually, not in advance, on May 18 and November 18 of each year. The Company has the option to redeem the Series B senior unsecured debentures at a redemption price equal to the greater of the Canada Yield Price or par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada Bond Yield with an equal term to maturity plus a spread of 0.785%.

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

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

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

On November 27, 2019, the Company issued $225,000 (net proceeds including issuance costs - $224,000) of Series F senior unsecured debentures due on November 27, 2024. Interest on the Series F senior unsecured debentures is payable semi-annually, not in advance, on May 27 and November 27 of each year, commencing on May 27, 2020. The Company has the option to redeem the Series F senior unsecured debentures at a redemption price equal to the greater of the Canada Yield Price or par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada Bond Yield with an equal term to maturity plus a spread of 0.675%.

For the three months ended March 31, 2020, interest on the Unsecured Debentures of $11,171 (2019 - $8,020) 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 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 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, 2020	March 31, 2019
Interest coverage ratio	1.65	**2.65**	2.88
Indebtedness to aggregate assets ratio(1)	Less than or equal to 65%	**47.1%**	41.3%
Adjusted shareholders' equity(2)	Not less than $300,000	**$3,662,275**	$3,615,935

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

The Company's unencumbered properties on a Non-Consolidated Basis as at March 31, 2020, are $640,818 (December 31, 2019 - $459,277).

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

MORGUARD NON-CONSOLIDATED FINANCIAL STATEMENTS
BALANCE SHEET

As at March 31, 2020	Morguard Consolidated	Morguard REIT	Morguard Residential REIT	Adjustments	Morguard Non-Consolidated Basis
ASSETS					
Real estate properties	$10,359,710	($2,783,465)	($3,039,139)	($280,650)	$4,256,456
Hotel properties	599,622	—	—	102,017	701,639
Equity-accounted and other fund investments	258,306	(22,656)	(115,418)	1,419,048	1,539,280
Investment in Class C LP Units	—	—	—	86,235	86,235
Other assets	641,247	(31,172)	(43,050)	43,538	610,563
Total assets	$11,858,885	($2,837,293)	($3,197,607)	$1,370,188	$7,194,173
LIABILITIES					
Mortgage payable and Class C LP Units	$4,427,027	($1,059,297)	($1,298,388)	($90,164)	$1,979,178
Construction financing, loans and bank indebtedness	277,246	(109,132)	—	35,500	203,614
Class B LP Units	—	—	(230,617)	230,617	—
Unsecured Debentures	1,046,787	—	—	—	1,046,787
Convertible debentures	191,046	(171,272)	(83,422)	63,648	—
Lease Liabilities	166,657	(11,086)	(10,144)	317	145,744
Morguard Residential REIT Units	374,114	—	—	(374,114)	—
Deferred income tax liabilities	720,962	—	(128,214)	(592,748)	—
Accounts payable and accrued liabilities	278,358	(66,083)	(58,657)	2,957	156,575
Total liabilities	7,482,197	(1,416,870)	(1,809,442)	(723,987)	3,531,898
Equity / Adjusted shareholders' equity	4,376,688	(1,420,423)	(1,388,165)	2,094,175	3,662,275
Total liabilities and equity	$11,858,885	($2,837,293)	($3,197,607)	$1,370,188	$7,194,173

COMPUTATION FOR INTEREST COVERAGE RATIO

Twelve months ended March 31, 2020	Morguard Consolidated	Morguard REIT	Morguard Residential REIT	Temple	Adjustments	Morguard Non-Consolidated Basis
Revenue from real estate properties	$880,649	($268,993)	($245,635)	$—	($11,219)	$354,802
Revenue from hotel properties	239,460	—	—	(139,431)	—	100,029
Property operating expenses	(378,151)	122,064	112,320	—	(2,853)	(146,620)
Hotel operating expenses	(187,750)	—	—	109,331	—	(78,419)
Net operating income	554,208	(146,929)	(133,315)	(30,100)	(14,072)	229,792
Management and advisory fees and distributions	52,947	—	—	—	45,860	98,807
Interest and other income	18,910	(4)	(1,646)	516	7,363	25,139
Property management and corporate[(1)]	(76,773)	4,174	14,745	2,491	(28,997)	(84,360)
Other income (expense)[(2)]	192	—	—	(483)	—	(291)
Distributions from Morguard REIT and Morguard Residential REIT	—	—	—	—	50,905	50,905
EBITDA	$549,484	($142,759)	($120,216)	($27,576)	$61,059	$319,992
Interest expense	$233,210	($58,170)	($60,635)	($19,101)	$25,493	$120,797
Interest capitalized to development projects	527	(527)	—	—	—	—
Interest expense for interest coverage ratio	$233,737	($58,697)	($60,635)	($19,101)	$25,493	$120,797

(1) Morguard consolidated property management and corporate expense for the twelve months ended March 31, 2020, includes a non-cash fair value adjustment relating to the Company's SARs liability and has been adjusted to add back the increase in SARs income 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, 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, 2020	December 31, 2019
Morguard REIT	December 31, 2021	$20.40	4.50%	$175,000	$60,000	**$112,624**	$112,105
Morguard Residential REIT[1]	March 31,2023	$20.20	4.50%	$85,500	$5,000	**78,422**	81,398
						$191,046	$193,503

(1) As at March 31, 2020, the liability includes the fair value of the conversion option of $345 (December 31, 2019 - $3,472).

MORGUARD REIT

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

MORGUARD RESIDENTIAL REIT

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

For the three months ended March 31, 2020, interest on convertible debentures net of accretion of $2,422 (2019 - $4,699) is included in interest expense.

MORGUARD RESIDENTIAL REIT UNITS

As at March 31, 2020, and December 31, 2019, the Company owned a 44.8% effective interest in Morguard Residential REIT through its ownership of 7,944,166 Units and 17,223,090 Class B LP Units. 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.

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

As at March 31, 2020, the Company valued the non-controlling interest in Morguard Residential REIT Units at $374,114 (December 31, 2019 - $516,462) and classified the Units as a liability on the consolidated balance sheets. Due to the change in the market value of the Units and the distributions paid to external Unitholders, the Company recorded a fair value gain for the three months ended March 31, 2020 of $137,081 (2019 - loss of $33,801) in the consolidated statements of income (loss).

BANK INDEBTEDNESS

As at March 31, 2020, the Company has operating lines of credit totalling $424,000 (December 31, 2019 - $374,000), the majority of which can be borrowed in either Canadian or United States dollars and are subject to floating interest rates based on bankers' acceptance or LIBOR rates. As at March 31, 2020, the maximum amount that can be borrowed on the operating lines of credit is $412,871 (December 31, 2019 - $356,169), which includes deducting issued letters of credit in the amount of $8,790 (December 31, 2019 - $13,790) related to these facilities. The Company's investments in Morguard REIT and Morguard Residential REIT, marketable securities, amounts receivable, inventory, capital assets and a fixed-charge security on specific properties have been pledged as collateral on these operating lines of credit. As at March 31, 2020, the Company had borrowed $252,706 (December 31, 2019 - $101,100) on its operating lines of credit.

Two of the Company's lines of credit, which are due on demand, are collateralized by its investments in Morguard REIT and Morguard Residential REIT. Currently, the Company is not in compliance with a margin requirement for the operating line collateralized by Units of Morguard REIT. In accordance with the margin calculation for this line of credit the Company would otherwise be required to repay $20,633. The lender has provided a waiver of the margin requirement and, therefore, the Company is not required to make this repayment.

The bank credit agreements include certain restrictive undertakings by the Company. As at March 31, 2020, other than as described above, 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, 2020	December 31, 2019
Balance, beginning of period	**$166,144**	$9,754
Adoption of IFRS 16	**—**	161,614
Interest on lease liabilities	**2,371**	9,679
Payments	**(2,843)**	(11,778)
Additions	**—**	725
Dispositions	**—**	(684)
Extinguishment[1]	**—**	(2,664)
Foreign exchange loss (gain)	**985**	(502)
Balance, end of period	**$166,657**	$166,144

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

Future minimum lease payments under lease liabilities are as follows:

As at	March 31, 2020	December 31, 2019
Within 12 months	**$11,197**	$11,127
2 to 5 years	**43,355**	43,335
Over 5 years	**362,698**	364,195
Total minimum lease payments	**417,250**	418,657
Less: future interest costs	**(250,593)**	(252,513)
Present value of minimum lease payments	**$166,657**	$166,144

EQUITY

Total equity increased by $70,971 to $4,376,688 at March 31, 2020, compared to $4,305,717 at December 31, 2019.

The increase in equity was primarily the result of:

- Unrealized foreign currency translation gain of $157,195; partially offset by
- Net loss for the three months ended March 31, 2020, of $8,870;
- An actuarial loss on defined benefit pension plans of $23,985;
- Change in ownership of Temple Hotels Inc. of $44,149;
- Repurchase of common shares through the Company's NCIB (defined below) amounting to $6,756;
- Non-controlling interest distributions of $6,740; and
- Dividends paid of $1,689.

During the three months ended March 31, 2020, 35,546 common shares were repurchased through the Company's normal course issuer bid ("NCIB") for cash consideration of $6,756.

As at March 31, 2020, and May 5, 2020, 11,247,141 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, 2020, Morguard received approximately $23,677 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, 2020

Cash Provided by Operating Activities

Cash provided by operating activities during the three months ended March 31, 2020, was $59,996, compared to $37,032 in 2019. 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, 2020, totalled $8,354, compared to cash provided by investing activities of $11,847 in 2019. The cash used in investing activities reflects:

- Additions to real estate properties and tenant improvements of $16,141;
- Additions to hotel properties of $1,873;
- Additions to capital and intangible assets of $956;
- Net proceeds from the sale of real estate properties of $28,079;
- Investment in properties under development of $11,271; and
- Investment in equity-accounted and other fund investments, net of $6,192.

Cash Provided by Financing Activities

Cash provided by financing activities during the three months ended March 31, 2020, totalled $19,934, compared to cash used in financing of $23,542 in 2019. The cash provided by financing activities reflects:

- Proceeds from new mortgages, net financing cost of $99,580;
- Repayment of mortgages on maturity of $20,661;
- Repayment of mortgages due to extinguishments of $111,774;
- Mortgage principal repayments of $28,866;
- Principal payment of lease liabilities of $472;
- Net proceeds from bank indebtedness of $151,606;
- Net repayment of loans payable of $13,233;
- Dividends paid of $1,668;
- Distributions to non-controlling interest of $4,560;
- Common shares repurchased for cancellation of $6,756;
- Investment in Temple Hotels Inc. of $44,149; and
- Decrease in restricted cash of $887.

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, 2020, and December 31, 2020 was $nil. During the three months ended March 31, 2020, the Company incurred net interest expense of $nil (2019 - $30).

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, 2020, the Company received a management fee of $328 (2019 - $326), and paid rent and operating expenses of $167 (2019 - $176).

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, 2020 was $24,540 (December 31, 2019 - $33,679). During the three months ended March 31, 2020, the Company paid net interest of $189 (2019 - $403).

SHARE/UNIT PURCHASE AND OTHER LOANS

As at March 31, 2020, share/Unit purchase and other loans to officers and employees of the Company and its subsidiaries of $5,421 (December 31, 2019 - $5,504) are outstanding. The loans are collateralized by their common shares of the Company, Units of Morguard REIT and Units of Morguard Residential REIT and are interest-bearing computed at the Canadian prime interest rate and are due on January 10, 2024. Other loans are secured against the underlying asset. The loans are classified as amounts receivable on the consolidated balance sheets. As at March 31, 2020, the fair market value of the common shares/Units held as collateral is $66,919.

PART VII

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Company's condensed consolidated financial statements for the three months ended March 31, 2020 and 2019, 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, 2020, and should be read in conjunction with the most recent annual audited consolidated financial statements.

At this time, the duration and impact of the COVID-19 pandemic 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 full impacts COVID-19 will have in determining estimates of fair market value for the Company’s real estate and hotel properties, investments in joint arrangements and the valuation of financial instruments. These condensed consolidated financial statements use the same accounting policies and methods of their application as the most recent annual audited consolidated financial statements, which include the significant accounting policies most affected by estimates and judgments. 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 rate, appropriate growth rates (revenues and costs) and changes in market valuation parameters could potentially be impacted, all of which ultimately impact the underlying valuation of the Company’s real estate and hotel properties and investments in joint arrangements.

The MD&A for the year ended December 31, 2019, 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, 2020, 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, 2019.

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, 2020, market rates for debts of similar terms. Based on these assumptions, the fair value as at March 31, 2020, of the mortgages payable before deferred financing costs and mark-to-market adjustments is estimated at $4,537,104 (December 31, 2019 - $4,406,348), compared with the carrying value of $4,438,115 (December 31, 2019 - $4,375,947). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

The fair value of the Unsecured Debentures liability is based on its closing bid price. As at March 31, 2020, the fair value of the Unsecured Debentures has been estimated at $1,056,366 (December 31, 2019 - $1,070,033) compared with the carrying value of $1,050,000 (December 31, 2019 - $1,050,000).

The fair value of the convertible debentures liability is based on their market trading prices. As at March 31, 2020, the fair value of the convertible debentures before deferred financing costs has been estimated at $164,242 (December 31, 2019 - $202,838), compared with the carrying value of $195,500 (December 31, 2019 - $195,500).

The fair value of the finance lease receivable is determined by discounting the cash flows of the financial receivable using March 31, 2020, market rates for debt on similar terms. Based on these assumptions, as at March 31, 2020, the fair value of the finance lease receivable has been estimated at $56,725 (December 31, 2019 - $56,574).

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, 2019 and the Company’s most recent Annual Information Form, dated February 20, 2020 and provide a more detailed discussion of these and other risks.

COVID-19 AND OTHER PANDEMIC OR EPIDEMIC

The outbreak COVID-19 resulted in governments worldwide enacting emergency measures to contain the spread of the virus. Outbreaks, or the threat of outbreaks of viruses or other contagions or epidemic or pandemic diseases, including the recent COVID-19 pandemic, may lead to prolonged voluntary or mandatory building closures, business closures, government restrictions on travel and gatherings, quarantines, self-isolation and physical distancing. The impact of these measures may lead to a general shutdown of economic activity and disrupt workforce and business operations both in North America and other parts of the world. Such occurrences, including the outbreak of COVID-19 pandemic, could have a material adverse effect on debt and capital markets, the demand for real estate and the ability of tenants to pay rent. The duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. The pace of recovery following such occurrences cannot be accurately predicted, nor can the impact on the the Company's real estate and hotel property valuations, equity markets, cash flows, results of operations and the Company's ability to obtain additional financing or re-financing and ability to make distributions to shareholders.

Specifically, such enhanced risks associated with COVID-19 may include, but are not limited to:

(a) the negative impact on Canadian and global debt and equity capital markets, including both pricing and availability;
(b) ability to access capital markets at a reasonable cost;
(c) the trading price of the Company's securities;
(d) a material reduction in rental revenue and related collections due to associated financial hardship and non-essential business orders governing the closure of certain businesses;

(e) a material increase in vacancy potentially caused by both the resulting economic crisis and the inability of businesses to operate;
(f) uncertainty of real estate and hotel valuations resulting from the impact of potential decline in revenue and/or lack of market activity and demand;
(g) uncertainty delivering services due to illness, Company or government imposed isolation programs, restrictions on the movement of personnel, closures and supply chain disruptions;
(h) uncertainty associated with costs, delays and availability of resources required to complete major maintenance and expansion projects on time and budget;
(i) material reduction in revenue and related collections due to the impact that oil price challenges have on tenants that rely on this industry for their business success;
(j) the impact of additional legislation, regulation, fiscal and monetary policy responses and other government interventions.

The foregoing is not an exhaustive list of all risk factors.

Developments in March and April 2020 regarding the COVID-19 pandemic have resulted in a substantive shift in management's focus towards ensuring the continued health and safety of our employees and service partners, compliance with guidelines and requirements issued by various health authorities and government organizations, and continuity of other critical business operations. We remain focused on delivering our key business operations.

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.

In March, Morguard initiated its crisis management plan in response to the COVID-19 pandemic and several social distancing measures which mandated our employee base to work, where practical, remotely as well to maintain a safe environment for our tenants, employees and stakeholders, coordinating efforts across our portfolio, standardizing communications and responding as circumstances demand. The remote work arrangements did not have an impact on 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. The Company will continue to monitor and mitigate the risks associated with changes to its control environment in response to COVID-19.

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, 2020. 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, 2020.

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	FFO	Net Income (Loss)	Net Income (Loss) Attributable to Common Shareholders	Net Income (Loss) to Common Shareholders per share - basic/diluted
March 31, 2020	**$292,310**	**$102,601**	**$134,451**	**$6,993**	**($8,870)**	**$33,412**	**$2.97**
December 31, 2019	301,532	151,403	141,396	64,091	82,786	84,911	7.53
September 30, 2019	299,410	150,059	141,382	70,903	(2,291)	(1,180)	(0.10)
June 30, 2019	301,386	150,145	140,673	62,311	69,342	69,722	6.17
March 31, 2019	290,645	104,574	132,875	53,566	38,959	33,486	2.97
December 31, 2018	301,302	142,611	134,863	52,410	68,451	80,889	7.13
September 30, 2018	294,033	145,384	136,885	56,909	54,688	46,750	4.11
June 30, 2018	287,725	160,235	135,185	73,166	95,894	75,604	6.62

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.

During March 2020, the outbreak of the COVID-19 resulted in governments enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, closure of non-essential businesses, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. As at March 31, 2020, the Company temporarily closed 15 hotels.

During the first quarter of 2019, the Company adopted IFRS 16, *Leases,* using a modified retrospective approach. The adoption of the standard on January 1, 2019, resulted in the initial recognition of land and office right-of-use assets and their corresponding lease liabilities of $161,614. The Company recognized lease liabilities for those leases previously classified as operating leases and as a result the lease payments that were previously being recorded as operating expenses are now being classified under interest expense.

During the second quarter of 2018, the Company reached a land rent arbitration settlement agreement on the fair market value of the land for the period from July 1, 2010 through June 30, 2030 that resulted in the annual land rent increasing from $2,779 to $8,760. In accordance with the Majority Decision, for the period from July 1, 2010 to April 30, 2018, the Company recorded annual land rent of $10,962 and reversed $17,250 (pre-tax) of land rent previously expensed during the second quarter of 2018.

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

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

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

During the first quarter of 2019, the Company disposed of four multi-suite residential properties in the U.S. consisting of 795 suites.

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 disposed of one industrial property in Canada consisting of 242,521 square feet of commercial leasable area.

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 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.

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 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.

Significant Real Estate Property Transactions During the Year Ended December 31, 2018

During the fourth quarter of 2018, the Company acquired 49.9% co-ownership interest in an office property consisting of approximately 552,000 square feet of commercial area.

During the fourth quarter of 2018, the Company completed the re-development of a dual-branded Hilton Garden Inn and Homewood Suites by Hilton totalling 346 rooms in downtown Ottawa, Ontario, and the hotel was transferred from properties under development to hotel properties.

During the third quarter of 2018, the Company acquired an office property consisting of approximately 134,000 square feet of commercial area.

During the second quarter of 2018, the Company acquired a vacant 116-suite multi-suite residential property, which is designated as property under development and two multi-suite residential properties with a total of 351 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 steady revenue growth during the last eight quarters. 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. Lower revenue during the first quarter of 2019 and 2020 was largely attributed to hotel revenues that are seasonally impacted by the colder months.

Similar to the reasons described above, NOI has profiled steady growth over the last eight quarters resulting from an increase in revenue and the Company’s ability to control expenses as a percentage of revenue. The impact of foreign exchange rates and of acquisitions and dispositions also factor into the variance from quarter to quarter. The first quarter results (three months ended March 31) are impacted by IFRIC 21, whereby the Company records the entire annual realty tax expense for its U.S. properties on January 1, except for U.S. properties acquired during the year in which the realty taxes are not recorded in the year of acquisition. As a result, the second, third and fourth quarters typically have no realty tax expense which results in higher NOI and NOI margins. Adjusted NOI which excludes IFRIC 21 and the land rent arbitration settlement, 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 higher mortgage interest from the financing of acquisitions completed during and subsequent to December 31, 2018, and on the Company’s Unsecured Debentures resulting from the issuance of the Series D, Series E and Series F unsecured debentures in May 2018, January 2019 and November 2019, respectively, net of the

Series A unsecured debentures repayment in December 2018. In addition, the change in net income (loss) resulted from the following non-cash components described below:

- 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 to the three months ended March 31, 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 loss on real estate properties for the three months ended March 31, 2020 due to increase in the capitalization rates at the Company's enclosed malls as consideration was given to the number of tenants that did not pay their April rent due to COVID-19 impact. The Company has recorded a fair value gain on real estate properties for the years ended December 31, 2019 and 2018 due to an overall increase in stabilized NOI and compression in capitalization rates;
- The Company has recorded lower non-cash compensation expense related to the Company's SARs plan;
- The Company has recorded deferred tax recovery coinciding with the fair value losses on the Company's real estate properties;
- The Company recorded an impairment provision on hotel properties of $23,891, $19,059, $23,007 and $6,661 during the first quarter of 2020, third quarter of 2019, and fourth quarter and second quarter of 2018, respectively.

SUBSEQUENT EVENT

On April 15, 2020, the Company completed the financing of a multi-suite residential property located in Boynton Beach, Florida, in the amount of US$26,500 at an interest rate of 3.08% and for a term of 10 years.

CONDESNED CONSOLIDATED FINANCIAL STATEMENTS

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BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	March 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Real estate properties	4	**$10,359,710**	$10,201,283
Hotel properties	5	**599,622**	628,783
Equity-accounted and other fund investments	6	**258,306**	248,665
Other assets	7	**329,132**	401,501
		11,546,770	11,480,232
Current assets			
Amounts receivable		**81,351**	80,588
Prepaid expenses and other		**32,963**	19,096
Cash		**197,801**	123,168
		312,115	222,852
		$11,858,885	$11,703,084
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable	8	**$3,878,684**	$3,781,668
Unsecured debentures	9	**846,947**	846,666
Convertible debentures	10	**191,046**	193,503
Lease liabilities	12	**164,904**	164,441
Morguard Residential REIT Units	11	**374,114**	516,462
Deferred income tax liabilities		**720,962**	733,786
		6,176,657	6,236,526
Current liabilities			
Mortgages payable	8	**548,343**	583,611
Unsecured debentures	9	**199,840**	199,778
Loans payable	20	**24,540**	33,679
Accounts payable and accrued liabilities	13	**280,111**	242,673
Bank indebtedness	14	**252,706**	101,100
		1,305,540	1,160,841
Total liabilities		**7,482,197**	7,397,367
EQUITY			
Shareholders’ equity		**3,681,942**	3,548,906
Non-controlling interest		**694,746**	756,811
Total equity		**4,376,688**	4,305,717
		$11,858,885	$11,703,084

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	2020	2019
Revenue from real estate properties	16	**$228,266**	$219,840
Revenue from hotel properties	16	**47,805**	53,627
Property operating expenses			
Property operating costs		**(48,750)**	(45,844)
Utilities		**(15,241)**	(15,763)
Realty taxes		**(66,943)**	(62,772)
Hotel operating expenses		**(42,536)**	(44,514)
Net operating income		**102,601**	104,574
OTHER REVENUE			
Management and advisory fees	16	**12,197**	11,651
Interest and other income		**4,042**	4,399
		16,239	16,050
EXPENSES			
Interest	17	**61,362**	59,047
Property management and corporate	15(c)	**10,176**	27,532
Amortization of hotel properties	5	**7,143**	6,772
Amortization of capital assets and other		**1,981**	2,017
Provision for impairment	5	**23,891**	—
		104,553	95,368
OTHER INCOME (EXPENSE)			
Fair value gain (loss), net	18	**(36,822)**	20,956
Equity income (loss) from investments	6	**(2,504)**	1,446
Other income (expense)	19	**(2,958)**	185
		(42,284)	22,587
Income (loss) before income taxes		**(27,997)**	47,843
Provision for (recovery of) income taxes	21		
Current		**6,868**	1,138
Deferred		**(25,995)**	7,746
		(19,127)	8,884
Net income (loss) for the period		**($8,870)**	$38,959
Net income (loss) attributable to:			
Common shareholders		**$33,412**	$33,486
Non-controlling interest		**(42,282)**	5,473
		($8,870)	$38,959
Net income per common share attributable to:			
Common shareholders - basic and diluted	22	**$2.97**	$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	2020	2019
Net income (loss) for the period	**($8,870)**	$38,959
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may be reclassified subsequently to net income (loss):		
Unrealized foreign currency translation gain (loss)	**157,195**	(29,472)
Deferred income tax recovery (provision)	**(393)**	92
	156,802	(29,380)
Items that will not be reclassified subsequently to net income (loss):		
Actuarial gain (loss) on defined benefit pension plans	**(23,985)**	10,676
Deferred income tax recovery (provision)	**6,326**	(2,830)
	(17,659)	7,846
Other comprehensive income (loss)	**139,143**	(21,534)
Total comprehensive income for the period	**$130,273**	$17,425
Total comprehensive income (loss) attributable to:		
Common shareholders	**$164,684**	$13,800
Non-controlling interest	**(34,411)**	3,625
	$130,273	$17,425

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Canadian dollars

	Note	Retained Earnings	Accumulated Other Comprehensive Income	Share Capital	Total Shareholders' Equity	Non-controlling Interest	Total
Shareholders' equity, January 1, 2019		$3,055,576	$273,354	$102,436	$3,431,366	$797,432	$4,228,798
Changes during the period:							
Net income		33,486	—	—	33,486	5,473	38,959
Other comprehensive loss		—	(19,686)	—	(19,686)	(1,848)	(21,534)
Dividends		(1,693)	—	—	(1,693)	—	(1,693)
Distributions		—	—	—	—	(6,975)	(6,975)
Issuance of common shares		—	—	25	25	—	25
Repurchase of common shares		(1,251)	—	(63)	(1,314)	—	(1,314)
Shareholders' equity, March 31, 2019		$3,086,118	$253,668	$102,398	$3,442,184	$794,082	$4,236,266
Changes during the period:							
Net income (loss)		153,453	—	—	153,453	(3,616)	149,837
Other comprehensive loss		—	(45,764)	—	(45,764)	(2,449)	(48,213)
Dividends		(5,077)	—	—	(5,077)	—	(5,077)
Distributions		—	—	—	—	(21,054)	(21,054)
Issuance of common shares		—	—	65	65	—	65
Repurchase of common shares		(742)	—	(37)	(779)	—	(779)
Contribution from non-controlling interest		—	—	—	—	15,930	15,930
Change in ownership of Morguard REIT		6,418	—	—	6,418	(13,034)	(6,616)
Increase in subsidiary ownership interest		—	—	—	—	(15,497)	(15,497)
Change in ownership of Temple Hotels Inc.		(2,498)	—	—	(2,498)	2,449	(49)
Tax impact of increase in subsidiary ownership interest		904	—	—	904	—	904
Shareholders' equity, December 31, 2019		$3,238,576	$207,904	$102,426	$3,548,906	$756,811	$4,305,717
Changes during the period:							
Net income (loss)		**33,412**	**—**	**—**	**33,412**	**(42,282)**	**(8,870)**
Other comprehensive income		**—**	**131,272**	**—**	**131,272**	**7,871**	**139,143**
Dividends	15(a)	**(1,689)**	**—**	**—**	**(1,689)**	**—**	**(1,689)**
Distributions		**—**	**—**	**—**	**—**	**(6,740)**	**(6,740)**
Issuance of common shares	15(a)	**—**	**—**	**21**	**21**	**—**	**21**
Repurchase of common shares	15(a)	**(6,433)**	**—**	**(323)**	**(6,756)**	**—**	**(6,756)**
Change in ownership of Temple Hotels Inc.	15(b)	**(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**

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	2020	2019
OPERATING ACTIVITIES			
Net income (loss) for the period		**($8,870)**	$38,959
Add items not affecting cash	23(a)	**75,149**	20,562
Distributions from equity-accounted investments	6	**10,750**	859
Additions to tenant incentives and leasing commissions	4	**(1,438)**	(906)
Net change in operating assets and liabilities	23(b)	**(15,595)**	(22,442)
Cash provided by operating activities		**59,996**	37,032
INVESTING ACTIVITIES			
Additions to real estate properties and tenant improvements	4	**(16,141)**	(11,544)
Additions to hotel properties	5	**(1,873)**	(5,857)
Additions to capital and intangible assets		**(956)**	(139)
Proceeds from the sale of real estate properties, net	4	**28,079**	37,050
Proceeds from the sale of hotel properties, net		**—**	1,849
Investment in properties under development	4	**(11,271)**	(7,272)
Investment in equity-accounted and other fund investments, net		**(6,192)**	(2,240)
Cash provided by (used) in investing activities		**(8,354)**	11,847
FINANCING ACTIVITIES			
Proceeds from new mortgages		**100,000**	11,253
Financing costs on new mortgages		**(420)**	(237)
Repayment of mortgages			
Repayments on maturity		**(20,661)**	(16,253)
Repayments due to mortgage extinguishments		**(111,774)**	(18,331)
Principal instalment repayments		**(28,866)**	(27,618)
Principal payment of lease liabilities		**(472)**	(490)
Proceeds from bank indebtedness		**243,210**	49,482
Repayment of bank indebtedness		**(91,604)**	(219,449)
Proceeds from issuance of unsecured debentures, net of costs	9	**—**	223,575
Proceeds from (repayment of) loans payable, net		**(13,233)**	(22,781)
Dividends paid		**(1,668)**	(1,668)
Distributions to non-controlling interest		**(4,560)**	(4,786)
Common shares repurchased for cancellation	15(a)	**(6,756)**	(1,314)
Investment in Temple Hotels Inc.	3, 15(b)	**(44,149)**	—
Decrease in restricted cash		**887**	5,075
Cash provided by (used in) financing activities		**19,934**	(23,542)
Net increase in cash during the period		**71,576**	25,337
Net effect of foreign currency translation on cash balance		**3,057**	3,219
Cash, beginning of period		**123,168**	110,401
Cash, end of period		**$197,801**	$138,957

See accompanying notes to the condensed consolidated financial statements.

NOTES

For the three months ended March 31, 2020 and 2019
In thousands of Canadian dollars, except per common share and Unit amounts and unless otherwise noted

NOTE 1

NATURE AND DESCRIPTION OF COMPANY

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

NOTE 2

STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

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

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.

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

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

	2020	2019
Canadian dollar to United States dollar exchange rates:		
- As at March 31	**$0.7049**	$0.7483
- As at December 31	**—**	0.7699
- Average during the three months ended March 31	**0.7435**	0.7522
United States dollar to Canadian dollar exchange rates:		
- As at March 31	**1.4187**	1.3363
- As at December 31	**—**	1.2988
- Average during the three months ended March 31	**1.3449**	1.3295

NOTE 3

SUBSIDIARIES WITH NON-CONTROLLING INTEREST

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

As at March 31, 2020, and December 31, 2019, the Company owned a 44.8% effective interest in Morguard Residential REIT through its ownership of 7,944,166 Units and 17,223,090 Class B LP Units. The Company continues to consolidate its investment in Morguard Residential REIT on the basis of *de facto* control in accordance with IFRS 10, *Consolidated Financial Statements* ("IFRS 10"). Refer to the Company's most recent annual audited consolidated financial statements for the factors that continue to support the conclusion that the Company has *de facto* control of Morguard Residential REIT.

During the three months ended March 31, 2020, Morguard Residential REIT recorded distributions of $6,819, or $0.1749 per Unit (2019 - $5,727, or $0.1698 per Unit), of which $1,390 was paid to the Company (2019 - $1,133) and $5,429 was paid to the remaining Unitholders (2019 - $4,594). In addition, during the three months ended March 31, 2020, Morguard Residential REIT paid distributions to the Company on the Class B LP Units of $3,012 (2019 - $2,924).

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

As at March 31, 2020, and December 31, 2019, the Company owned 35,520,482 Units of Morguard REIT, which represents a 58.5% ownership interest.

During the three months ended March 31, 2020, Morguard REIT recorded distributions of $14,578 or $0.24 per Unit (2019 - $14,567, or $0.24 per Unit), of which $8,525 was paid to the Company (2019 - $8,390) and $6,053 was paid to the remaining Unitholders (2019 - $6,177).

Temple Hotels Inc. ("Temple")

As at March 31, 2020, the Company owned 75,161,767 common shares (December 31, 2019 - 54,492,911 common shares) of Temple, which represents a 100% (December 31, 2019 - 72.6%) ownership interest.

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

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

As at	March 31, 2020		December 31, 2019		
	MRT	**MRG**	MRT	MRG	Temple
Non-current assets	**$2,805,002**	**$3,154,557**	$2,914,709	$2,979,179	$443,789
Current assets	**30,786**	**43,050**	21,127	54,248	20,681
Total assets	**$2,835,788**	**$3,197,607**	$2,935,836	$3,033,427	$464,470
Non-current liabilities	**$1,020,213**	**$1,720,369**	$1,093,403	$1,729,489	$128,844
Current liabilities	**407,063**	**89,073**	318,289	78,145	255,036
Total liabilities	**$1,427,276**	**$1,809,442**	$1,411,692	$1,807,634	$383,880
Equity	**$1,408,512**	**$1,388,165**	$1,524,144	$1,225,793	$80,590
Non-controlling interest	**$586,882**	**$766,559**	$634,841	$676,895	$22,056

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

For the three months ended March 31	2020		2019		
	MRT	**MRG**	MRT	MRG	Temple
Revenue	**$66,373**	**$62,297**	$70,454	$62,258	$34,531
Expenses	**(46,398)**	**(63,432)**	(46,228)	(65,697)	(41,317)
Fair value gain (loss) on real estate properties, net	**(121,117)**	**10,457**	(5,680)	27,833	—
Fair value gain (loss) on Class B LP Units	**—**	**87,838**	—	(20,668)	—
Net income (loss) for the period	**($101,142)**	**$97,160**	$18,546	$3,726	($6,786)
Non-controlling interest	**($41,994)**	**$53,653**	$7,864	$1,978	($2,802)

For the three months ended March 31	2020		2019		
	MRT	MRG	MRT	MRG	Temple
Cash provided by (used in) operating activities	**$20,818**	**$5,002**	$13,364	$8,404	($1,715)
Cash provided by (used in) investing activities	**(12,018)**	**(7,792)**	(8,071)	31,764	1,119
Cash provided by (used in) financing activities	**(7,420)**	**5,921**	(5,177)	(34,361)	3,833
Net increase in cash during the period	**$1,380**	**$3,131**	$116	$5,807	$3,237

NOTE 4
REAL ESTATE PROPERTIES

Real estate properties consist of the following:

As at	March 31, 2020	December 31, 2019
Income producing properties	**$10,216,042**	$10,074,175
Properties under development	**56,560**	43,650
Land held for development	**87,108**	83,458
	$10,359,710	$10,201,283

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

	Income Producing Properties	Properties Under Development	Land Held for Development	Total
Balance as at December 31, 2019	**$10,074,175**	**$43,650**	**$83,458**	**$10,201,283**
Additions:				
Capital expenditures	**11,588**	**—**	**—**	**11,588**
Development expenditures	**—**	**11,202**	**69**	**11,271**
Tenant improvements, incentives and leasing commissions	**5,991**	**—**	**—**	**5,991**
Transfers	**484**	**(484)**	**—**	**—**
Dispositions	**(38,577)**	**—**	**—**	**(38,577)**
Fair value gain (loss), net	**(124,684)**	**—**	**2,081**	**(122,603)**
Foreign currency translation	**282,800**	**2,192**	**1,500**	**286,492**
Other	**4,265**	**—**	**—**	**4,265**
Balance as at March 31, 2020	**$10,216,042**	**$56,560**	**$87,108**	**$10,359,710**

Transactions completed during the three months ended March 31, 2020

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 in MIL Industrial Fund II LP sold its interest in the property (Note 6(a)).

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

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

Transactions completed during the year ended December 31, 2019

Acquisitions

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

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

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

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

Dispositions

On February 1, 2019, the Company sold a multi-suite residential property located in Shreveport, Louisiana, comprising 194 suites, for gross proceeds of $13,510 (US$10,317), including closing costs, and the purchaser assumed the mortgage secured by the property in the amount of $6,980 (US$5,330).

On March 19, 2019, the Company sold a multi-suite residential property located in Lafayette, Louisiana, comprising 192 suites, for gross proceeds of $15,062 (US$11,332), including closing costs, and the purchaser assumed the mortgage secured by the property in the amount of $9,417 (US$7,085).

On March 19, 2019, the Company sold a multi-suite residential property located in New Iberia, Louisiana, comprising 148 suites, for gross proceeds of $8,208 (US$6,175), including closing costs, and the purchaser assumed the mortgage secured by the property in the amount of $5,934 (US$4,464).

On March 27, 2019, the Company sold a multi-suite residential property located in Gretna, Louisiana, comprising 261 suites, for gross proceeds of $22,601 (US$16,849), including closing costs, and repaid the mortgage secured by the property in the amount of $11,331 (US$8,447).

On April 30, 2019, the Company sold a multi-suite residential property located in Harahan, Louisiana, comprising 48 suites, for gross proceeds of $4,428 (US$3,298), including closing costs, and the purchaser assumed the mortgage secured by the property in the amount of $2,852 (US$2,125).

On June 21, 2019, the Company sold an industrial property located in Victoriaville, Québec, for net proceeds of $90.

On July 31, 2019, the Company sold its 50% interest in an industrial property, consisting of 242,521 square feet located in Salaberry-de-Valleyfield, Québec, for net proceeds of $15,914.

On December 30, 2019, the Company sold a retail property and an adjacent parcel of land classified as held for development located in Alexandria, Louisiana, comprising 167,500 square feet, for net proceeds of $10,023 (US$7,717).

Capitalization Rates

As at March 31, 2020, and December 31, 2019, the Company had its portfolio internally appraised. In addition, the Company's U.S. portfolio is appraised by independent U.S. real estate appraisal firms on a three-year cycle.

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

During March 2020, the outbreak of 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. As at March 31, 2020, the duration and impact of the COVID-19 pandemic is unknown. The impact of COVID-19 on estimating fair values for retail properties at March 31, 2020, required judgment based on evolving facts and available information. During the three months ended March 31, 2020, the Company recorded a $117,701 fair value loss relating to its retail properties, predominantly due to an increase in capitalization rates at most of the Company's enclosed malls as well as assumptions on the collectability of rental revenue considering the number of tenants that did not pay their April rent. In addition, it is not currently possible to estimate the full extent of impacts COVID-19 will have on the Company's valuation of income producing properties as the length and severity of these developments are therefore subject to significant uncertainty.

As at March 31, 2020, using the direct capitalization approach, the multi-suite residential, retail, office and industrial properties were valued using capitalization rates in the range of 3.5% to 8.8% (December 31, 2019 - 3.5% to 8.5%), resulting in an overall weighted average capitalization rate of 5.5% (December 31, 2019 - 5.5%).

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

	March 31, 2020					December 31, 2019				
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%**	**3.5%**	**4.5%**	98.0%	92.0%	6.8%	3.5%	4.5%
Retail	**100.0%**	**85.0%**	**8.8%**	**5.3%**	**6.7%**	100.0%	85.0%	8.5%	5.3%	6.5%
Office	**100.0%**	**90.0%**	**8.5%**	**4.3%**	**6.1%**	100.0%	90.0%	8.5%	4.3%	6.1%
Industrial	**100.0%**	**95.0%**	**6.8%**	**5.0%**	**5.3%**	100.0%	95.0%	6.8%	5.0%	5.2%

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

As at	March 31, 2020			December 31, 2019		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
Retail						
Discount rate	**9.5%**	**6.0%**	**7.1%**	9.3%	6.0%	7.0%
Terminal cap rate	**8.8%**	**5.3%**	**6.1%**	8.5%	5.3%	5.9%
Office						
Discount rate	**8.0%**	**5.3%**	**6.4%**	8.0%	5.3%	6.5%
Terminal cap rate	**7.3%**	**4.3%**	**5.7%**	7.3%	4.3%	5.7%
Industrial						
Discount rate	**6.5%**	**6.0%**	**6.1%**	6.5%	6.0%	6.1%
Terminal cap rate	**6.0%**	**5.0%**	**5.4%**	6.0%	5.0%	5.4%

Fair values are most sensitive to changes in discount rates, capitalization rates and stabilized or forecast net operating income. Generally, an increase in stabilized net operating income will result in an increase in the fair value of the income producing properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in stabilized net operating income, with a lower capitalization rate resulting in a greater impact on the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rates were to increase or decrease by 25 basis points (assuming no change in stabilized net operating income), the value of the income producing properties as at March 31, 2020, would decrease by $453,353 and increase by $501,215, respectively.

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

As at	March 31, 2020		December 31, 2019	
Change in capitalization rate:	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Multi-suite residential	**($269,929)**	**$302,386**	($246,954)	$275,369
Retail	**(86,313)**	**93,084**	(89,687)	96,807
Office	**(91,765)**	**99,866**	(89,194)	96,766
Industrial	**(5,346)**	**5,879**	(6,944)	7,649
	($453,353)	**$501,215**	($432,779)	$476,591

NOTE 5
HOTEL PROPERTIES

Hotel properties consist of the following:

As at March 31, 2020	Cost	Accumulated Impairment Provision	Accumulated Amortization	Net Book Value
Land	**$97,111**	**($2,407)**	**$—**	**$94,704**
Buildings	**591,839**	**(85,912)**	**(50,623)**	**455,304**
Furniture, fixtures, equipment and other	**112,165**	**(12,753)**	**(51,322)**	**48,090**
Right-of-use asset - land lease	**1,596**	**—**	**(72)**	**1,524**
	$802,711	**($101,072)**	**($102,017)**	**$599,622**

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

Transactions in hotel properties for the three months ended March 31, 2020, are summarized as follows:

As at March 31, 2020	**Opening Net Book Value**	**Additions**	**Impairment Provision**	**Amortization**	**Closing Net Book Value**
Land	**$94,704**	**$—**	**$—**	**$—**	**$94,704**
Buildings	**476,360**	**612**	**(18,388)**	**(3,280)**	**455,304**
Furniture, fixtures, equipment and other	**56,181**	**1,261**	**(5,503)**	**(3,849)**	**48,090**
Right-of-use asset - land lease	**1,538**	**—**	**—**	**(14)**	**1,524**
	$628,783	**$1,873**	**($23,891)**	**($7,143)**	**$599,622**

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

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

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 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. As at March 31, 2020, 15 of the Company's hotel properties were subject to temporary closure. 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. The tables below provide details of first year net operating income (loss) and the discount rates used for valuing the hotel properties.

	Acclaim Hotel Calgary Airport	Clearwater Suite Hotel	Nomad Hotel & Suites	Vantage Inn & Suites	Temple Gardens Mineral Spa	Merit Hotel & Suites	Days Hotel and Suites	Wingate by Wyndham
Recoverable amount	$11,900	$9,000	$3,000	$3,500	$27,000	$6,800	$5,100	$6,000
Impairment provision	$1,529	$503	$535	$572	$4,062	$1,040	$1,378	$2,722
Cumulative impairment provision	$1,529	$8,643	$8,751	$4,465	$7,171	$4,759	$3,160	$9,929
Projected first year net operating income (loss)	($419)	$435	($368)	$168	($661)	($79)	($493)	($621)
Discount rate	11.8%	10.8%	12.8%	11.8%	10.3%	11.8%	9.3%	9.8%

	Days Inn and Suites Yellowknife	Holiday Inn Winnipeg	Cambridge Red Deer Hotel	Saskatoon Inn
Recoverable amount	$8,800	$16,000	$19,000	$18,500
Impairment provision	$1,550	$2,203	$6,174	$1,623
Cumulative impairment provision	$1,550	$2,203	$12,991	$18,837
Projected first year net operating loss	($248)	($485)	($345)	($815)
Discount rate	9.3%	8.8%	9.3%	10.8%

Subsequent to March 31, 2020, an additional four of the Company's hotel properties were subject to temporary closure.

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

	Clearwater Residence Hotel Timberlea	Clearwater Suite Hotel	Nomad Hotel & Suites	Vantage Inn & Suites	Radisson Hotel & Suites	Merit Hotel & Suites	Days Hotel and Suites	Wingate by Wyndham
Recoverable amount	$5,600	$9,600	$3,280	$4,150	$12,060	$8,000	$6,400	$8,900
Impairment provision	$1,469	$7,030	$4,098	$1,396	$993	$2,880	$1,782	$3,275
Cumulative impairment provision	$2,497	$8,140	$8,216	$3,893	$2,230	$3,719	$1,782	$7,207
Projected first year net operating income (loss)	$376	$435	($540)	$108	$272	$319	($23)	$125
Discount rate	9.3%	10.8%	12.0%	11.5%	10.0%	11.5%	12.0%	9.5%

NOTE 6
EQUITY-ACCOUNTED AND OTHER FUND INVESTMENTS

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

As at	March 31, 2020	December 31, 2019
Joint ventures	**$51,871**	$53,118
Associates	**82,924**	85,835
Equity-accounted investments	**134,795**	138,953
Other real estate fund investments	**123,511**	109,712
Equity-accounted and other fund investments	**$258,306**	$248,665

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

				Company's Ownership		Carrying Value	
Property/Investment	Principal Place of Business	Investment Type	Asset Type	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Petroleum Plaza	Edmonton, AB	Joint Venture	Office	**50.0%**	50.0%	**$22,656**	$23,705
Quinte Courthouse	Belleville, ON	Joint Venture	Office	**50.0%**	50.0%	**2,973**	2,994
Greypoint Capital L.P.(1)	Toronto, ON	Joint Venture	Other	**22.4%**	22.6%	**12,036**	12,028
Courtyard by Marriott	Ottawa, ON	Joint Venture	Hotel	**50.0%**	50.0%	**9,460**	9,595
Marriott Residence Inn	London, ON	Joint Venture	Hotel	**50.0%**	50.0%	**4,746**	4,796
Sunset & Gordon	Los Angeles, CA	Associate	Residential	**59.1%**	59.1%	**69,145**	63,803
MIL Industrial Fund II LP(2)(3)	Various	Associate	Industrial	**18.8%**	18.8%	**13,779**	22,032
						$134,795	$138,953

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

Equity-accounted investments

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

As at	March 31, 2020	December 31, 2019
Balance, beginning of period	**$138,953**	$177,480
Additions	**3,257**	64,914
Transfer(1)	**—**	(63,504)
Share of net loss	**(2,504)**	(28,825)
Distributions received	**(10,750)**	(6,778)
Foreign exchange gain (loss)	**5,839**	(4,334)
Balance, end of period	**$134,795**	$138,953

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

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

As at	March 31, 2020			December 31, 2019		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Non-current assets	**$191,801**	**$341,546**	**$533,347**	$193,504	$354,148	$547,652
Current assets	**61,431**	**11,280**	**72,711**	63,988	12,237	76,225
Total assets	**$253,232**	**$352,826**	**$606,058**	$257,492	$366,385	$623,877
Non-current liabilities	**$63,628**	**$37,926**	**$101,554**	$64,007	$32,584	$96,591
Current liabilities	**56,104**	**125,078**	**181,182**	56,967	108,861	165,828
Total liabilities	**$119,732**	**$163,004**	**$282,736**	$120,974	$141,445	$262,419
Net assets	**$133,500**	**$189,822**	**$323,322**	$136,518	$224,940	$361,458
Equity-accounted investments	**$51,871**	**$82,924**	**$134,795**	$53,118	$85,835	$138,953

For the three months ended March 31	2020			2019		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Revenue	**$8,455**	**$2,580**	**$11,035**	$8,001	$9,771	$17,772
Expenses	**(5,652)**	**(1,193)**	**(6,845)**	(5,680)	(9,553)	(15,233)
Fair value gain (loss) on real estate properties, net	**(2,812)**	**(230)**	**(3,042)**	(996)	812	(184)
Net income (loss) for the period	**($9)**	**$1,157**	**$1,148**	$1,325	$1,030	$2,355
Income (loss) in equity-accounted investments	**($384)**	**($2,120)**	**($2,504)**	$590	$856	$1,446

(b) Income Recognized from Other Fund Investments:

Other Real Estate Fund Investments

For the three months ended March 31	2020	2019
Distribution income	**$102**	$751
Fair value gain for the period (Note 18)	**723**	5,035
Income from other real estate fund investments	**$825**	$5,786

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, 2020	December 31, 2019
Accrued pension benefit asset	**$59,443**	$83,554
Goodwill	**24,488**	24,488
Capital assets, net	**20,554**	20,435
Right-of-use asset - office lease	**2,496**	2,603
Intangible assets, net	**35,918**	36,501
Inventory	**3,007**	3,016
Inventory - development properties	**451**	451
Finance lease receivable	**56,725**	56,574
Investment in marketable securities	**94,055**	142,911
Restricted cash	**31,478**	30,449
Other	**517**	519
	$329,132	$401,501

Finance Lease Receivable

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

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

As at	March 31, 2020	December 31, 2019
Within 12 months	**$2,445**	$3,256
2 to 5 years	**17,285**	17,285
Over 5 years	**167,931**	167,932
Total minimum lease payments	**187,661**	188,473
Less: Future finance income	**(130,936)**	(131,899)
Present value of minimum lease payments	**$56,725**	$56,574

NOTE 8
MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at	March 31, 2020	December 31, 2019
Mortgages payable	**$4,438,115**	$4,375,947
Mark-to-market adjustments, net	**10,681**	11,948
Deferred financing costs	**(21,769)**	(22,616)
	$4,427,027	$4,365,279
Current	**$548,343**	$583,611
Non-current	**3,878,684**	3,781,668
	$4,427,027	$4,365,279
Range of interest rates	**2.25 - 7.08%**	2.25 - 8.95%
Weighted average contractual interest rate	**3.73%**	3.80%
Estimated fair value of mortgages payable	**$4,537,104**	$4,406,348

The aggregate principal repayments and balances maturing of the mortgages payable as at March 31, 2020, together with the weighted average contractual interest rate on debt maturing in the next five years and thereafter, are as follows:

	Principal Instalment Repayments	Balances Maturing	Total	Weighted Average Contractual Interest Rate
2020 (remainder of year)	$82,512	$336,490	$419,002	4.81%
2021	108,992	403,073	512,065	4.36%
2022	105,772	403,557	509,329	3.52%
2023	82,486	674,266	756,752	3.56%
2024	69,408	323,961	393,369	3.75%
Thereafter	204,084	1,643,514	1,847,598	3.53%
	$653,254	$3,784,861	$4,438,115	3.73%

The Company's first mortgages are registered against specific real estate assets and hotel properties. As at March 31, 2020, mortgages payable mature between 2020 and 2058 and have a weighted average term to maturity of 5.1 years (December 31, 2019 - 5.1 years) and approximately 95% of the Company's mortgages have fixed interest rates.

As at March 31, 2020, approximately 92% of the Company's real estate and hotel properties, and related rental revenue have been pledged as collateral for the mortgages payable.

Some of the Company's mortgages payable require it to maintain annual debt service coverage ratios and/or debt to equity ratios and/or debt to appraised value ratios and arrange for capital expenditures in accordance with predetermined limits. As at March 31, 2020, and December 31, 2019, the Company was not in compliance with five debt service covenants affecting five mortgage loans amounting to $55,262 (December 31, 2019 - $80,877). None of the lenders have demanded payment of the mortgage loans. However, IFRS requires that the loan balance of mortgages payable in breach of debt covenants be included in the current portion of mortgages payable. As a result, the current portion of debt includes $53,868 scheduled to retire after March 31, 2021.

NOTE 9
UNSECURED DEBENTURES

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

As at	Maturity Date	Coupon Interest Rate	March 31, 2020	December 31, 2019
Series B senior unsecured debentures	November 18, 2020	4.013%	**$200,000**	$200,000
Series C senior unsecured debentures	September 15, 2022	4.333%	**200,000**	200,000
Series D senior unsecured debentures	May 14, 2021	4.085%	**200,000**	200,000
Series E senior unsecured debentures	January 25, 2024	4.715%	**225,000**	225,000
Series F senior unsecured debentures	November 27, 2024	4.204%	**225,000**	225,000
Unamortized financing costs			**(3,213)**	(3,556)
			$1,046,787	$1,046,444
Current			**$199,840**	$199,778
Non-current			**846,947**	846,666
			$1,046,787	$1,046,444

On November 18, 2016, the Company issued $200,000 (net proceeds including issuance costs - $199,198) of Series B senior unsecured debentures due on November 18, 2020. Interest on the Series B senior unsecured debentures is payable semi-annually, not in advance, on May 18 and November 18 of each year. The Company has the option to redeem the Series B senior unsecured debentures at a redemption price equal to the greater of the Canada Yield Price or par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada Bond Yield with an equal term to maturity plus a spread of 0.785%.

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

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

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

On November 27, 2019, the Company issued $225,000 (net proceeds including issuance costs - $224,000) of Series F senior unsecured debentures due on November 27, 2024. Interest on the Series F senior unsecured debentures is payable semi-annually, not in advance, on May 27 and November 27 of each year, commencing on May 27, 2020. The Company has the option to redeem the Series F senior unsecured debentures at a redemption price equal to the greater of the Canada Yield Price or par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada Bond Yield with an equal term to maturity plus a spread of 0.675%.

For the three months ended March 31, 2020, interest on the Unsecured Debentures of $11,171 (2019 - $8,020) is included in interest expense (Note 17).

NOTE 10
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, 2020	December 31, 2019
Morguard REIT	December 31, 2021	$20.40	4.50%	$175,000	$60,000	**$112,624**	$112,105
Morguard Residential REIT[1]	March 31, 2023	$20.20	4.50%	$85,500	$5,000	**78,422**	81,398
						$191,046	$193,503

[1] As at March 31, 2020, the liability includes the fair value of the conversion option of $345 (December 31, 2019 - $3,472).

Morguard REIT

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

Morguard Residential REIT

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

For the three months ended March 31, 2020, interest on convertible debentures net of accretion of $2,422 (2019 - $4,699) 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.

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

As at March 31, 2020, the Company valued the non-controlling interest in the Morguard Residential REIT Units at $374,114 (December 31, 2019 - $516,462) and classified the Units as a liability on the consolidated balance sheets. Due to the change in the market value of the Units and the distributions paid to external Unitholders, the Company recorded a fair value gain for the three months ended March 31, 2020 of $137,081 (2019 - loss of $33,801) in the consolidated statements of income (loss) (Note 18).

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

For the three months ended March 31	2020	2019
Fair value gain (loss) on Morguard Residential REIT Units	**$142,510**	($29,207)
Distributions to external Unitholders (Note 3)	**(5,429)**	(4,594)
Fair value gain (loss) on Morguard Residential REIT Units	**$137,081**	($33,801)

NOTE 12
LEASE LIABILITIES

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

As at	March 31, 2020	December 31, 2019
Balance, beginning of period	**$166,144**	$9,754
Adoption of IFRS 16	**—**	161,614
Interest on lease liabilities	**2,371**	9,679
Payments	**(2,843)**	(11,778)
Additions	**—**	725
Dispositions	**—**	(684)
Extinguishment[(1)]	**—**	(2,664)
Foreign exchange loss (gain)	**985**	(502)
Balance, end of period	**$166,657**	$166,144
Current (Note 13)	**$1,753**	$1,703
Non-current	**164,904**	164,441
	$166,657	$166,144
Weighted average borrowing rate	**5.72%**	5.72%

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

Future minimum lease payments under lease liabilities are as follows:

As at	March 31, 2020	December 31, 2019
Within 12 months	**$11,197**	$11,127
2 to 5 years	**43,355**	43,335
Over 5 years	**362,698**	364,195
Total minimum lease payments	**417,250**	418,657
Less: future interest costs	**(250,593)**	(252,513)
Present value of minimum lease payments	**$166,657**	$166,144

NOTE 13
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	March 31, 2020	December 31, 2019
Accounts payable and accrued liabilities	**$231,335**	$185,904
Tenant deposits	**28,795**	27,850
Stock appreciation rights (“SARs”) liability	**13,738**	24,525
Lease liability (Note 12)	**1,753**	1,703
Other	**4,490**	2,691
	$280,111	$242,673

NOTE 14
BANK INDEBTEDNESS

As at March 31, 2020, the Company has operating lines of credit totalling $424,000 (December 31, 2019 - $374,000), the majority of which can be borrowed in either Canadian or United States dollars and are subject to floating interest rates based on bankers’ acceptance or LIBOR rates. As at March 31, 2020, the maximum amount that can be borrowed on the operating lines of credit is $412,871 (December 31, 2019 - $356,169), which includes deducting issued letters of credit in the amount of $8,790 (December 31, 2019 - $13,790) related to these facilities. The Company’s investments in Morguard REIT and Morguard Residential REIT, marketable securities, amounts receivable, inventory, capital assets and a fixed-charge security on specific properties have been pledged as collateral on these operating lines of credit. As at March 31, 2020, the Company had borrowed $252,706 (December 31, 2019 - $101,100) on its operating lines of credit.

Two of the Company’s lines of credit, which are due on demand, are collateralized by its investments in Morguard REIT and Morguard Residential REIT. Currently, the Company is not in compliance with a margin requirement for the operating line collateralized by Units of Morguard REIT. In accordance with the margin calculation for this line of credit the Company would otherwise be required to repay $20,633. The lender has provided a waiver of the margin requirement and, therefore, the Company is not required to make this repayment.

The bank credit agreements include certain restrictive undertakings by the Company. As at March 31, 2020, other than as described above, 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, 2018	11,294	$102,436
Common shares repurchased through the Company’s NCIB	(11)	(100)
Dividend reinvestment plan	—	90
Balance, December 31, 2019	11,283	102,426
Common shares repurchased through the Company’s NCIB	**(36)**	**(323)**
Dividend reinvestment plan	**—**	**21**
Balance, March 31, 2020	**11,247**	**$102,124**

On September 17, 2019, the Company obtained the approval of the TSX under its normal course issuer bid (“NCIB”) to purchase up to 564,117 common shares, being approximately 5% of the issued and outstanding common shares, and the program expires on September 21, 2020. The daily repurchase restriction for the common shares is 1,000. During the three months ended March 31, 2020, 35,546 common shares were purchased for cash consideration of $6,756 at a weighted average price of $190.06 per common share.

Total dividends declared during the three months ended March 31, 2020 amounted to $1,689, or $0.15 per common share (2019 - $1,693, or $0.15 per common share). On May 5, 2020, the Company declared a common share dividend of $0.15 per common share to be paid in the second quarter of 2020.

(b) Contributed Surplus

During the three months ended March 31, 2020, the Company acquired 20,668,856 common shares of Temple (2019 - nil common shares) for cash consideration of $44,149 (2019 - $nil). 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 (2019 - $nil) and the amount has been recorded within retained earnings.

(c) Stock Appreciation Rights Plan

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

As at March 31, 2020					
Date of Grant	Exercise Price	Issued	Redeemed	Cancelled	Outstanding
March 20, 2008	$30.74	200,000	(56,000)	(61,500)	82,500
November 2, 2010	$43.39	55,000	(2,000)	(8,000)	45,000
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	—	—	90,000
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**	**(60,000)**	**(77,500)**	**397,500**

During the three months ended March 31, 2020, the Company recorded a fair value adjustment to reduce compensation expense of $10,787 (2019 - increase compensation expense of $4,044). The expense is included in property management and corporate expenses in the consolidated statements of income (loss), and the liability is classified as accounts payable and accrued liabilities (Note 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, 2020: a dividend yield of 0.45% (2019 - 0.30%), expected volatility of approximately 25.34% (2019 - 21.45%) and the 10-year Bank of Canada Bond Yield of 0.88% (2019 - 1.54%).

(d) Accumulated Other Comprehensive Income

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

As at	March 31, 2020	December 31, 2019
Actuarial gain on defined benefit pension plans	**$31,751**	$49,410
Unrealized foreign currency translation gain	**307,425**	158,494
	$339,176	$207,904

NOTE 16
REVENUE

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

For the three months ended March 31	2020	2019
Rental income	**$126,857**	$120,628
Realty taxes and insurance	**36,183**	34,767
Common area maintenance recoveries	**26,764**	27,508
Property management and ancillary income	**38,462**	36,937
	$228,266	$219,840

The components of revenue from hotel properties are as follows:

For the three months ended March 31	2020	2019
Room revenue	**$34,362**	$39,538
Other hotel revenue	**13,443**	14,089
	$47,805	$53,627

The components of management and advisory fees are as follows:

For the three months ended March 31	2020	2019
Property and asset management fees	**$9,314**	$9,420
Other fees	**2,883**	2,231
	$12,197	$11,651

NOTE 17
INTEREST EXPENSE

The components of interest expense are as follows:

For the three months ended March 31	2020	2019
Interest on mortgages	**$41,425**	$41,433
Interest on Unsecured Debentures (Note 9)	**11,171**	8,020
Interest on convertible debentures, net of accretion (Note 10)	**2,422**	4,699
Interest on bank indebtedness	**1,579**	955
Interest on loans payable and other	**1,046**	884
Interest on lease liabilities (Note 12)	**2,371**	2,422
Amortization of mark-to-market adjustments on mortgages, net	**(1,264)**	(1,476)
Amortization of deferred financing costs	**2,775**	1,818
Loss on extinguishment of mortgages payable	**—**	491
	61,525	59,246
Less: Interest capitalized to properties under development	**(163)**	(199)
	$61,362	$59,047

NOTE 18
FAIR VALUE GAIN (LOSS), NET

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

For the three months ended March 31	2020	2019
Fair value gain (loss) on real estate properties, net	**($122,603)**	$48,487
Financial assets (liabilities):		
Fair value gain (loss) on conversion option of MRG convertible debentures (Note 10)	**3,127**	(1,352)
Fair value gain (loss) on MRG Units (Note 11)	**137,081**	(33,801)
Fair value gain on other real estate fund investments (Note 6(b))	**723**	5,035
Fair value gain (loss) on investment in marketable securities	**(55,150)**	2,587
Total fair value gain (loss), net	**($36,822)**	$20,956

NOTE 19
OTHER INCOME (EXPENSE)

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

For the three months ended March 31	2020	2019
Foreign exchange loss	**($2,769)**	($1,680)
Gain on sale of hotel property	**—**	508
Other income (expense)	**(189)**	1,357
	($2,958)	$185

NOTE 20
RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Notes 6 and 9, related party transactions also include the following:

(a) Paros Enterprises Limited ("Paros")

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

(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, 2020, the Company received a management fee of $328 (2019 - $326), and paid rent and operating expenses of $167 (2019 - $176).

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, 2020 was $24,540 (December 31, 2019 - $33,679). During the three months ended March 31, 2020, the Company paid net interest of $189 (2019 - $403).

(c) Share/Unit Purchase and Other Loans

As at March 31, 2020, share/Unit purchase and other loans to officers and employees of the Company and its subsidiaries of $5,421 (December 31, 2019 - $5,504) are outstanding. The loans are collateralized by their common shares of the Company, Units of Morguard REIT and Units of Morguard Residential REIT and are interest-bearing computed at the Canadian prime interest rate and are due on January 10, 2024. Other loans are secured against the underlying asset. The loans are classified as amounts receivable in the consolidated balance sheets. As at March 31, 2020, the fair market value of the common shares/Units held as collateral is $66,919.

NOTE 21
INCOME TAXES

(a) Tax Provision

For the three months ended March 31, 2020, the Company recorded an income tax recovery of $19,127 (2019 - provision for $8,884). 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, 2020, the Company's U.S. subsidiaries have total net operating losses of US$95,909 (December 31, 2019 - US$81,266) of which no deferred tax assets were recognized in respect of US$76,594 (December 31, 2019 - US$68,362) net operating losses as it is not probable that taxable income will be available against which the deductible temporary difference can be utilized. The net operating losses expire in varying years commencing 2030.

As at March 31, 2020, the Company's Canadian subsidiaries have total net operating losses of $211,898 (December 31, 2019 - $205,433) of which no deferred tax assets were recognized as it is not probable that taxable income will be available against which they can be utilized. These losses expire in various years commencing 2022. The Company has other Canadian temporary differences for which no deferred tax asset was recognized of $65,085 (December 31, 2019 - $43,952). These other temporary differences have no expiration date.

(c) Recognized Deductible Temporary Differences

As at March 31, 2020, the Company's U.S. subsidiaries have total net operating losses of US$19,315 (December 31, 2019 - US$12,904) of which deferred tax assets were recognized. These net operating losses have no expiration date.

As at March 31, 2020, the Company's U.S. subsidiaries have total unutilized interest expense deductions of US$2,456 (December 31, 2019 - US$14,329) of which deferred tax assets were recognized.

NOTE 22
NET INCOME PER COMMON SHARE

For the three months ended March 31	2020	2019
Net income attributable to common shareholders	**$33,412**	$33,486
Weighted average number of common shares outstanding (000s) - basic and diluted	**11,262**	11,290
Net income per common share - basic and diluted	**$2.97**	$2.97

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

For the three months ended March 31	2020	2019
Fair value loss (gain) on real estate properties, net	**$154,453**	($20,186)
Fair value loss (gain) on conversion option of MRG convertible debentures (Note 18)	**(3,127)**	1,352
Fair value loss (gain) on MRG Units (Note 11)	**(142,510)**	29,207
Fair value gain on other real estate investment funds (Note 18)	**(723)**	(5,035)
Fair value loss (gain) on investment in marketable securities (Note 18)	**55,150**	(2,587)
Equity loss (income) from investments	**2,504**	(1,446)
Amortization of hotel properties	**7,143**	6,772
Amortization of capital assets and other	**1,981**	2,017
Amortization of deferred financing costs (Note 17)	**2,775**	1,818
Amortization of mark-to-market adjustments on mortgages, net (Note 17)	**(1,264)**	(1,476)
Loss on extinguishment of mortgages payable (Note 17)	**—**	491
Amortization of tenant incentive	**500**	489
Stepped rent - adjustment for straight-line method	**118**	97
Deferred income taxes	**(25,995)**	7,746
Accretion of convertible debentures	**253**	1,811
Gain on sale of hotel property (Note 19)	**—**	(508)
Provision for impairment	**23,891**	—
	$75,149	$20,562

(b) Net Change in Operating Assets and Liabilities

For the three months ended March 31	2020	2019
Amounts receivable	**($1,094)**	($4,400)
Prepaid expenses and other	**(13,264)**	(14,924)
Accounts payable and accrued liabilities	**(1,237)**	(3,118)
Net change in operating assets and liabilities	**($15,595)**	($22,442)

(c) Supplemental Cash Flow Information

For the three months ended March 31	2020	2019
Interest paid	**$75,587**	$52,143
Interest received	**543**	1,338
Income taxes paid	**4,428**	9,332

During the three months ended March 31, 2020, the Company issued non-cash dividends under the distribution reinvestment plan of $21 (2019 - $25).

(d) Reconciliation of Liabilities Arising from Financing Activities

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

	Mortgages payable	Unsecured debentures	Convertible debentures	Lease liabilities	Loans payable	Bank indebtedness	Total
Balance, beginning of period	$4,365,279	$1,046,444	$193,503	$166,144	$33,679	$101,100	$5,906,149
Repayments	(28,866)	—	—	(472)	(13,233)	(91,604)	(134,175)
New financing, net	99,580	—	—	—	—	243,210	342,790
Lump-sum repayments	(132,435)	—	—	—	—	—	(132,435)
Non-cash changes	(9,747)	343	(2,457)	—	—	—	(11,861)
Foreign exchange	133,216	—	—	985	4,094	—	138,295
Balance, March 31, 2020	**$4,427,027**	**$1,046,787**	**$191,046**	**$166,657**	**$24,540**	**$252,706**	**$6,108,763**

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, 2019, for an explanation of the Company's capital management policy.

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

As at	March 31, 2020	December 31, 2019
Mortgages payable, principal balance	**$4,438,115**	$4,375,947
Unsecured Debentures, principal balance	**1,050,000**	1,050,000
Convertible debentures, principal balance	**195,500**	195,500
Loans payable	**24,540**	33,679
Bank indebtedness	**252,706**	101,100
Lease liabilities	**166,657**	166,144
Shareholders' equity	**3,681,942**	3,548,906
	$9,809,460	$9,471,276

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

The Company's Unsecured Debentures contain covenants that are calculated on a non-consolidated basis, which represents the Company's consolidated results prepared in accordance with IFRS as shown on the Company's most recently published annual audited consolidated financial statements, adjusted, as required, to account for the Company's public entity investments in Morguard Residential REIT, Morguard REIT and Temple 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 lenders. 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, 2019, for an explanation of the Company's risk management policy as it relates to financial instruments.

Fair Value of Financial Assets and Financial Liabilities

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

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

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using March 31, 2020, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at March 31, 2020, of the mortgages payable before deferred financing costs and mark-to-market adjustments is estimated at $4,537,104 (December 31, 2019 - $4,406,348), compared with the carrying value of $4,438,115 (December 31, 2019 - $4,375,947). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

The fair value of the Unsecured Debentures liability is based on its closing bid price (Level 1). As at March 31, 2020, the fair value of the Unsecured Debentures has been estimated at $1,056,366 (December 31, 2019 - $1,070,033) compared with the carrying value of $1,050,000 (December 31, 2019 - $1,050,000).

The fair value of the convertible debentures liability is based on their market trading prices (Level 1). As at March 31, 2020, the fair value of the convertible debentures before deferred financing costs has been estimated at $164,242 (December 31, 2019 - $202,838), compared with the carrying value of $195,500 (December 31, 2019 - $195,500).

The fair value of the finance lease receivable is determined by discounting the cash flows of the finance lease receivable using March 31, 2020, market rates for debt on similar terms (Level 3). Based on these assumptions, as at March 31, 2020, the fair value of the finance lease receivable has been estimated at $56,725 (December 31, 2019 - $56,574).

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

	March 31, 2020			December 31, 2019		
As at	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$10,359,710**	$—	$—	$10,201,283
Investments in marketable securities	**94,055**	**—**	**—**	142,911	—	—
Investments in real estate funds	**—**	**—**	**123,511**	—	—	109,712
Financial liabilities:						
Morguard Residential REIT Units	**—**	**374,114**	**—**	—	516,462	—
Conversion option on MRG convertible debentures	**—**	**345**	**—**	—	3,472	—

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, 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**

For the three months ended March 31, 2019	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
Revenue from real estate/hotel properties	$91,633	$64,633	$60,297	$3,277	$53,627	$273,467
Property/hotel operating expenses	(64,715)	(31,965)	(26,570)	(1,129)	(44,514)	(168,893)
Net operating income	$26,918	$32,668	$33,727	$2,148	$9,113	$104,574

	Multi-suite Residential	**Retail**	**Office**	**Industrial**	**Hotel**	**Total**
As at March 31, 2020						
Real estate/hotel properties	**$5,166,212**	**$2,676,466**	**$2,384,547**	**$132,485**	**$599,622**	**$10,959,332**
Mortgages payable	**$2,215,632**	**$909,603**	**$1,043,509**	**$20,261**	**$238,022**	**$4,427,027**
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)**

	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
As at December 31, 2019						
Real estate/hotel properties	$4,889,129	$2,744,442	$2,402,757	$164,955	$628,783	$10,830,066
Mortgages payable	$2,099,509	$909,400	$973,631	$30,970	$351,769	$4,365,279
For the three months ended March 31, 2019						
Additions to real estate/hotel properties	$6,981	$6,407	$6,162	$172	$5,857	$25,579
Fair value gain (loss) on real estate properties	$45,413	$11,885	($9,478)	$667	$—	$48,487

(b) Regional Segments

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

As at	**March 31, 2020**	December 31, 2019
Real estate and hotel properties		
Canada	**$7,559,307**	$7,740,218
United States	**3,400,025**	3,089,848
	$10,959,332	$10,830,066

For the three months ended March 31	2020	2019
Revenue from real estate and hotel properties		
Canada	**$205,204**	$209,120
United States	**70,867**	64,347
	$276,071	$273,467

NOTE 28
SUBSEQUENT EVENTS

Beginning March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "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 if non-essential businesses, self-imposed quarantine periods and social distancing, have caused material disruption to businesses in North America and globally, which has resulted in an uncertain and challenging economic environment that could negatively impact the Company's operations and financial results in future periods. Given the unprecedented and pervasive impact of changing circumstances surrounding the COVID-19 pandemic, there is inherently more uncertainty associated with the Company's future operating assumptions and expectations as compared to prior periods. As such, it is currently not possible to estimate the full impacts COVID-19 will have on the Company's financial position or results of operations.

At this time, the duration and impact of the COVID-19 pandemic 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.

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

Asset Class	% Collected	% of Rental Revenue
Multi-suite residential	95.9%	41.9%
Retail	47.2%	27.3%
Office	92.8%	29.6%
Industrial	86.6%	1.2%
Total	**81.6%**	**100.0%**

The Company's diversified real estate portfolio provides greater stability during volatility, providing insulation from downturns.

The Company's multi-suite residential assets have received approximately 96% of April rental revenue which is materially in line with historical collection rates.

The order to close non-essential businesses issued by various levels of government across North America has significantly impacted our retail tenants. As at May 5, 2020, all except one of the Company's enclosed malls are open. Across the Company's retail portfolio, approximately 40% of retail stores are currently open, with the remaining 60% closed. The retail tenants that have closed represent approximately 16% of the Company's annualized revenues.

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 protocols most our tenants have implemented a work-from-home protocol. The Company has a significant amount of office space leased to government tenants. This will help mitigate the risk of non-payment of rent. Approximately 37% of the Company's office contracted gross revenue is derived from government tenants.

The Company's hotel portfolio has undertaken significant steps to mitigate the operational and financial impacts from emergency measures enacted to combat COVID-19. As at May 5, 2020, of the Company's 39 hotels, 20 are currently open for business at reduced occupancy levels and serving guests in compliance with government health guidelines. The temporary closure of 19 hotels allows the Company to minimize the financial impacts and to consolidate operations at certain hotels within the same sub-market. The Company's hotel asset class represents less than 10% of total NOI, as Morguard's diversified asset portfolio provides strength against economic and real estate cycles.

Management believes it is currently not possible to estimate the full impacts COVID-19 will have in determining estimates of fair market value for the Company's real estate and hotel properties, investments in joint arrangements and the valuation of financial instruments. These condensed consolidated financial statements use the same accounting policies and methods of their application as the most recent annual audited consolidated financial statements, which include the significant accounting policies most affected by estimates and judgments. 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 rate, appropriate growth rates (revenues and costs) and changes in market valuation parameters could potentially be impacted, all of which ultimately impact the underlying valuation of the Company's real estate and hotel properties and investments in joint arrangements.

On April 15, 2020, the Company completed the financing of a multi-suite residential property located in Boynton Beach, Florida, in the amount of US$26,500 at an interest rate of 3.08% and for a term of 10 years.