2022 THIRD QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MORGUARD CORPORATION

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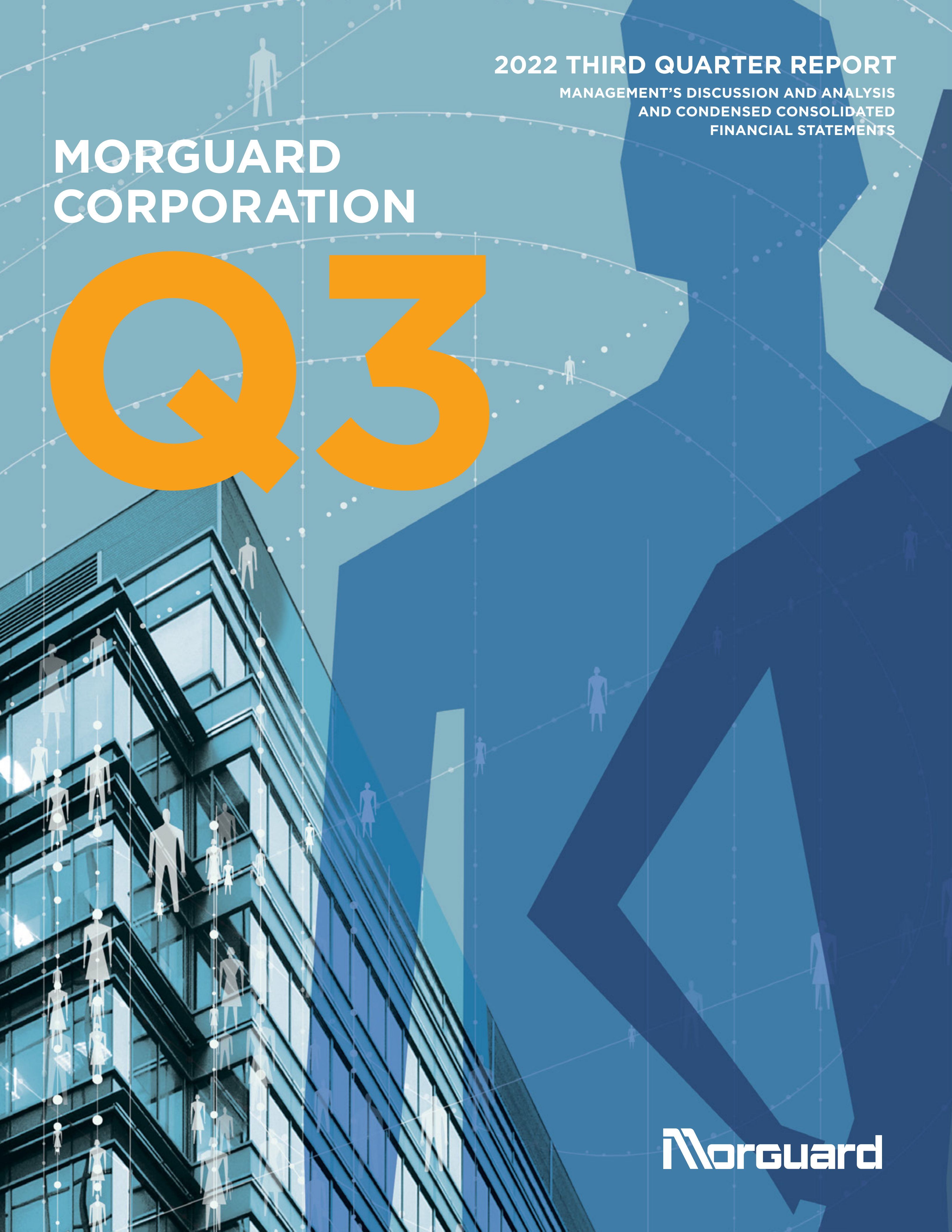

Morguard

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

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PART I

Morguard Corporation ("Morguard" or the "Company") is pleased to provide this review of operations and update on our financial performance for the three and nine months ended September 30, 2022. 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 and nine months ended September 30, 2022, 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 and nine months ended September 30, 2022 and 2021. This MD&A is based on financial information prepared in accordance with International Financial Reporting Standards ("IFRS") and is dated November 2, 2022. 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 of the COVID-19 pandemic and other health risks on the economy and financial markets.

SPECIFIED FINANCIAL MEASURES

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

NON-GAAP FINANCIAL MEASURES

Non-GAAP financial measures do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. These measures should be considered as supplemental in nature and not as 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-GAAP financial measures described below, which supplement the IFRS measures, provide readers with a more comprehensive understanding of management's perspective on the Company's operating results and performance.

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

ADJUSTED NOI

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

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

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

COMPARATIVE NOI

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

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

FUNDS FROM OPERATIONS ("FFO") AND NORMALIZED FFO

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

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

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

NON-CONSOLIDATED MEASURES

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

Non-Consolidated Basis adjustments include the following:

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

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

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

Non-Consolidated EBITDA

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

Non-Consolidated Interest Expense

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

Non-Consolidated Indebtedness

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

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

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

NON-GAAP RATIOS
Non-GAAP ratios do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. These measures should be considered as supplemental in nature and not as 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-GAAP ratios described below, provide readers with a more comprehensive understanding of management's perspective on the Company's operating results and performance.

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

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

NON-CONSOLIDATED INDEBTEDNESS TO AGGREGATE ASSETS RATIO
Non-consolidated indebtedness to aggregate assets ratio is a compliance measure and establishes the limit for financial leverage of the Company on a Non-Consolidated Basis. Non-consolidated indebtedness to aggregate assets ratio is presented in this MD&A because management considers this non-GAAP measure to be an important compliance measure of the Company's financial position.

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

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

BAD DEBT EXPENSE (RECOVERY)
Bad debt expense (recovery) is presented in this MD&A because management considers this supplementary financial measure to be an important measure in evaluating the operating performance of the Company's real estate properties and credit risk from tenants. Bad debt expense (recovery) is recorded in the consolidated statements of income (loss) within property and hotel operating costs and is presented by segment. A summary of the components of bad debt expense (recovery) is presented under the section "Part III, Review of Operational Results."

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

INDEBTEDNESS

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

INDEBTEDNESS TO TOTAL ASSETS RATIO

Indebtedness to total assets ratio is defined as indebtedness divided by total assets and is presented in this MD&A because management considers this supplementary financial measure to be an important measure of the Company's financial leverage.

CAPITAL MANAGEMENT MEASURES

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

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

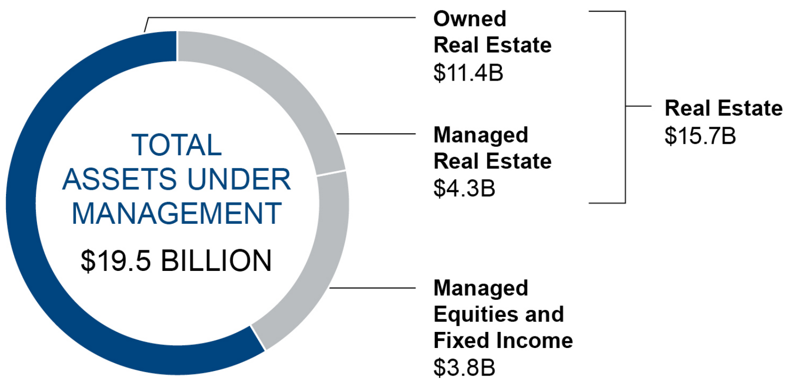
LIQUIDITY

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

PART II

BUSINESS OVERVIEW

Morguard Corporation is a real estate investment company whose principal activities include the acquisition, development and ownership of multi-suite residential, commercial and hotel properties. Morguard is also one of Canada's premier real estate investment advisors and management companies, representing major institutional and private investors. Morguard's total assets under management (including both owned and managed assets) were valued at $19.5 billion as at September 30, 2022. The Company's common shares are publicly traded and listed on the Toronto Stock Exchange ("TSX") under the symbol "MRC." The Company's primary goal is to accumulate a portfolio of high-quality real estate assets and then deliver the benefits of such real estate ownership to shareholders.



MANAGEMENT AND ADVISORY SERVICES

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

As of September 30, 2022, 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 $8.1 billion.

BUSINESS STRATEGY

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

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

- Increase property values and cash flow through aggressive leasing of available space and of space becoming available;
- Take advantage of long-standing relationships with national and regional tenants;

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

COVID-19 PANDEMIC

Since March 2020, the outbreak of the novel strain of coronavirus ("COVID-19") resulted in an economic slowdown and material disruption to business. The Company recognizes the impact COVID-19 has on many of its tenants in North America and its stakeholders, and is committed to taking measures to protect the health of its employees, tenants and communities. At the onset of the COVID-19 pandemic, 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.

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	September 30, 2022	December 31, 2021	September 30, 2021
Real estate properties	**$11,151,313**	$10,244,875	$9,871,194
Real estate properties held for sale	**126,397**	—	—
Hotel properties	**356,456**	457,153	467,147
Equity-accounted and other fund investments	**139,272**	144,208	229,712
Total assets	**12,420,345**	11,492,543	11,204,200
Indebtedness	**$5,930,752**	$5,808,277	$5,684,897
Indebtedness to total assets (%)	**47.8**	50.5	50.7
Non-consolidated indebtedness to total assets (%)(1)	**42.9**	45.2	45.7
Total equity	**$4,857,574**	$4,173,747	$4,066,270
Shareholders' equity per common share	**389.36**	327.19	317.39

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

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Revenue from real estate properties	**$234,863**	$210,557	**$681,459**	$630,612
Revenue from hotel properties	**50,416**	38,723	**123,983**	90,987
Management and advisory fees	**10,018**	10,424	**30,441**	32,050
Total revenue	**299,501**	271,435	**847,207**	772,163
Net operating income	**158,034**	135,445	**379,861**	356,464
Fair value gain (loss), net	**(9,649)**	87,073	**484,340**	106,625
Net income attributable to common shareholders	**66,824**	102,626	**505,801**	134,279
Per common share - basic and diluted	**6.02**	9.25	**45.58**	12.10
Funds from operations(1)	**53,889**	52,817	**136,736**	144,048
Per common share - basic and diluted(1)	**4.86**	4.76	**12.32**	12.98
Normalized FFO(1)	**63,396**	58,673	**158,661**	143,266
Per common share - basic and diluted(1)	**5.71**	5.29	**14.30**	12.91
Distributions received from Morguard REIT	**2,360**	2,342	**7,045**	7,808
Distributions received from Morguard Residential REIT	**4,404**	4,401	**13,208**	13,205
Dividends declared/paid	**(1,664)**	(1,651)	**(4,994)**	(5,000)

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

Total assets as at September 30, 2022, were $12,420,345, compared to $11,492,543 as at December 31, 2021. Total assets increased by $927,802 primarily due to the following:

- An increase in real estate properties (including properties held for sale) of $1,032,835, mainly due to a net fair value gain of $458,832, acquisitions of $288,745, capital and development expenditures of $55,014, tenant incentives and leasing commissions of $10,636, and an increase of $348,580 due to the change in the U.S. dollar exchange rate, partially offset by dispositions of $130,141;
- A decrease in hotel properties of $100,697, mainly due to amortization of $14,264 and dispositions of $89,179;
- A decrease in equity-accounted and other fund investments of $4,936, mainly due to distributions received of $18,061, partially offset by a net fair value gain and an increase in the U.S. dollar foreign exchange rate;
- An increase in other assets and prepaid expense of $26,788, primarily due to an increase in mortgages receivable, partly offset by a decrease in investment in marketable securities; and
- A decrease in cash of $26,746.

Total revenue during the three months ended September 30, 2022, increased by $28,066 to $299,501, compared to $271,435 in 2021. The increase was primarily due to the following:

- An increase in revenue from real estate properties in the amount of $24,306, primarily due to higher revenue at the Company's residential properties from an increase in average monthly rent ("AMR") and lower vacancy. In addition, an increase in revenue of $4,669 was from an increase in the U.S. dollar foreign exchange rate;
- An increase in revenue from hotel properties in the amount of $11,693, resulting from an increase in international travel as well as leisure and business demand relative to 2021;
- A decrease in interest and other income of $7,527 primarily due to a one-time special cash dividend from one of the Company's investments in marketable securities amounting to $8,490 during 2021; and
- A decrease in management and advisory income of $406.

PROPERTY PROFILE

As at September 30, 2022, the Company and its subsidiaries own a diversified portfolio of 188 multi-suite residential, retail, office, industrial and hotel properties located in Canada and in the United States.

As at September 30, 2022, the Company classified one multi-suite residential property located in Florida as held for sale. Real estate properties held for sale are assets the Company intends to sell rather than hold on a long-term basis and meet the criteria established in IFRS 5, Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5") for separate classification.

PORTFOLIO COMPOSITION BY ASSET TYPE

The composition of the Company's real estate properties by asset type as at September 30, 2022, was as follows:

Asset Type	Number of Properties	GLA Square Feet (000s)(1)	Apartment Suites/Hotels Rooms(2)	Real Estate/ Hotel Properties
Multi-suite residential	54	—	17,326	$6,415,523
Retail	37	8,231	—	2,217,251
Office	48	7,742	—	2,189,840
Industrial	25	1,120	—	200,978
Hotel	23	—	3,635	356,456
Properties and land held for and under development	—	—	—	127,721
Total real estate properties	**187**	**17,093**	**20,961**	**$11,507,769**
Assets held for sale (3)	1	—	340	126,397
Total including assets held for sale	**188**	**17,093**	**21,301**	**$11,634,166**

(1) Total GLA is shown on a proportionate basis; on a 100% basis, total GLA of the Company's commercial properties is 20.7 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 17,221 suites and 3,465 hotel rooms.
(3) Includes one property located in Florida.

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 (18 low-rise and eight mid-rise garden-style communities located in Colorado, Texas, Louisiana, Georgia, Florida, North Carolina, Virginia and Maryland and five high-rise buildings located in Chicago, Illinois and Los Angeles, California). The combined multi-suite residential portfolio represents 17,666 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 25 properties located in Canada and 12 properties located in Florida, Louisiana, and Maryland. The combined retail portfolio represents 8.2 million square feet of gross leaseable 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 multitenant 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 25 industrial properties located throughout Ontario, Québec and British Columbia. The industrial portfolio represents 1.1 million square feet of GLA.

The Company's hotel portfolio comprises 15 branded and 8 unbranded hotel properties located in four Canadian provinces. Branded hotels include Hilton, Marriott and Holiday Inn and consist of full and select service formats. The hotel portfolio represents 3,635 rooms.

AVERAGE OCCUPANCY LEVELS

COMPARATIVE AVERAGE OCCUPANCY LEVELS

	Suites/GLA Square Feet		Sep. 2022	Jun. 2022	Mar. 2022	Dec. 2021	Sep. 2021
Multi-suite residential	17,253	(1)	96.8%	95.3%	94.2%	94.3%	94.2%
Retail	7,686,500	(2)	92.8%	93.2%	93.0%	93.2%	92.7%
Office	7,741,500		89.5%	89.9%	90.1%	90.4%	90.4%
Industrial	1,120,000		92.8%	92.7%	92.8%	92.8%	91.8%

(1) Excludes two properties that commenced initial lease-up in the fourth quarter of 2020, one property located in Los Angeles, California and one property located in New Orleans, Louisiana, which reached stabilized occupancy during the fourth quarter of 2021. Including the two properties under initial lease-up, occupancy at September 30, 2022 is 96.3% (June 30, 2022 - 94.7%, March 31, 2022 - 93.7%, December 31, 2021 - 93.6%, September 30, 2021 - 93.5%).
(2) Retail occupancy has been adjusted to exclude development space of 544,659 square feet of GLA.

As at September 30, 2022, the retail occupancy levels were adjusted to exclude development space and space that is pending demolition (544,659 square feet of GLA), this adjustment increased retail occupancy from 86.6% to 92.8%.

LEASE PROFILE

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

Summary of Lease Expiries as at September 30, 2022		2022		2023		2024	
	Total SF	SF	%	SF	%	SF	%
Retail[(1)]	7,686	769	10%	690	9%	620	8%
Office	7,742	181	2%	826	11%	500	6%
Industrial	1,120	244	22%	180	16%	156	14%
Total	16,548	1,194	7%	1,696	10%	1,276	8%

(1) Retail SF has been adjusted to exclude development space of 544,659 square feet of GLA.

PART III

REVIEW OF OPERATIONAL RESULTS

The Company's operational results for the three and nine months ended September 30, 2022 and 2021 are summarized below:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Revenue from real estate properties	**$234,863**	$210,557	**$681,459**	$630,612
Revenue from hotel properties	**50,416**	38,723	**123,983**	90,987
Property operating expenses				
Property operating costs	**(54,777)**	(47,480)	**(163,333)**	(143,311)
Utilities	**(16,618)**	(14,600)	**(47,876)**	(42,254)
Realty taxes	**(23,380)**	(23,967)	**(118,835)**	(113,488)
Hotel operating expenses	**(32,470)**	(27,788)	**(95,537)**	(66,082)
Net operating income	**158,034**	135,445	**379,861**	356,464
OTHER REVENUE				
Management and advisory fees	**10,018**	10,424	**30,441**	32,050
Interest and other income	**4,204**	11,731	**11,324**	18,514
	14,222	22,155	**41,765**	50,564
EXPENSES				
Interest	**57,692**	54,909	**167,878**	166,122
Property management and corporate	**20,316**	16,535	**57,619**	60,179
Amortization of hotel properties and other	**6,682**	7,995	**20,167**	24,653
Provision for impairment	**—**	17,233	**—**	45,289
	84,690	96,672	**245,664**	296,243
OTHER INCOME				
Fair value gain (loss), net	**(9,649)**	87,073	**484,340**	106,625
Equity income (loss) from investments	**(376)**	(2,529)	**6,033**	20,236
Other income (expense)	**(848)**	184	**498**	4,351
	(10,873)	84,728	**490,871**	131,212
Income before income taxes	**76,693**	145,656	**666,833**	241,997
Provision for income taxes				
Current	**4,220**	1,537	**6,037**	6,990
Deferred	**16,718**	35,343	**125,239**	92,102
	20,938	36,880	**131,276**	99,092
Net income for the period	**$55,755**	$108,776	**$535,557**	$142,905
Net income attributable to:				
Common shareholders	**$66,824**	$102,626	**$505,801**	$134,279
Non-controlling interest	**(11,069)**	6,150	**29,756**	8,626
	$55,755	$108,776	**$535,557**	$142,905
Net income per common share attributable to:				
Common shareholders - basic and diluted	**$6.02**	$9.25	**$45.58**	$12.10

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022

NET INCOME

Net income for the three months ended September 30, 2022, was $55,755 compared to $108,776 in 2021. The decrease in net income of $53,021 for the three months ended September 30, 2022, was primarily due to the following:

- An increase in non-cash net fair value loss of $96,722, mainly due to a fair value loss recorded on the Company's real estate properties, partially offset by an increase in the fair value gain on Morguard Residential REIT units;
- An increase in net operating income of $22,589, primarily due to an increase in AMR and lower vacancy at multi-suite residential properties. In addition, higher NOI from the hotel portfolio due to increased international travel as well as leisure and business demand. The change in foreign exchange rate increased NOI by $3,841;
- A decrease in interest and other income of $7,527, mainly due to a one-time special cash dividend from one of the Company's investments in marketable securities amounting to $8,490 during 2021;
- An increase in property management and corporate expense of $3,781;
- A decrease in provision for impairment on hotel properties of $17,233; and
- A decrease in income tax expense (current and deferred) of $15,942, primarily a result of lower fair value gains recorded on the Company's real estate properties.

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

NET INCOME

Net income for the nine months ended September 30, 2022, was $535,557, compared to $142,905 in 2021. The increase in net income of $392,652 for the nine months ended September 30, 2022, was primarily due to the following:

- An increase in non-cash net fair value gain of $377,715, mainly due to an increase in net fair value gain recorded on the Company's real estate properties and an increase in the fair value gain on Morguard Residential REIT units, partially offset by an increase in the fair value loss on the Company's marketable securities;
- An increase in net operating income of $23,397, primarily due to an increase in AMR and lower vacancy at multi-suite residential properties. In addition, the change in foreign exchange rate increased NOI by $7,030;
- A decrease in interest and other income of $7,190, mainly due to a one-time special cash dividend from one of the Company's investments in marketable securities amounting to $8,490 during 2021;
- A decrease in provision for impairment on hotel properties of $45,289;
- An increase in income tax expense (current and deferred) of $32,184, primarily a result of fair value gains recorded on the Company's real estate properties; and
- A decrease in equity income from investments of $14,203, primarily due to a lower fair value gain compared to 2021.

COMPARATIVE NET OPERATING INCOME

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

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Multi-suite residential (in local currency)	**$52,614**	$44,151	**$150,176**	$133,697
Retail (in local currency)	**28,201**	27,733	**81,491**	77,819
Office	**31,930**	32,365	**93,510**	97,490
Industrial	**2,556**	2,044	**6,703**	5,544
Hotel	**17,406**	6,350	**26,058**	12,961
Exchange amount to Canadian dollars	**9,948**	7,293	**26,967**	20,971
Comparative NOI	**142,655**	119,936	**384,905**	348,482
Acquired properties	**2,174**	—	**2,095**	—
Dispositions	**771**	5,875	**4,715**	16,197
Realty tax expense accounted for under IFRIC 21	**12,495**	10,262	**(11,382)**	(10,651)
Lease cancellation fees	**512**	731	**3,061**	4,635
U.S. residential development	**491**	208	**1,429**	(2)
Realty tax refund/reassessment	**—**	—	**38**	538
Other	**(1,064)**	(1,567)	**(5,000)**	(2,735)
NOI	**$158,034**	$135,445	**$379,861**	$356,464

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 September 30, 2022, increased by $22,719, to $142,655 compared to $119,936 in 2021 due to the following:

- Multi-suite residential increased by $8,463 as a result of lower vacancy and rental rate growth;
- Retail increased by $468 mainly due to higher rent from percent rent leases and lower abatements;
- Office decreased by $435 mainly due to lower recoveries of operating expenses.
- Hotel increased by $11,056 mainly due to demand exceeding pre-pandemic levels driven by the lifting of restrictions, demand from transient and business travel, partially offset by a lower provision for CEWS; and
- The change in the foreign exchange rate increased Comparative NOI for the U.S. properties by $2,655.

Comparative NOI for the nine months ended September 30, 2022, increased by $36,423, to $384,905 compared to $348,482 in 2021, due to the following:

- Multi-suite residential increased by $16,479 as a result of lower vacancy and rental rate growth;
- Retail increased by $3,672 mainly due to higher rent from percent rent leases and a decrease in abatements, partially offset by lower prime rent;
- Office decreased by $3,980 mainly due to lower bad debt expense of $1,141 when compared to the same period in 2021, as well as lower recoveries of operating expenses.
- Hotel increased by $13,097 mainly due to demand exceeding pre-pandemic levels driven by the lifting of restrictions, demand from transient and business travel, partially offset by a lower provision for CEWS; and
- The change in the foreign exchange rate increased Comparative NOI for the U.S. properties by $5,996.

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022

NET OPERATING INCOME

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

Net operating income increased by $22,589, or 16.7%, during the three months ended September 30, 2022, to $158,034 compared to $135,445 generated in 2021, and is further analyzed by asset type below.

ADJUSTED NOI BY ASSET TYPE

For the three months ended September 30	2022	2021
Multi-suite residential	**$62,533**	$50,058
Retail	**29,277**	29,160
Office	**33,192**	32,978
Industrial	**2,591**	2,052
Hotel	**17,946**	10,935
Adjusted NOI	**145,539**	125,183
IFRIC 21 adjustment - multi-suite residential	**11,159**	8,917
IFRIC 21 adjustment - retail	**1,336**	1,345
NOI	**$158,034**	$135,445

NOI from the multi-suite residential portfolio for the three months ended September 30, 2022, increased by $14,717, or 25.0% to $73,692, compared to $58,975 in 2021. The increase in NOI is due to the change in Adjusted NOI described below and an increase in the IFRIC 21 adjustment of $2,242.

Adjusted NOI from the multi-suite residential portfolio for the three months ended September 30, 2022, increased by $12,475 or 24.9%, to $62,533, compared to $50,058 in 2021. The increase in Adjusted NOI is primarily due to the following:

- An increase in Canadian multi-suite residential properties of $3,242 primarily resulting from;
  - Higher occupancy from improved leasing activity and an increase in AMR of 2.8%. In addition, the Company's Canadian portfolio turned over 635 suites, or 8.0% of total suites and achieved AMR growth of 8.1% on suite turnover.
- An increase in U.S. multi-suite residential properties of US$6,222 primarily resulting from;
  - An increase of US$5,726 mainly due to higher occupancy and an increase in AMR of 14.7%;
  - A decrease of US$478 from the sale of two properties during the second and third quarter of 2022; and
  - An increase of US$974 from the acquisition of Echelon Chicago during the third quarter of 2022.
- An increase of $3,011 due to the change in the U.S. dollar foreign exchange rate.

NOI from the retail portfolio for the three months ended September 30, 2022, increased by $108, or 0.4%, to $30,613, compared to $30,505 in 2021. The increase in NOI is primarily due to the change in Adjusted NOI described below.

Adjusted NOI from the retail portfolio for the three months ended September 30, 2022, increased by $117 or 0.4%, to $29,277 compared to $29,160 in 2021. The increase in Adjusted NOI is primarily due to the following:

- An increase in Canadian retail properties of $719 primarily resulting from:
  - An increase of $969 mainly due to lower abatements, coupled with higher prime and percent rent, partially offset against lower recoveries of operating expenses; and
  - A decrease of $250 from the sale of a property located in London, Ontario during the third quarter of 2021.
- A decrease in U.S. retail properties of US$617 primarily resulting from:
  - A decrease of $320 mainly due to lower recoveries of operating expenses; and
  - A decrease of $297 due to higher bad debt expense.
- An increase of $15 due to the change in the U.S. dollar foreign exchange rate.

NOI from the office portfolio for the three months ended September 30, 2022, increased by $214, or 0.6%, to $33,192, compared to $32,978 in 2021, primarily due to the following:

- A decrease of $393 mainly due to lower recoveries of operating expenses and decreased prime rent from vacancy, partially offset against higher step rent adjustments;
- A decrease of $239 in lease cancellation fees received;
- A decrease of $215 from the sale of a property located in Regina, Saskatchewan, during the second quarter of 2022; and
- An increase of $932 from the acquisition of 3199 Palladium Drive located in Kanata, Ontario, during the second quarter of 2022.

NOI from the industrial portfolio for the three months ended September 30, 2022, increased by $539, or 26.3%, to $2,591, compared to $2,052 in 2021, primarily due to an increase in prime rent from higher rental rates.

NOI from the hotel portfolio for the three months ended September 30, 2022, increased by $7,011, or 64.1% to $17,946, compared to $10,935 in 2021, primarily due to the following:

- An increase of $12,711 mainly due to higher RevPar as the easing of pandemic restrictions positively impacted transient and corporate demand compared to prior year group and contract business during the pandemic, partially offset against prior year's Government Authorized Accommodation ("GAA") program which designated three hotels and generated an increase in RevPar. During the three months ended September 30, 2022, hotel occupancy was 73.9% compared to 48.2% during the same period in 2021, as a result RevPar increased by $76.17 to $140.53 for the period, compared to $64.36 in 2021. The average daily rate ("ADR") increased to $190.28 during the three months ended September 30, 2021, compared to $133.61 in 2021;
- A decrease of $2,595 predominantly due to a lower provision for CEWS; and
- A decrease of $3,105 due to the sale of fourteen hotel properties subsequent to the first quarter of 2021.

BAD DEBT EXPENSE (RECOVERY)

The details of bad debt expense (recovery) recorded for the three months ended September 30, 2022, and 2021, is provided below:

For the three months ended September 30	2022	% of Revenue	2021	% of Revenue
Residential	**$1,042**	**0.9%**	$853	0.9%
Retail	**(144)**	**(0.2%)**	(662)	(1.2%)
Office	**16**	**—%**	145	0.3%
Industrial	**(6)**	**(0.2%)**	3	0.1%
Hotel	**138**	**0.3%**	(10)	—%
Total	**$1,046**	**0.4%**	$329	0.1%

For the three months ended September 30, 2022, the Company recorded bad debt expense of $1,046 (2021 - $329). The increase in bad debt is due to a recovery of bad debt provisions at enclosed shopping centres during 2021.

MANAGEMENT AND ADVISORY FEES

Morguard's management and advisory fee revenue for the three months ended September 30, 2022, decreased by $406 or 3.9%, to $10,018 compared to $10,424 in 2021.

INTEREST AND OTHER INCOME

Interest and other income for the three months ended September 30, 2022, decreased by $7,527 or 64.2%, to $4,204 compared to $11,731 in 2021. The decrease was primarily due to a one-time special cash dividend from one of the Company's investments in marketable securities amounting to $8,490 during 2021.

INTEREST EXPENSE

Interest expense consists of the following:

For the three months ended September 30, 2022	2022	2021
Mortgages payable	**$41,431**	$38,066
Debentures payable, net of accretion	**11,226**	11,675
Bank indebtedness	**1,330**	1,031
Loans payable and other	**76**	577
Lease liabilities	**2,364**	2,389
Amortization of mark-to-market adjustments on mortgages, net	**(680)**	(637)
Amortization of deferred financing costs	**2,068**	1,871
	57,815	54,972
Less: Interest capitalized to properties under development	**(123)**	(63)
	$57,692	$54,909

Interest expense for the three months ended September 30, 2022, increased by $2,783, or 5.1% to $57,692, compared to $54,909 in 2021, mainly due to an increase in interest on mortgages payable, partially offset by lower interest on the Debentures, primarily due to the repayment upon maturity of the Series C and Series D unsecured debentures on September 15, 2022 and May 14, 2021, respectively. The increase in interest on mortgages payable is largely attributable to new and refinancing of mortgages payable subsequent to the third quarter of 2021 and a change in foreign exchange rates increasing U.S. mortgage interest by $902.

PROPERTY MANAGEMENT AND CORPORATE

Property management and corporate expenses for the three months ended September 30, 2022, increased by $3,781, or 22.9% to $20,316, compared to $16,535 in 2021, primarily due to an increase in non-cash compensation expense related to the Company's Stock Appreciation Rights ("SARs") plan of $1,182 and an increase in salary costs.

AMORTIZATION OF HOTEL PROPERTIES AND OTHER

Amortization of hotel properties and other for the three months ended September 30, 2022, decreased by $1,313 to $6,682, compared to $7,995 in 2021, primarily due to lower amortization resulting from the disposal of hotel properties.

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 September 30, 2022, the Company recognized a fair value loss of $23,865, compared to a fair value gain of $108,219 in 2021.

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

For the three months ended September 30, 2022	2022	2021
Multi-suite residential	**$102,202**	$115,703
Retail	**(61,452)**	2,969
Office	**(59,148)**	(13,594)
Industrial	**(5,467)**	3,141
	($23,865)	$108,219

For the three months ended September 30, 2022, the Company recognized the following fair value gain (loss):

- A net fair value gain of $102,202 in the residential portfolio, mainly due to increases in stabilized NOI as a result of rental rate increases achieved within the portfolio, partially offset by an adjustment to realty taxes accounted for under IFRIC 21.
- A net fair value loss of $61,452 in the retail portfolio, primarily due to a 25 basis point increase in capitalization rates across several of the Company's enclosed malls.
- A net fair value loss of $59,148 in the office portfolio, primarily due to a 25 basis point increase in capitalization rates predominantly within the Company's GTA office portfolio.

- A net fair value loss of $5,467 in the industrial portfolio, mainly due to an increase in valuation parameters across several Canadian properties.

FAIR VALUE GAIN ON MORGUARD RESIDENTIAL REIT UNITS

For the three months ended September 30, 2022, the Company recorded a fair value gain on the Morguard Residential REIT units of $23,458, which includes a mark-to-market gain of $28,904 on the units as a result of a decrease in the trading price and the distributions made to external unitholders of $5,446.

FAIR VALUE LOSS ON INVESTMENT IN MARKETABLE SECURITIES

Investment in marketable securities are classified as financial assets measured at fair value through profit and loss ("FVTPL"). For the three months ended September 30, 2022, the Company recorded a fair value loss on investment in marketable securities of $10,034 resulting from a decrease in market value of the securities.

EQUITY LOSS FROM INVESTMENTS

Equity loss from investments consist of the following:

For the three months ended September 30	2022	2021
Joint ventures	**($656)**	($1,266)
Associates	**280**	(1,263)
	($376)	($2,529)

Equity loss from investments for the three months ended September 30, 2022, decreased by $2,153 to $376, compared to $2,529 in 2021, primarily due to a lower operating loss on the Company's investment in Lumina Hollywood, which commenced initial lease-up during 2021 and was transferred to income producing properties during the fourth quarter of 2021 on the acquisition of the remaining interest in the property not already owned, which was partially offset by a higher fair value loss compared to 2021.

OTHER INCOME (EXPENSE)

Other expense for the three months ended September 30, 2022, increased by $1,032, to an expense of $848 compared to other income of $184 in 2021, mainly due to an increase in foreign exchange loss of of $325.

INCOME TAXES

For the three months ended September 30, 2022, the Company recorded total income tax expense of $20,938, compared to $36,880 in 2021. The decrease in income tax expense of $15,942 comprises a decrease of $18,625 in deferred tax expense and an increase of $2,683 in current tax expense.

The decrease in deferred tax expense for the three months ended September 30, 2022 is primarily a result of lower fair value gain recorded on the Company's Canadian and U.S. properties compared to the fair value gains recorded during the same period in 2021.

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 statement of comprehensive income. During the three months ended September 30, 2022, an actuarial loss of $4,255 was recorded in the consolidated statements of comprehensive income, compared to an actuarial gain of $2,435, for the three months ended September 30, 2021.

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

NET OPERATING INCOME

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

Net operating income increased by $23,397, or 6.6%, during the nine months ended September 30, 2022, to $379,861, compared to $356,464 generated in 2021, and is further analyzed by asset type below.

ADJUSTED NOI BY ASSET TYPE

For the nine months ended September 30	2022	2021
Multi-suite residential	**$175,176**	$152,084
Retail	**85,513**	85,294
Office	**95,286**	99,284
Industrial	**6,822**	5,548
Hotel	**28,446**	24,905
Adjusted NOI	**391,243**	367,115
IFRIC 21 adjustment - multi-suite residential	**(10,159)**	(9,299)
IFRIC 21 adjustment - retail	**(1,223)**	(1,352)
NOI	**$379,861**	$356,464

NOI from the multi-suite residential portfolio for the nine months ended September 30, 2022, increased by $22,232, or 15.6% to $165,017, compared to $142,785 in 2021. 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 $860.

Adjusted NOI from the multi-suite residential portfolio for the nine months ended September 30, 2022, increased by $23,092 or 15.2%, to $175,176, compared to $152,084 in 2021. The increase in Adjusted NOI is primarily due to the following:

- An increase in Canadian multi-suite residential properties of $3,104 primarily resulting from;
  - Higher occupancy from improved leasing activity and an increase in AMR of 2.8%. In addition, the Company's Canadian portfolio turned over 1,310 suites, or 16.4% of total suites and achieved AMR growth of 9.8% on suite turnover.
- An increase in U.S. multi-suite residential properties of US$13,775 primarily resulting from;
  - An increase of US$12,552 mainly due to higher occupancy and an increase in AMR of 14.7%;
  - An increase of US$1,115 from a redevelopment property in New Orleans, Louisiana, which reached stabilized occupancy in October 2021;
  - A decrease of US$866 from the sale of two properties during the second and third quarter of 2022; and
  - An increase of US$974 from the acquisition of Echelon Chicago during the third quarter of 2022.
- An increase of $6,213 due to the change in the U.S. dollar foreign exchange rate.

NOI from the retail portfolio for the nine months ended September 30, 2022, increased by $348, or 0.4%, to $84,290, compared to $83,942 in 2021. The increase in NOI is primarily due to the change in Adjusted NOI described below and a decrease in the IFRIC 21 adjustment of $129.

Adjusted NOI from the retail portfolio for the nine months ended September 30, 2022, increased by $219 or 0.3%, to $85,513 compared to $85,294 in 2021. The increase in Adjusted NOI is primarily due to the following:

- An increase in Canadian retail properties of $292 primarily resulting from:
  - An increase of $3,501 predominantly due to higher rent from percent rent leases and lower abatements;
  - A decrease of $2,068 in lease cancellation fees received;
  - A decrease of $480 due to higher bad debt; and
  - A decrease of $661 from the sale of a property located in London, Ontario, during third quarter of 2021.

- A decrease in U.S. retail properties of US$356 primarily resulting from higher bad debt expense and lower lease cancellation fees received.
- An increase of $283 due to the change in the U.S. dollar foreign exchange rate.

NOI from the office portfolio for the nine months ended September 30, 2022, decreased by $3,998, or 4.0%, to $95,286, compared to $99,284 in 2021, primarily due to the following:

- A decrease of $4,047 due to lower occupancy and stepped rents, and lower recoveries of operating expenses;
- A decrease of $1,141 mainly due to a prior year recovery of a bad debt provision at a property in Saint-Laurent, Québec;
- A decrease of $225 from the sale of a property located in Regina, Saskatchewan, during the second quarter of 2022;
- An increase of $958 from the acquisition of 3199 Palladium Drive located in Kanata, Ontario, during the second quarter of 2022; and
- An increase of $457 in lease cancellation fees received.

NOI from the industrial portfolio for the nine months ended September 30, 2022, increased by $1,274, or 23.0%, to $6,822, compared to $5,548 in 2021, primarily due to higher prime rent at one property located in Toronto, Ontario.

NOI from the hotel portfolio for the nine months ended September 30, 2022, increased by $3,541, or 14.2% to $28,446, compared to $24,905 in 2021, primarily due to the following:

- An increase of $20,186 mainly due to higher RevPar as the easing of pandemic restrictions positively impacted transient and corporate demand compared to prior year group and contract business during the pandemic, partially offset against prior year's GAA program which designated three hotels and generated an increase in RevPar. During the nine months ended September 30, 2022, hotel occupancy was 60.4% compared to 34.5% during the same period in 2021, as a result RevPar increased by $56.70 to $100.61 for the period, compared to $43.91 in 2021. The ADR increased to $166.47 during the nine months ended September 30, 2021, compared to $127.43 in 2021;
- A decrease of $12,885 predominantly due to a lower provision for CEWS; and
- A decrease of $3,760 due to the sale of fourteen hotel properties subsequent to the first quarter of 2021.

BAD DEBT EXPENSE (RECOVERY)

The details of bad debt expense (recovery) recorded for the nine months ended September 30, 2022, and 2021, is provided below:

For the nine months ended September 30, 2022	2022	% of Revenue	2021	% of Revenue
Residential	**$2,923**	**0.9%**	$2,403	0.9%
Retail	**2,801**	**1.6%**	2,111	1.3%
Office	**240**	**0.1%**	(901)	(0.5%)
Industrial	**(2)**	**—%**	12	0.1%
Hotel	**256**	**0.2%**	36	—%
Total	**$6,218**	**0.8%**	$3,661	0.5%

For the nine months ended September 30, 2022, the Company recorded bad debt expense of $6,218 (2021 - $3,661). The increase in bad debt is due to a decrease in the office portfolio resulting from a recovery of a bad debt provision at a property in Saint-Laurent, Québec during 2021.

MANAGEMENT AND ADVISORY FEES

Morguard's management and advisory fee revenue for the nine months ended September 30, 2022, decreased by $1,609, or 5.0%, to $30,441, compared to $32,050 in 2021, mainly due to lower dispositions fees earned, partially offset by an increase in leasing fees.

INTEREST AND OTHER INCOME

Interest and other income for the nine months ended September 30, 2022, decreased by $7,190, or, 38.8%, to $11,324 compared to $18,514 in 2021. The decrease was primarily due to a one-time special cash dividend from one of the Company's investments in marketable securities amounting to $8,490 during 2021.

INTEREST EXPENSE

Interest expense consists of the following:

For the nine months ended September 30	2022	2021
Mortgages payable	**$120,411**	$113,460
Debentures payable, net of accretion	**34,055**	37,637
Bank indebtedness	**1,724**	3,163
Loans payable and other	**118**	1,296
Lease liabilities	**7,138**	7,173
Amortization of mark-to-market adjustments on mortgages, net	**(1,866)**	(2,082)
Amortization of deferred financing costs	**6,412**	5,751
Loss on extinguishment of mortgage payable	**181**	—
	168,173	166,398
Less: Interest capitalized to properties under development	**(295)**	(276)
	$167,878	$166,122

Interest expense for the nine months ended September 30, 2022, increased by $1,756, or 1.1%, to $167,878, compared to $166,122 in 2021, mainly due to an increase in interest on mortgages payable, partially offset by lower interest on bank indebtedness and loans payable as well as lower interest on the Debentures, primarily due to the repayment upon maturity of the Series C and Series D unsecured debentures on September 15, 2022 and May 14, 2021, respectively. The increase in interest on mortgages payable is largely attributable to new and refinancing of mortgages payable subsequent to the third quarter of 2021 and a change in foreign exchange rates increasing U.S. mortgage interest by $2,031.

PROPERTY MANAGEMENT AND CORPORATE

Property management and corporate expenses for the nine months ended September 30, 2022, decreased by $2,560, or 4.3% to $57,619, compared to $60,179 in 2021, primarily due to a decrease in non-cash compensation expense related to the Company's SARs plan of $6,743, partially offset by an increase in salary costs.

AMORTIZATION OF HOTEL PROPERTIES AND OTHER

Amortization of hotel properties and other for the nine months ended September 30, 2022, decreased by $4,486 to $20,167, compared to $24,653 in 2021, primarily due to lower amortization resulting from the disposal of hotel properties.

FAIR VALUE GAIN 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 nine months ended September 30, 2022, the Company recognized a net fair value gain on real estate properties of $459,091, compared to a net fair value gain of $154,763 in 2021.

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

For the nine months ended September 30	2022	2021
Multi-suite residential	**$552,745**	$196,997
Retail	**(49,044)**	(18,884)
Office	**(72,165)**	(48,351)
Industrial	**27,555**	25,001
	$459,091	$154,763

For the nine months ended September 30, 2022, the Company recognized the following fair value gain (loss):

- A net fair value gain of $552,745 in the residential portfolio. The fair value gain is comprised of $74,368 at the Canadian properties primarily as a result of an increase in stabilized NOI due to rental rate increases, and a fair value gain of $478,377 at the U.S. properties primarily as a result of a 25 basis point decrease in valuation parameters at most U.S. properties as well as an increase in stabilized NOI as a result of rental rate increases, partially offset by an adjustment to realty taxes accounted for under IFRIC 21.

- A net fair value loss of $49,044 in the retail portfolio. The fair value loss is comprised of $60,059 at the Canadian properties primarily as a result of a 25 basis point increase in capitalization rates across several of the Company's enclosed malls, partially offset by a fair value gain of $11,015 at the U.S. properties primarily as a result of an increase in stabilized NOI at several properties located in Florida.
- A net fair value loss of $72,165 in the office portfolio. The fair value loss is primarily due to a 25 basis point increase in valuation parameters across several properties, and fair value loss due to a reduction in cash flow assumptions at a property located in Calgary, Alberta, partially offset by a fair value gain due to a 25 basis point decrease in valuation parameters at two properties located in Vancouver, BC and increase in stabilized NOI at a property located in Victoria, BC.
- A net fair value gain of $27,555 in the industrial portfolio mainly due to increases in stabilized NOI.

FAIR VALUE GAIN ON MORGUARD RESIDENTIAL REIT UNITS

For the nine months ended September 30, 2022, the Company recorded a fair value gain on the Morguard Residential REIT units of $49,897, which includes a mark-to-market gain of $66,233 on the units as a result of a decrease in trading price and the distributions made to external unitholders of $16,336.

FAIR VALUE LOSS ON INVESTMENT IN MARKETABLE SECURITIES

Investment in marketable securities are classified as financial assets measured at FVTPL. For the nine months ended September 30, 2022, the Company recorded a fair value loss on investment in marketable securities of $26,049 resulting from a decrease in market value of the securities.

EQUITY INCOME FROM INVESTMENTS

Equity income from investments consists of the following:

For the nine months ended September 30	2022	2021
Joint ventures	**($201)**	($1,977)
Associates	**6,234**	22,213
	$6,033	$20,236

Equity income from investments for the nine months ended September 30, 2022, decreased by $14,203 to $6,033, compared to $20,236 in 2021, primarily due to a lower fair value gain compared to 2021. During the nine months ended September 30, 2021, the Company recorded a fair value gain on its investment in Lumina Hollywood and was transferred to income producing properties during the fourth quarter of 2021 on the acquisition of the remaining interest not already owned.

OTHER INCOME

Other income for the nine months ended September 30, 2022, decreased by $3,853 to $498, compared to $4,351 in 2021, primarily due to an increase in foreign exchange loss of $1,662 and a decrease of $2,014 due to settlement proceeds received on four disclaimed leases from Sears Canada Inc. during 2021.

INCOME TAXES

For the nine months ended September 30, 2022, the Company recorded an income tax expense of $131,276, compared to $99,092 in 2021. The increase in income tax expense of $32,184 comprises an increase of $33,137 in deferred tax expense and a decrease of $953 in current tax expense.

The increase in deferred tax expense for the nine months ended September 30, 2022, is primarily a result of higher fair value gains recorded on the Company's Canadian and U.S. properties compared to the fair value gains recorded during the same period in 2021.

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 nine months ended September 30, 2022, an actuarial loss of $10,068 was recorded in the consolidated statements of comprehensive income, compared to an actuarial gain of $26,008 for the nine months ended September 30, 2021.

FUNDS FROM OPERATIONS

FFO (and FFO per common share) are non-GAAP financial measures that 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. FFO is computed by the Company in accordance with the current definition of the Real Property Association of Canada ("REALPAC") and is widely used as a real estate industry standard that supplements net income and evaluates operating performance but is not indicative of funds available to meet the Company's cash requirements. Additional information on this non-GAAP financial measure can be found under the section "Part I, Specified Financial Measures."

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

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Multi-suite residential	**$62,533**	$50,058	**$175,176**	$152,084
Retail	**29,277**	29,160	**85,513**	85,294
Office	**33,192**	32,978	**95,286**	99,284
Industrial	**2,591**	2,052	**6,822**	5,548
Hotel	**17,946**	10,935	**28,446**	24,905
Adjusted NOI(1)	**145,539**	125,183	**391,243**	367,115
Other Revenue				
Management and advisory fees	**10,018**	10,424	**30,441**	32,050
Interest and other income	**4,204**	11,731	**11,324**	18,514
Equity-accounted FFO(2)	**1,550**	257	**4,076**	(847)
	15,772	22,412	**45,841**	49,717
Expenses and Other				
Interest	**(57,692)**	(54,909)	**(167,878)**	(166,122)
Principal repayment of lease liabilities	**(316)**	(504)	**(1,037)**	(1,377)
Property management and corporate	**(20,316)**	(16,535)	**(57,619)**	(60,179)
Internal leasing costs	**1,524**	620	**3,482**	2,319
Amortization of capital assets	**(345)**	(856)	**(1,113)**	(2,489)
Current income taxes(3)	**(4,220)**	(1,537)	**(5,764)**	(6,990)
Non-controlling interests' share of FFO(4)	**(15,640)**	(13,593)	**(44,762)**	(41,113)
Unrealized changes in the fair value of financial instruments	**(9,882)**	(7,636)	**(26,435)**	198
Other income (expense)	**(535)**	172	**778**	2,969
FFO	**$53,889**	$52,817	**$136,736**	$144,048
FFO per common share amounts – basic and diluted	**$4.86**	$4.76	**$12.32**	$12.98
Weighted average number of common shares outstanding (in thousands):				
Basic and diluted	**11,095**	11,100	**11,098**	11,100

(1) For the three and nine months ended September 30, 2022, an IFRIC 21 adjustment of $12,495 (2021 - $10,262) was added and $11,382 (2021 - $10,651) was deducted, respectively, to the IFRS presentation of realty tax expense.

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

(3) Current income taxes for the three and nine months ended September 30, 2022, excludes $nil (2021 - $nil) and $273 (2021 - $nil), respectively, of income tax relating to the disposal of property.

(4) For the three and nine months ended September 30, 2022, non-controlling interests' share of FFO includes Morguard Residential REIT's non-controlling interest share of FFO in the amount of $7,806 (2021 - $5,912) and $21,823 (2021 - $17,608), respectively.

For the three months ended September 30, 2022, the Company recorded FFO of $53,889 ($4.86 per common share), compared to $52,817 ($4.76 per common share) in 2021. The increase in FFO of $1,072 is mainly due to the following:

- An increase in Adjusted NOI of $20,356, primarily due to higher NOI from the residential portfolio from rental rate growth and higher occupancy. In addition, higher NOI from the hotel portfolio due to increased international travel as well as leisure and business demand;
- A decrease in interest and other income of $7,527, primarily due to a one-time special cash dividend from one of the Company's investments in marketable securities amounting to $8,490 during 2021.

- An increase in property management and corporate expenses of $3,781, primarily due to an increase in non-cash compensation expense related to the Company's SARs plan of $1,182 and an increase in salary costs;
- An increase in current income taxes of $2,683;
- An increase in the non-controlling interests' share of FFO of $2,047; and
- A decrease in unrealized changes in the fair value of financial instruments of $2,246.

The change in foreign exchange rate had a positive impact on FFO of $764 ($0.07 per common share).

For the nine months ended September 30, 2022, the Company recorded FFO of $136,736 ($12.32 per common share), compared to $144,048 ($12.98 per common share) in 2021. The decrease in FFO of $7,312 is mainly due to the following:

- An increase in Adjusted NOI of $24,128, primarily due to higher NOI from the residential portfolio from rental rate growth and higher occupancy.
- A decrease in interest and other income of $7,190, primarily due to a one-time special cash dividend from one of the Company's investments in marketable securities amounting to $8,490 during 2021.
- An increase in equity accounted FFO of $4,923 due to a loss in 2021 primarily due to the Company's investment in Lumina Hollywood, which is under initial lease-up;
- A decrease in property management and corporate expenses of $2,560 primarily due to a decrease in non-cash compensation expense related to the Company's SARs plan of $6,743, partially offset by an increase in salary costs;
- An increase in the non-controlling interests' share of FFO of $3,649; and
- A decrease in unrealized changes in the fair value of the Company's financial instruments of $26,633.

The change in foreign exchange rate had a positive impact on FFO of $1,265 ($0.11 per common share).

Normalized FFO (and Normalized FFO per common share) are non-GAAP financial measures that 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. Normalized FFO is computed as FFO excluding non-recurring items on a net of tax basis and other fair value adjustments. The Company believes it is useful to provide an analysis of Normalized FFO which excludes non-recurring items on a net of tax basis and other fair value adjustments excluded from REALPAC's definition of FFO described above. Additional information on this non-GAAP financial measure can be found under the section "Part I, Specified Financial Measures."

Normalized FFO	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
FFO (from above)	**$53,889**	$52,817	**$136,736**	$144,048
Add/(deduct):				
Unrealized changes in the fair value of financial instruments	**9,882**	7,636	**26,435**	(198)
SARs plan increase (decrease) in compensation expense	**(13)**	(1,195)	**(3,413)**	3,330
Sears settlement, net of non-controlling interest	**—**	—	**—**	(1,238)
Lease cancellation fee and other	**(414)**	(529)	**(1,446)**	(2,528)
Tax effect of above adjustments	**52**	(56)	**349**	(148)
Normalized FFO	**$63,396**	$58,673	**$158,661**	$143,266
Per common share amounts – basic and diluted	**$5.71**	$5.29	**$14.30**	$12.91

Normalized FFO for the three months ended September 30, 2022, was $63,396, or $5.71 per common share, versus $58,673, or $5.29 per common share, for the same period in 2021, which represents an increase of $4,723, or 8.0%.

Normalized FFO for the nine months ended September 30, 2022, was $158,661, or $14.30 per common share, versus $143,266, or $12.91 per common share, for the same period in 2021, which represents an increase of $15,395, or 10.7%.

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

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Net income attributable to common shareholders	**$66,824**	$102,626	**$505,801**	$134,279
Add/(deduct):				
Fair value loss (gain) on real estate properties, net(1)	**25,547**	(105,696)	**(461,883)**	(178,703)
Non-controlling interests' share of fair value loss (gain) on real estate properties, net(1)	**(19,588)**	(1,988)	**7,490**	(14,077)
Fair value loss (gain) on Morguard Residential REIT units	**(28,904)**	8,090	**(66,233)**	31,846
Distribution to Morguard Residential REIT's external unitholders	**5,446**	5,440	**16,336**	16,315
Non-controlling interest - Morguard Residential REIT	**(7,806)**	(5,912)	**(21,823)**	(17,608)
Fair value loss (gain) on conversion option of MRG convertible debentures	**(640)**	(20)	**(1,787)**	175
Amortization of intangible asset	**1,598**	1,141	**4,790**	3,466
Amortization of hotel properties(2)	**4,983**	6,261	**15,099**	19,474
Foreign exchange loss (gain)	**313**	(12)	**280**	(1,382)
Deferred income taxes	**16,718**	35,343	**125,239**	92,102
Principal repayment of lease liabilities	**(316)**	(504)	**(1,037)**	(1,377)
Internal leasing costs	**1,524**	620	**3,482**	2,319
Realty taxes accounted for under IFRIC 21(3)	**(11,810)**	(9,805)	**10,709**	9,849
Provision for impairment(4)	**—**	17,233	**—**	47,370
Current tax on disposition of properties	**—**	—	**273**	—
FFO	**$53,889**	$52,817	**$136,736**	$144,048
FFO per common share – basic and diluted	**$4.86**	$4.76	**$12.32**	$12.98
Weighted average number of common shares outstanding (in thousands):				
Basic and diluted	**11,095**	11,100	**11,098**	11,100

(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.
(4) Includes provision for impairment for equity-accounted investments.

PART IV

BALANCE SHEET ANALYSIS

REAL ESTATE PROPERTIES

The Company's real estate properties, together with hotel properties and equity-accounted and other real estate fund investments, represent approximately 95% of Morguard's total assets. Real estate properties include multi-suite residential, retail, office and industrial properties held to earn rental income and for capital appreciation. Real estate properties also include properties or land 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	September 30, 2022	December 31, 2021
Real estate properties		
Multi-suite residential	**$6,541,920**	$5,542,725
Retail	**2,217,251**	2,222,787
Office	**2,189,840**	2,198,862
Industrial	**200,978**	175,442
	11,149,989	10,139,816
Properties under development	**18,126**	12,360
Land held for development	**109,595**	92,699
Real estate properties	**$11,277,710**	$10,244,875
Real estate properties	**$11,151,313**	$10,244,875
Real estate properties held for sale	**126,397**	—
Total	**$11,277,710**	$10,244,875

Real estate properties (including real estate properties held for sale) increased by $1,032,835 at September 30, 2022, to $11,277,710, compared to $10,244,875 at December 31, 2021. The increase is primarily the result of the following:

- A fair value gain on real estate properties of $458,832;
- Acquisitions of $288,745 as a result of the following:

Property	Date of Acquisition	Asset Type	Location	Suites / Sq. Ft.	Purchase Price
Rockville Town Square	September 26, 2022	Retail	Rockville, MD	186,712	$46,102
Echelon Chicago	August 8, 2022	Residential	Chicago, IL	350	173,063
3199 Palladium Drive	June 30, 2022	Office	Kanata, ON	163,580	65,886
Guildwood Village (Land)	February 28, 2022	Land	Toronto, ON	—	3,694
					$288,745

- Capitalization of property enhancements, including capital expenditures and tenant improvements totaling $54,400;
- Development expenditures of $11,250;
- An increase of $348,580 due to the change in the U.S. dollar exchange rate;
- An increase of $6,643 due to the recognition of a right-of-use asset in connection with a land lease assumed on the acquisition of Rockville Town Square; and
- Dispositions of real estate properties of $130,141 as a result of the following:

Property	Date of Disposition	Asset Type	Location	Suites / Sq. Ft.	Proceeds	Net Proceeds (1)
Greenbrier Estates	August 24, 2022	Residential	Slidell, LA	144	$34,076	$24,104
Keewatin Square	June 30, 2022	Office	Regina, SK	37,500	2,900	2,900
Briarhill Apartments	June 6, 2022	Residential	Atlanta, GA	292	93,165	66,117
					$130,141	$93,121

(1) Net of repayment of mortgages payable.

As at September 30, 2022, the following property was classified as held for sale:

Subsequent to September 30, 2022, the Company sold a multi-suite residential property located in Coconut Creek, Florida, comprising 340 suites, for gross proceeds of $127,227 (US$92,000), excluding closing costs and repaid the mortgage payable secured by the property in the amount of $28,279 (US$20,449).

The Company is pursuing a tax deferred exchange under Internal Revenue Code Section 1031 ("1031 Exchange") in connection with its U.S. property dispositions. Under a 1031 Exchange, subject to certain conditions, the Company will be able to defer tax payable upon the acquisition of a replacement property.

APPRAISAL CAPITALIZATION AND DISCOUNT RATES

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

As at September 30, 2022, using the direct capitalization approach, the multi-suite residential, retail, office and industrial properties were valued using capitalization rates in the range of 3.0% to 9.8% (December 31, 2021 - 3.0% to 9.8%), resulting in an overall weighted average capitalization rate of 5.2% (December 31, 2021 - 5.2%).

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

	September 30, 2022					December 31, 2021				
As at	**Occupancy Rates**		**Capitalization Rates**			Occupancy Rates		Capitalization Rates		
	Max.	**Min.**	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Max.	Min.	Weighted Average
Multi-suite residential	**98.5%**	**92.0%**	**5.8%**	**3.0%**	**4.1%**	98.0%	92.0%	6.5%	3.0%	4.1%
Retail	**99.0%**	**85.0%**	**9.8%**	**5.0%**	**7.0%**	99.0%	85.0%	9.8%	5.3%	6.9%
Office	**100.0%**	**90.0%**	**8.0%**	**4.0%**	**6.4%**	100.0%	90.0%	7.8%	4.3%	6.1%
Industrial	**100.0%**	**95.0%**	**6.3%**	**4.3%**	**5.3%**	100.0%	95.0%	6.0%	4.0%	5.0%

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

As at	**September 30, 2022**			December 31, 2021		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
Retail						
Discount rate	**10.8%**	**5.8%**	**7.4%**	10.8%	6.0%	7.2%
Terminal cap rate	**9.8%**	**5.0%**	**6.4%**	9.8%	5.3%	6.2%
Office						
Discount rate	**8.5%**	**5.0%**	**6.5%**	8.5%	5.3%	6.4%
Terminal cap rate	**7.8%**	**4.0%**	**5.8%**	7.5%	4.3%	5.6%
Industrial						
Discount rate	**7.0%**	**6.0%**	**6.1%**	6.8%	5.8%	5.9%
Terminal cap rate	**6.8%**	**5.0%**	**5.4%**	6.5%	5.0%	5.2%

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 September 30, 2022, and December 31, 2021, is set out in the table below:

As at	September 30, 2022		December 31, 2021	
Change in capitalization rate:	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Multi-suite residential	**($382,026)**	**$433,493**	($311,848)	$351,762
Retail	**(70,779)**	**76,105**	(69,668)	74,974
Office	**(83,170)**	**89,960**	(86,478)	93,813
Industrial	**(8,587)**	**9,446**	(7,799)	8,614
	($544,562)	**$609,004**	($475,793)	$529,163

HOTEL PROPERTIES

Hotel properties consist of the following:

As at	September 30, 2022	December 31, 2021
Cost	**$511,577**	$701,502
Accumulated impairment provision	**(43,941)**	(113,165)
Accumulated amortization	**(111,180)**	(131,184)
Hotel properties	**$356,456**	$457,153

During the nine months ended September 30, 2022, the Company sold nine hotel properties for gross proceeds of $87,757. The purchase price was satisfied with cash proceeds of $37,805 (after deducting working capital adjustments and closing costs) and promissory notes receivable of $49,450. At closing, the Company repaid five first mortgage loans totalling $58,696 that were secured by the hotels.

The following table details hotel dispositions during the nine months ended September 30, 2022:

Property	City	Province	Date of Disposition	Gross Proceeds
Days Inn and Suites Sibley	Thunder Bay	Ontario	March 31, 2022	**$8,600**
Days Inn and Suites North	Thunder Bay	Ontario	March 31, 2022	**9,500**
Acclaim Hotel Calgary (70% interest)	Calgary	Alberta	April 14, 2022	**8,680**
Wingate by Wyndham Regina	Regina	Saskatchewan	May 19, 2022	**6,473**
Holiday Inn Winnipeg South	Winnipeg	Manitoba	May 19, 2022	**12,450**
Hilton Garden Inn	Edmonton	Alberta	May 31, 2022	**12,450**
Saskatoon Inn	Saskatoon	Saskatchewan	July 14, 2022	**4,250**
Temple Gardens Mineral Spa	Moose Jaw	Saskatchewan	August 31, 2022	**23,354**
Days Hotel and Suites	Lloydminster	Alberta	September 23, 2022	**2,000**
				$87,757

EQUITY-ACCOUNTED AND OTHER FUND INVESTMENTS

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

As at	September 30, 2022	December 31, 2021
Joint ventures	**$28,533**	$36,716
Associates	**31,182**	25,507
Equity-accounted investments	**59,715**	62,223
Other real estate fund investments	**79,557**	81,985
Equity-accounted and other fund investments	**$139,272**	$144,208

The following are the Company's significant equity-accounted investments as at September 30, 2022, and December 31, 2021:

				Company's Ownership		Carrying Value	
Property/Investment	Principal Place of Business	Investment Type	Asset Type	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Petroleum Plaza	Edmonton, AB	Joint Venture	Office	**50.0%**	50.0%	**$14,331**	$18,578
Quinte Courthouse	Belleville, ON	Joint Venture	Office	**50.0%**	50.0%	**2,829**	2,848
Greypoint Capital L.P. II	Toronto, ON	Joint Venture	Other	**15.6%**	15.6%	**2,517**	6,624
Courtyard by Marriott	Ottawa, ON	Joint Venture	Hotel	**50.0%**	50.0%	**4,597**	4,608
Marriott Residence Inn	London, ON	Joint Venture	Hotel	**50.0%**	50.0%	**4,259**	4,058
MIL Industrial Fund II LP[(1)]	Various	Associate	Industrial	**18.8%**	18.8%	**31,182**	25,507
						$59,715	$62,223

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

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

As at	September 30, 2022	December 31, 2021
Balance, beginning of period	**$62,223**	$127,579
Additions	**774**	2,303
Transfer[(1)]	**—**	(88,690)
Share of net income	**6,032**	24,017
Distributions received	**(9,314)**	(3,523)
Foreign exchange gain	**—**	537
Balance, end of period	**$59,715**	$62,223

(1) The Company acquired the 40.9% interest not already owned in Lumina Hollywood on October 26, 2021, at which point the carrying value of the 59.1% interest was transferred to each respective balance sheet line item including: income producing properties $145,631 and mortgages payable $56,823.

In addition, during the nine months ended September 30, 2022, the Company received a distribution in the amount of $8,746 (US$6,819) in connection with the disposal of three properties held within the Company's other real estate fund investments.

TENANT ACCOUNTS RECEIVABLE

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

As at September 30, 2022, and December 31, 2021, the details of tenant receivables, net of an allowance for doubtful accounts is provided below:

As at	September 30, 2022			December 31, 2021
	Tenant Receivables	Allowance for Doubtful Accounts	Net Tenant Receivables	Net Tenant Receivables
Residential	$9,157	($2,906)	$6,251	$3,375
Retail	13,024	(7,910)	5,114	6,879
Office	2,864	(1,231)	1,633	937
Industrial	279	(9)	270	264
Hotel	11,680	(392)	11,288	6,289
Total	**$37,004**	**($12,448)**	**$24,556**	**$17,744**

As at September 30, 2022, tenant receivables, net of an allowance for doubtful accounts totalled $24,556, with retail representing 20.8% of total net tenant receivables. As a result of the COVID-19 pandemic, certain tenants were unable to fulfil their rent obligations and there are a large number of retail tenants who have requested consideration for a deferral or an abatement. Management has considered the financial uncertainties faced by the Company's tenants and has provided for tenant receivable balances based on an assessment of each tenant's expected credit loss, applying credit loss factors based on historical loss experience along with forward-looking information.

MORTGAGES PAYABLE

Mortgages payable totalled $4,794,551 at September 30, 2022, compared to $4,627,968 at December 31, 2021, an increase of $166,583, mainly due to the repayment of mortgages discharged and matured of $453,688 and scheduled principal repayments of $99,953, partially offset by a change in foreign exchange of $150,503 and net proceeds from new mortgage financing of $566,777.

MORTGAGE CONTINUITY SCHEDULE

As at	September 30, 2022	December 31, 2021
Opening mortgage balance	**$4,627,968**	$4,269,374
New mortgage financing	**570,173**	881,680
New mortgage financing costs	**(3,396)**	(9,833)
Mortgages discharged and matured	**(453,688)**	(443,141)
Scheduled principal repayments	**(99,953)**	(122,981)
Transfer of mortgage from equity-accounted investment	**—**	56,823
Change in foreign exchange rate	**150,503**	(6,097)
Mortgages mark-to-market adjustment, net	**(1,866)**	(2,649)
Deferred financing costs (including extinguishment)	**4,810**	4,792
Closing mortgage balance	**$4,794,551**	$4,627,968

The Company's first mortgages are registered against specific real estate assets and hotel properties. As at September 30, 2022, mortgages payable bear interest at rates ranging between 2.03% and 6.53% per annum with a weighted average interest rate of 3.68% (December 31, 2021 - 3.39%), mature between 2022 and 2058 with a weighted average term to maturity of 4.6 years (December 31, 2021 - 4.6 years) and approximately 94% of the Company's mortgages have fixed interest rates.

Mortgages payable on real estate properties held for sale are secured by income producing properties that the Company intends to sell rather than hold on a long-term basis and meet the criteria established in IFRS 5 for separate classification. As at September 30, 2022, mortgages payable include one mortgage (including unamortized deferred finance costs) classified as current amounting to $28,349.

MORTGAGE REPAYMENT SCHEDULE

As at September 30, 2022	Principal Instalment Repayments	Balance Maturing	Total	Weighted Average Contractual Interest Rate
2022 (remainder of year)	$30,664	$366,674	$397,338	3.89%
2023	107,917	546,781	654,698	4.10%
2024	95,334	576,293	671,627	3.98%
2025	79,962	487,473	567,435	3.13%
2026	61,306	389,558	450,864	3.32%
Thereafter	213,402	1,860,873	2,074,275	3.64%
	$588,585	$4,227,652	4,816,237	3.68%
Mark-to-market adjustment, net			2,881	
Deferred financing costs			(24,567)	
			$4,794,551	

Some of the Company's mortgages payable require it to maintain annual debt service coverage ratios and/or debt to equity ratios and/or debt to appraised value ratios and arrange for capital expenditures in accordance with predetermined limits. As at September 30, 2022, the Company was in compliance with all debt ratio covenants. As at December 31, 2021, the Company was not in compliance with two debt ratio covenants affecting two mortgage loans amounting to $39,795.

The following table details the new and refinancing activities completed during the nine months ended September 30, 2022:

Date	Asset Type	Location	New Interest Rate	Maturing Interest Rate	Term (years)	Mortgage Proceeds	Mortgage Repayment
February 1, 2022	Residential	Mississauga, ON	2.85%	2.99%	10.0	$24,700	$9,852
February 1, 2022	Residential	Mississauga, ON	2.85%	2.99%	10.0	22,800	9,967
February 1, 2022	Hotel	Moose Jaw, SK	7.64%	4.68%	1.0	1,398	1,398
February 1, 2022	Hotel	Halifax, NS	4.01%	3.79%	0.9	16,582	16,582
February 1, 2022	Hotel	Halifax, NS	4.01%	3.79%	0.9	28,438	28,438
April 29, 2022	Residential	West Palm Beach, FL	3.89%	3.96%	10.0	19,492	11,687
July 1, 2022	Residential	Riviera Beach, FL	4.19%	3.78%	10.0	59,851	30,198
September 1, 2022	Retail	Ottawa, ON	4.86%	2.73%	5.0	17,800	12,674
September 1, 2022	Office	Kanata, ON	4.49%	—%	5.0	35,000	—
September 1, 2022	Residential	Chicago, IL	4.71%	—%	7.0	96,008	—
September 30, 2022	Residential	Chicago, IL	4.81%	3.29%	7.0	243,652	237,176
Various	Residential	Los Angeles, CA	3.47%	—%	2.8	4,452	—
Weighted Averages and Total			**4.45%**	**3.39%**	**7.0**	**$570,173**	**$357,972**

MORTGAGE MATURITY SCHEDULE

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

	2022				2023			
Asset Type	Number of Properties	Principal Maturing	Weighted Average Interest Rate	Maturing Loan-to-Value Ratio	Number of Properties	Principal Maturing	Weighted Average Interest Rate	Maturing Loan-to-Value Ratio
Multi-suite residential(1)	1	$26,905	2.88%	80.3%	6	$145,633	3.50%	29.7%
Retail	2	109,112	3.09%	55.9%	5	240,818	4.10%	68.3%
Office	2	158,293	3.93%	95.2%	3	118,669	4.40%	41.1%
Hotels	2	43,779	6.53%	69.5%	4	41,661	5.30%	68.3%
	7	$338,089	3.91%	73.8%	18	$546,781	4.10%	45.9%

(1) Excludes mortgages payable on real estate properties held for sale.

UNSECURED DEBENTURES

The Company's Unsecured Debentures consist of the following:

As at	Maturity Date	Coupon Interest Rate	September 30, 2022	December 31, 2021
Series C senior unsecured debentures	September 15, 2022	4.333%	**$—**	$200,000
Series E senior unsecured debentures	January 25, 2024	4.715%	**225,000**	225,000
Series F senior unsecured debentures	November 27, 2024	4.204%	**225,000**	225,000
Series G senior unsecured debentures	September 28, 2023	4.402%	**175,000**	175,000
Unamortized financing costs			**(1,036)**	(1,744)
			$623,964	$823,256

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

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. On May 14, 2021, the Series D unsecured debentures were fully repaid on maturity.

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

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

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

For the three and nine months ended September 30, 2022, interest on the Unsecured Debentures of $8,828 (2021 - $9,184) and $26,897 (2021 - $30,252), respectively, is included in interest expense, respectively.

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

The covenants that govern the Unsecured Debentures are calculated using the Company's published results prepared in accordance with IFRS adjusted as required to account for the Company's Public Entity Investments using the equity method of accounting and other adjustments defined by the Indenture. The presentation of the Non-Consolidated balance sheet does not classify short-term and long-term assets and liabilities. In addition, other assets as presented in the Non-Consolidated balance sheet group 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 ("Equity Adjustment"). The adjustment requires the Public Entity Investments which are consolidated under IFRS to each respective financial statement line presented within the balance sheet and statement of income to be presented on a single line within equity-accounted investments;
- An adjustment (as defined in the Indenture) to the balance sheet to exclude deferred tax assets and liabilities, goodwill and to add back accumulated amortization of hotel properties ("Balance Sheet Indenture Adjustment");
- 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 ("Income Statement Indenture Adjustment").

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

Non-Consolidated Basis	Covenant Requirements	September 30, 2022	September 30, 2021
Interest coverage ratio(1)(2)	1.65	**2.29**	2.18
Indebtedness to aggregate assets ratio(2)	Less than or equal to 65%	**42.9%**	45.7%
Adjusted shareholders' equity(2)	Not less than $300,000	**$3,958,048**	$3,565,048

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

As at September 30, 2022, on a Non-Consolidated Basis, the Company's unencumbered assets which include real estate and hotel properties, and other investments amounted to $797,275 (December 31, 2021 - $851,774).

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

MORGUARD NON-CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

As at	Morguard Consolidated	Morguard REIT	Morguard Residential REIT	Equity Adjustment	Balance Sheet Indenture Adjustment	September 30, 2022 Morguard Non-Consolidated Basis	December 31, 2021 Morguard Non-Consolidated Basis
ASSETS							
Real estate properties	$11,151,313	($2,437,115)	($3,859,005)	($269,053)	$—	**$4,586,140**	$4,298,558
Real estate properties held for sale	126,397	—	(126,397)	—	—	**—**	—
Hotel properties	356,456	—	—	—	111,180	**467,636**	588,337
Equity-accounted and other fund investments	139,272	(14,331)	(114,165)	1,585,242	—	**1,596,018**	1,422,216
Other assets	646,907	(28,902)	(127,701)	79,431	(24,488)	**545,247**	573,536
Total assets	$12,420,345	($2,480,348)	($4,227,268)	$1,395,620	$86,692	**$7,195,041**	$6,882,647
LIABILITIES							
Mortgages payable(1)	$4,794,551	($1,104,235)	($1,435,970)	($160,021)	$—	**$2,094,325**	$2,062,414
Construction financing, loans and bank indebtedness	158,994	(7,125)	—	76,041	—	**227,910**	70,513
Class B LP units	—	—	(264,374)	264,374	—	**—**	—
Debentures payable	795,671	(149,363)	(85,078)	62,734	—	**623,964**	823,256
Lease liabilities	172,923	(16,593)	(16,585)	209	—	**139,954**	142,852
Morguard Residential REIT units	430,395	—	—	(430,395)	—	**—**	—
Deferred income tax liabilities	940,032	—	(288,165)	—	(651,867)	**—**	—
Accounts payable and accrued liabilities	270,205	(53,092)	(67,348)	1,075	—	**150,840**	148,050
Total liabilities	7,562,771	(1,330,408)	(2,157,520)	(185,983)	(651,867)	**3,236,993**	3,247,085
Equity / Adjusted shareholders' equity	4,857,574	(1,149,940)	(2,069,748)	1,581,603	738,559	**3,958,048**	3,635,562
Total liabilities and equity	$12,420,345	($2,480,348)	($4,227,268)	$1,395,620	$86,692	**$7,195,041**	$6,882,647

(1) Includes mortgages payable on real estate properties held for sale.

COMPUTATION FOR INTEREST COVERAGE RATIO

Twelve months ended September 30	Morguard Consolidated	Morguard REIT	Morguard Residential REIT	Equity Adjustment	Income Statement Indenture Adjustment	2022 Morguard Non-Consolidated Basis	2021 Morguard Non-Consolidated Basis
Revenue from real estate properties	$903,539	($246,200)	($266,890)	($19,046)	$—	**$371,403**	$350,008
Revenue from hotel properties	156,912	—	—	—	—	**156,912**	110,617
Property operating expenses	(423,427)	125,851	122,339	(4,277)	1,532	**(177,982)**	(162,569)
Hotel operating expenses	(125,627)	—	—	—	—	**(125,627)**	(85,479)
Net operating income	511,397	(120,349)	(144,551)	(23,323)	1,532	**224,706**	212,577
Management and advisory fees/distributions	43,693	—	—	39,743	—	**83,436**	75,571
Interest and other income	15,744	—	(125)	4,032	—	**19,651**	30,646
Property management and corporate(1)	(77,641)	3,788	17,617	(19,754)	(2,772)	**(78,762)**	(74,785)
Other income (expense)(2)	1,008	(34)	(1,957)	1,940	—	**957**	1,640
Distributions from Morguard REIT and Morguard Residential REIT	—	—	—	—	31,487	**31,487**	30,030
EBITDA	$494,201	($116,595)	($129,016)	$2,638	$30,247	**$281,475**	$275,679
Interest expense	$222,068	($52,739)	($66,135)	$19,955	$—	**$123,149**	$126,405
Interest capitalized to development projects	366	(366)	—	—	—	**—**	—
Interest expense for interest coverage ratio	$222,434	($53,105)	($66,135)	$19,955	$—	**$123,149**	$126,405

(1) Morguard consolidated property management and corporate expense for the twelve months ended September 30, 2022, includes a non-cash fair value adjustment relating to the Company's SARs liability and has been adjusted to remove the impact of the decrease in SARs expense of $2,772 (2021 - increase in SARs expense of $5,162).

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

CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

As at	Maturity Date	Conversion Price	Coupon Interest Rate	Principal Balance	Principal Owned by the Company	September 30, 2022	December 31, 2021
Morguard REIT	December 31, 2026	$7.80	5.25%	$159,000	$60,000	**$91,629**	$90,574
Morguard Residential REIT(1)	March 31, 2023	$20.20	4.50%	$85,500	$5,000	**80,078**	81,319
						$171,707	$171,893

(1) As at September 30, 2022, the liability includes the fair value of the conversion option of $241 (December 31, 2021 - $2,028).

Morguard REIT

On December 7, 2021, Morguard REIT issued $150,000 principal amount of 5.25% convertible unsecured subordinated debentures maturing on December 31, 2026. On December 13, 2021 an additional principal amount of $9,000 was issued pursuant to the exercise of the over-allotment option. Interest is payable semi-annually, not in advance, on June 30 and December 31 of each year, commencing on June 30, 2022. The underwriter's commission and other issue costs attributable to the debentures in the amount of $4,213 has been capitalized and is being amortized over the term to maturity. The convertible debentures, with the exception of $4,213, the value assigned to the holder's conversion option, have been recorded as debt on the consolidated balance sheets. Morguard owns $60,000 aggregate principal amount of the 5.25% convertible unsecured subordinated debentures.

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. On December 17, 2021, the convertible debentures were fully repaid, including the $60,000 aggregate principal amount of the 4.50% convertible unsecured subordinated debentures owned by Morguard.

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 and other issue costs attributable to the debentures in the amount of $3,375 has been capitalized and is being amortized over the term to maturity. Morguard owns $5,000 aggregate principal amount of the 4.50% convertible unsecured subordinated debentures.

For the three and nine months ended September 30, 2022, interest on convertible debentures net of accretion of $2,398 (2021 - $2,491) and $7,158 (2021 - $7,385), respectively, is included in interest expense.

MORGUARD RESIDENTIAL REIT UNITS

As at September 30, 2022, and December 31, 2021, the Company owned a 44.7% effective interest in Morguard Residential REIT through its ownership of 7,944,166 units and 17,223,090 Class B LP units. Although the Company owns less than 50% of Morguard Residential REIT, it continues to consolidate its investment on the basis of *de facto* control.

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

As at September 30, 2022, the Company valued the non-controlling interest in Morguard Residential REIT units at $430,395 (December 31, 2021 - $496,024) 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 and nine months ended September 30, 2022 of $23,458 (2021 - loss of $13,530) and $49,897 (2021 - loss of $48,161), respectively, in the consolidated statements of income.

BANK INDEBTEDNESS

As at September 30, 2022, the Company has operating lines of credit totalling $491,500 (December 31, 2021 - $493,500), the majority of which can be borrowed in either Canadian or United States dollars and are subject to floating interest rates based on bankers' acceptance. As at September 30, 2022, the maximum amount that can be borrowed on the operating lines of credit is $375,398 (December 31, 2021 - $403,026), which includes deducting issued letters of credit in the amount of $8,613 (December 31, 2021 - $8,856) related to these facilities. The Company's investments in Morguard REIT and Morguard Residential REIT, marketable securities, amounts receivable, inventory, capital assets and a fixed-charge security on specific properties have been pledged as collateral on these operating lines of credit. As at September 30, 2022, the Company had borrowed $153,994 (December 31, 2021 - $8,039) on its operating lines of credit.

The bank credit agreements include certain restrictive undertakings by the Company. As at September 30, 2022, the Company is in compliance with all undertakings.

LEASE LIABILITIES

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

As at	September 30, 2022	December 31, 2021
Balance, beginning of period	**$168,265**	$164,255
Interest on lease liabilities	**7,138**	9,617
Payments	**(8,175)**	(11,373)
Additions	**6,643**	5,878
Dispositions	**(1,562)**	—
Foreign exchange loss (gain)	**614**	(112)
Balance, end of period	**$172,923**	$168,265

In connection with the acquisition of Rockville Town Square, the Company assumed a land lease with an annual lease payment of $376, expiring on September 1, 2061. On acquisition of the property, the Company recorded a lease liability and a corresponding right-of-use asset amounting to $6,643 (US$4,843).

Future minimum lease payments under lease liabilities are as follows:

As at	September 30, 2022	December 31, 2021
Within 12 months	**$11,489**	$11,306
2 to 5 years	**45,043**	43,546
Over 5 years	**365,854**	357,982
Total minimum lease payments	**$422,386**	$412,834
Less: future interest costs	**(249,463)**	(244,569)
Present value of minimum lease payments	**$172,923**	$168,265

EQUITY

Total equity increased by $683,827 to $4,857,574 at September 30, 2022, compared to $4,173,747 at December 31, 2021.

The increase in equity was primarily the result of:

- Net income for the nine months ended September 30, 2022 of $535,557;
- An actuarial loss on defined benefit pension plans of $10,068;
- Non-controlling interest distributions of $6,008;
- Repurchase of common shares through the Company's normal course issuer bid amounting to $8,478;
- Change in ownership of Morguard REIT of $2,272;
- Dividends paid of $4,994; and
- Unrealized foreign currency translation gain of $177,417.

During the nine months ended September 30, 2022, 78,866 common shares were repurchased for cash consideration of $8,478 at a weighted average price of $107.50 per common share.

As at September 30, 2022, and November 2, 2022, 11,021,957 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 and nine months ended September 30, 2022, Morguard received $8,351 and $38,314, respectively, in recurring distributions and dividends from subsidiaries and affiliated entities.

The Company has liquidity of approximately $464,500 comprised of $243,000 in cash (including restricted cash held by a qualified intermediary in connection with the disposition of a property subsequent to the third quarter), $221,500 available under its revolving credit facilities. In addition, the Company has approximately $1,157,500 of unencumbered income producing and hotel properties, and other investments which could be utilized for financing.

The Company has approximately $913,500 of mortgages payable maturing during 2022 and 2023 having an aggregate loan-to-value ratio of 53% which management expects to be able to refinance at similar or favourable terms. In addition, the Company has $175,000 of senior unsecured debentures maturing in September 2023, and $80,500 of MRG convertible debentures maturing in March 2023. The Company expects to be able to issue new debt instruments and use current liquidity sufficient to permit the repayment of its 2022 and 2023 maturities.

Net cash flows provided by operating activities represent the primary source of liquidity to fund dividends and maintenance capital expenditures (excluding new acquisition and development spending) on the Company's real estate properties. The Company's net cash flows provided by operating activities are dependent upon the occupancy level of its rental properties, rental rates on its leases, collectibility of rent from its tenants, level of operating expenses and other factors. 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 SEPTEMBER 30, 2022

Cash Provided by Operating Activities

Cash provided by operating activities during the three months ended September 30, 2022, was $86,115, compared to $56,344 in 2021. 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 Provided by (Used in) Investing Activities

Cash used in investing activities during the three months ended September 30, 2022, totalled $212,648, compared to cash provided by investing activities of $28,385 in 2021. The cash used in investing activities reflects:

- Additions to real estate properties and tenant improvements of $244,267;
- Additions to hotel properties of $1,010;
- Investment in properties under development of $5,234;
- Net proceeds from the sale of real estate properties of $34,076;
- Net proceeds from the sale of hotel properties of $29,528; and
- Net increase in mortgages and loans receivable of $25,393.

Cash Provided by (Used in) Financing Activities

Cash provided by financing activities during the three months ended September 30, 2022, totalled $71,271, compared to cash used in financing activities of $96,012 in 2021. The cash provided by financing activities reflects:

- Proceeds from new mortgages, net of financing cost of $451,305;
- Mortgage principal repayments of $33,435;
- Repayment of mortgages on maturity of $280,048;
- Repayment due to mortgage extinguishments of $29,458;
- Net proceeds from bank indebtedness of $112,661;

- Redemption of debentures payable of $200,000;
- Net repayment of loans payable of $10,000;
- Dividends paid of $1,658;
- Distributions to non-controlling interest of $1,924;
- Common shares repurchased for cancellation of $7,867;
- Investment in Morguard REIT of $2,272; and
- Decrease in restricted cash of $74,283, mainly due to the Company utilizing net sales proceeds held by a qualified intermediary pursuant to a 1031 Exchange on the acquisition of income producing properties.

NINE MONTHS ENDED SEPTEMBER 30, 2022

Cash Provided by Operating Activities

Cash provided by operating activities during the nine months ended September 30, 2022, was $190,054, compared to $157,025 in 2021. 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 Provided by (Used in) Investing Activities

Cash used in investing activities during the nine months ended September 30, 2022, totalled $170,514, compared to cash provided by investing activities of $136 in 2021. The cash used in investing activities reflects:

- Additions to real estate properties and tenant improvements of $337,000;
- Additions to hotel properties of $2,746;
- Investment in properties under development of $11,250;
- Net proceeds from the sale of real estate properties of $130,141;
- Net proceeds from the sale of hotel properties of $87,255; and
- Net increase in mortgages and loans receivable of $35,439.

Cash Used in Financing Activities

Cash used in financing activities during the nine months ended September 30, 2022, totalled $53,470, compared to $168,557 in 2021. The cash used in financing activities reflects:

- Proceeds from new mortgages, net of financing cost of $566,777;
- Mortgage principal repayments of $99,953;
- Repayment of mortgages on maturity of $357,972;
- Repayment of due mortgage to extinguishments of $95,716;
- Net proceeds from bank indebtedness of $145,437;
- Redemption of debentures payable of $200,000;
- Net proceeds from loans payable of $5,000;
- Dividends paid of $4,975;
- Distributions to non-controlling interest of $5,893;
- Common shares repurchased for cancellation of $8,478;
- Investment in Morguard REIT of $2,272; and
- Decrease in restricted cash of $5,612.

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. As at September 30, 2022 the Company has a demand loan agreement with Paros that provides for the Company to borrow up to $50,000 (December 31, 2021 - $50,000). The total loan payable as at September 30, 2022 was $nil (December 31, 2021 - $nil). During the three and nine months ended September 30, 2022, the Company incurred net interest expense of $18 (2021 - $319) and $23 (2021 - $525), respectively.

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 and nine months ended September 30, 2022, the Company received a management fee of $324 (2021 - $319) and $964 (2021 - $953), respectively, and paid rent and operating expenses $154 (2021 - $133) and $468 (2021 - $477), respectively.

The Company has a revolving demand loan agreement with TWC that provides for either party to borrow up to $50,000 at either the prime rate or the bankers' acceptance rate plus applicable stamping fees. The total loan payable as at September 30, 2022 was $5,000 (December 31, 2021 - $nil). During the three and nine months ended September 30, 2022, the Company paid net interest of $37 (2021 - $112) and $37 (2021 - $332), respectively.

SHARE/UNIT PURCHASE AND OTHER LOANS

As at September 30, 2022, share/unit purchase and other loans to officers and employees of the Company and its subsidiaries of $5,992 (December 31, 2021 - $6,190) are outstanding. The loans are collateralized by their common shares of the Company, units of Morguard REIT and units of Morguard Residential REIT and are interest-bearing computed at the Canadian prime interest rate and are due on January 13, 2026. Other loans are secured against the underlying asset. The loans are classified as amounts receivable on the consolidated balance sheets. As at September 30, 2022, the fair market value of the common shares/units held as collateral is $56,504.

During the nine months ended September 30, 2022, the Company disposed of a portion of its investment in marketable securities at fair market value to the Company's pension plan, a related party, amounting to $nil (2021 - $14,200).

PART VII

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Company's condensed consolidated financial statements for the three and nine months ended September 30, 2022 and 2021, 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 year ended December 31, 2021, which include the significant accounting policies most affected by estimates and judgements, and should be read in conjunction with the most recent annual audited consolidated financial statements.

The MD&A for the year ended December 31, 2021, 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 September 30, 2022, 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, 2021.

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 September 30, 2022, market rates for debts of similar terms. Based on these assumptions, the fair value as at September 30, 2022, of the mortgages payable before deferred financing costs and mark-to-market adjustments is estimated at $4,518,677 (December 31, 2021 - $4,769,113), compared with the carrying value of $4,816,237 (December 31, 2021 - $4,648,175). 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 September 30, 2022, the fair value of the Unsecured Debentures has been estimated at $599,455 (December 31, 2021 - $833,002) compared with the carrying value of $625,000 (December 31, 2021 - $825,000).

The fair value of the convertible debentures liability is based on their market trading prices. As at September 30, 2022, the fair value of the convertible debentures before deferred financing costs has been estimated at $176,301 (December 31, 2021 - $180,769), compared with the carrying value of $179,500 (December 31, 2021 - $179,500).

The fair value of the finance lease receivable is determined by discounting the cash flows of the financial receivable using September 30, 2022, market rates for debt on similar terms. Based on these assumptions, as at September 30, 2022, the fair value of the finance lease receivable has been estimated at $58,196 (December 31, 2021 - $57,772).

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, 2021 and the Company's most recent Annual Information Form, dated February 24, 2022 and provide a more detailed discussion of these and other risks.

MORGUARD CORPORATION TAXATION

On February 4, 2022, the Department of Finance (Canada) released draft legislation to implement, among other things, some of the tax measures included in the 2021 Federal Budget (the "Proposals"). Included in the Proposals are rules that may limit the amount of interest that certain taxpayers may be able to deduct for tax purposes (the "Interest Rules") which are expected to be effective for the 2023 fiscal year. The Interest Rules are proposed to address base erosion and profit shifting issues arising from taxpayers deducting interest, principally in the context of multinational enterprises and cross-border investments. The Department of Finance (Canada) is reviewing the comments received during the consultation period. Management is reviewing the Interest Rules to assess the impact, if any, on the Company.

CONTROLS AND PROCEDURES CONCERNING FINANCIAL INFORMATION

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

The Company's management has evaluated the effectiveness of the Company's disclosure controls and procedures and, based on such evaluation, has concluded that their design is adequate and effective as of and for the nine months ended September 30, 2022. 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 nine months ended September 30, 2022.

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

PART VIII

SUMMARY OF QUARTERLY INFORMATION

(In thousands of dollars, except per common share amounts)	Total Revenue	NOI	Adjusted NOI	Normalized FFO	Net Income (Loss)	Net Income (Loss) Attributable to Common Shareholders	Net Income (Loss) to Common Shareholders per Share - Basic/Diluted
September 30, 2022	**$299,501**	**$158,034**	**$145,539**	**$63,396**	**$55,755**	**$66,824**	**$6.02**
June 30, 2022	282,769	141,736	130,027	52,394	248,091	232,708	20.96
March 31, 2022	264,937	80,091	115,677	42,871	231,711	206,269	18.58
December 31, 2021	272,681	131,536	120,647	50,811	113,716	115,481	10.40
September 30, 2021	271,435	135,445	125,183	58,673	108,776	102,626	9.25
June 30, 2021	253,766	134,545	123,603	41,369	16,181	16,498	1.48
March 31, 2021	246,962	86,474	118,329	43,224	17,948	15,155	1.37
December 31, 2020	259,505	127,200	116,118	44,433	(98,540)	(62,328)	(5.57)

SUMMARY OF QUARTERLY RESULTS

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

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

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

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

Year	Quarter	Asset Class	Transaction	Sq. feet	# of rooms/ suites
2022	Third	Hotels	Disposition	—	566
2022	Third	Multi-suite residential	Disposition	—	144
2022	Third	Retail	Acquisition	186,712	—
2022	Third	Multi-suite residential	Acquisition	—	350
2022	Second	Office	Acquisition	163,580	—
2022	Second	Multi-suite residential	Disposition	—	292
2022	Second	Hotels	Disposition	—	673
2022	First	Hotels	Disposition	—	184
2021	Fourth	Mixed-use(1)	Acquisition	52,000	299
2021	Fourth	Hotels	Disposition	—	80
2021	Third	Hotels	Disposition	—	379
2021	Third	Retail	Disposition	46,500	—
2020	Fourth	Hotels	Disposition	—	241

(1) The Company acquired the remaining 40.9% interest in a mixed-use property comprising 299 residential suites and 52,000 square feet of commercial space.

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.

Since the start of the pandemic, the Company has experienced a decline in revenue mainly at hotel and retail properties. Subsequent to the second quarter of 2021, revenue has increased mainly as a result of businesses reopening and a trend of reduced COVID-19 mandates. In addition, lower hotel revenue during the first quarter of 2021 and 2022 is seasonally impacted by the colder months. The change in foreign exchange rates and the impact of acquisition net of disposal of properties (described above) also contributed to the fluctuation in revenue during the last eight quarters.

Similar to the reasons described above, NOI over the last eight quarters has followed a similar pattern. Lower revenue (as described above) and lower NOI prior to the second quarter of 2021 was due to higher bad debt expense and operating costs resulting from the impact of COVID-19. The impact of foreign exchange rates and of acquisitions and dispositions also factor into the variance from quarter to quarter. The first quarter results (three months ended March 31) are impacted by IFRIC 21, whereby the Company records the entire annual realty tax expense for its U.S. properties on January 1, except for U.S. properties acquired during the year in which the realty taxes are not recorded in the year of acquisition. As a result, the second, third and fourth quarters typically have no realty tax expense which results in higher NOI and NOI margins. Adjusted NOI which excludes IFRIC 21 is presented in the table above to illustrate a more comparable quarter-to-quarter analysis.

Net Income (Loss) Attributable to Common Shareholders

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

- The Company valued the Morguard Residential REIT 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 REIT that resulted in a fair value gain. Subsequent to the first quarter of 2020, there has been volatility in the trading price of the Morguard Residential REIT units resulting in a fair value gain/loss recorded to net income (loss);
- The Company recorded a fair value gain on real estate properties for the nine months ended September 30, 2022, and for the years ended December 31, 2021 and 2020, primarily due to a decrease in the capitalization rates at the Company's multi-suite residential properties;
- During the nine months ended September 30, 2022, the Company recorded a deferred tax expense coinciding with the net fair value gains recorded on the Company's real estate properties; and
- The Company recorded an impairment provision on hotel properties of $17,233, $28,056 and $5,562 during the third quarter of 2021, second quarter of 2021 and fourth quarter of 2020, respectively.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	September 30, 2022	December 31, 2021
ASSETS			
Non-current assets			
Real estate properties	4	**$11,151,313**	$10,244,875
Hotel properties	5	**356,456**	457,153
Equity-accounted and other fund investments	6	**139,272**	144,208
Other assets	7	**290,352**	329,913
		11,937,393	11,176,149
Current assets			
Amounts receivable	8	**70,719**	70,161
Prepaid expenses and other		**138,926**	72,577
Cash		**146,910**	173,656
		356,555	316,394
Real estate properties held for sale	4	**126,397**	—
		$12,420,345	$11,492,543
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable	9	**$3,849,527**	$3,971,697
Debentures payable	10	**540,823**	795,319
Lease liabilities	12	**171,363**	166,531
Morguard Residential REIT units	11	**430,395**	496,024
Deferred income tax liabilities		**940,032**	784,776
		5,932,140	6,214,347
Current liabilities			
Mortgages payable	9	**916,675**	656,271
Debentures payable	10	**254,848**	199,830
Loans payable	20	**5,000**	—
Accounts payable and accrued liabilities	13	**271,765**	240,309
Bank indebtedness	14	**153,994**	8,039
		1,602,282	1,104,449
Mortgages payable on real estate properties held for sale	9	**28,349**	—
Total liabilities		**7,562,771**	7,318,796
EQUITY			
Shareholders' equity		**4,291,537**	3,632,176
Non-controlling interest		**566,037**	541,571
Total equity		**4,857,574**	4,173,747
		$12,420,345	$11,492,543

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

In thousands of Canadian dollars, except per common share amounts

	Note	Three months ended September 30		Nine months ended September 30	
		2022	2021	**2022**	2021
Revenue from real estate properties	16	**$234,863**	$210,557	**$681,459**	$630,612
Revenue from hotel properties	16	**50,416**	38,723	**123,983**	90,987
Property operating expenses					
Property operating costs	8	**(54,777)**	(47,480)	**(163,333)**	(143,311)
Utilities		**(16,618)**	(14,600)	**(47,876)**	(42,254)
Realty taxes		**(23,380)**	(23,967)	**(118,835)**	(113,488)
Hotel operating expenses	8	**(32,470)**	(27,788)	**(95,537)**	(66,082)
Net operating income		**158,034**	135,445	**379,861**	356,464
OTHER REVENUE					
Management and advisory fees	16	**10,018**	10,424	**30,441**	32,050
Interest and other income	7	**4,204**	11,731	**11,324**	18,514
		14,222	22,155	**41,765**	50,564
EXPENSES					
Interest	17	**57,692**	54,909	**167,878**	166,122
Property management and corporate	8, 15(c)	**20,316**	16,535	**57,619**	60,179
Amortization of hotel properties and other		**6,682**	7,995	**20,167**	24,653
Provision for impairment		**—**	17,233	**—**	45,289
		84,690	96,672	**245,664**	296,243
OTHER INCOME (EXPENSE)					
Fair value gain (loss), net	18	**(9,649)**	87,073	**484,340**	106,625
Equity income (loss) from investments	6	**(376)**	(2,529)	**6,033**	20,236
Other income (expense)	19	**(848)**	184	**498**	4,351
		(10,873)	84,728	**490,871**	131,212
Income before income taxes		**76,693**	145,656	**666,833**	241,997
Provision for income taxes	21				
Current		**4,220**	1,537	**6,037**	6,990
Deferred		**16,718**	35,343	**125,239**	92,102
		20,938	36,880	**131,276**	99,092
Net income for the period		**$55,755**	$108,776	**$535,557**	$142,905
Net income (loss) attributable to:					
Common shareholders		**$66,824**	$102,626	**$505,801**	$134,279
Non-controlling interest		**(11,069)**	6,150	**29,756**	8,626
		$55,755	$108,776	**$535,557**	$142,905
Net income per common share attributable to:					
Common shareholders - basic and diluted	22	**$6.02**	$9.25	**$45.58**	$12.10

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

In thousands of Canadian dollars

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Net income for the period	**$55,755**	$108,776	**$535,557**	$142,905
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to net income:				
Unrealized foreign currency translation gain	**145,877**	43,558	**177,417**	2,345
Deferred income tax recovery (provision)	**—**	—	**(6)**	843
	145,877	43,558	**177,411**	3,188
Items that will not be reclassified subsequently to net income:				
Actuarial gain (loss) on defined benefit pension plans	**(4,255)**	2,435	**(10,068)**	26,008
Deferred income tax recovery (provision)	**1,116**	(626)	**2,660**	(6,796)
	(3,139)	1,809	**(7,408)**	19,212
Other comprehensive income	**142,738**	45,367	**170,003**	22,400
Total comprehensive income for the period	**$198,493**	$154,143	**$705,560**	$165,305
Total comprehensive income (loss) attributable to:				
Common shareholders	**$202,633**	$145,980	**$667,499**	$156,567
Non-controlling interest	**(4,140)**	8,163	**38,061**	8,738
	$198,493	$154,143	**$705,560**	$165,305

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, 2021		$3,109,092	$162,318	$100,942	$3,372,352	$540,346	$3,912,698
Changes during the period:							
Net income		134,279	—	—	134,279	8,626	142,905
Other comprehensive income		—	22,288	—	22,288	112	22,400
Dividends		(5,000)	—	—	(5,000)	—	(5,000)
Distributions		—	—	—	—	(5,796)	(5,796)
Issuance of common shares		—	—	62	62	—	62
Repurchase of common shares		(926)	—	(81)	(1,007)	—	(1,007)
Tax impact of increase in subsidiary ownership interest		8	—	—	8	—	8
Shareholders' equity, September 30, 2021		$3,237,453	$184,606	$100,923	$3,522,982	$543,288	$4,066,270
Changes during the period:							
Net income (loss)		115,481	—	—	115,481	(1,765)	113,716
Other comprehensive loss		—	(4,653)	—	(4,653)	(390)	(5,043)
Dividends		(1,660)	—	—	(1,660)	—	(1,660)
Distributions		—	—	—	—	(3,775)	(3,775)
Issuance of common shares		—	—	6	6	—	6
Equity component of convertible debentures		—	—	—	—	4,213	4,213
Tax impact of increase in subsidiary ownership interest		20	—	—	20	—	20
Shareholders' equity, December 31, 2021		$3,351,294	$179,953	$100,929	$3,632,176	$541,571	$4,173,747
Changes during the period:							
Net income		**505,801**	**—**	**—**	**505,801**	**29,756**	**535,557**
Other comprehensive income		**—**	**161,698**	**—**	**161,698**	**8,305**	**170,003**
Dividends	15(a)	**(4,994)**	**—**	**—**	**(4,994)**	**—**	**(4,994)**
Distributions		**—**	**—**	**—**	**—**	**(6,008)**	**(6,008)**
Issuance of common shares	15(a)	**—**	**—**	**19**	**19**	**—**	**19**
Repurchase of common shares	15(a)	**(7,761)**	**—**	**(717)**	**(8,478)**	**—**	**(8,478)**
Change in ownership of Morguard REIT	15(b)	**5,315**	**—**	**—**	**5,315**	**(7,587)**	**(2,272)**
Shareholders' equity, September 30, 2022		**$3,849,655**	**$341,651**	**$100,231**	**$4,291,537**	**$566,037**	**$4,857,574**

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

	Note	Three months ended September 30		Nine months ended September 30	
		2022	2021	**2022**	2021
OPERATING ACTIVITIES					
Net income for the period		**$55,755**	$108,776	**$535,557**	$142,905
Add (deduct) items not affecting cash	23(a)	**18,295**	(36,456)	**(338,919)**	34,847
Distributions from equity-accounted and other fund investments	6	**1,587**	728	**18,061**	2,599
Additions to tenant incentives and leasing commissions	4	**(2,527)**	(2,459)	**(6,145)**	(6,566)
Net change in operating assets and liabilities	23(b)	**13,005**	(14,245)	**(18,500)**	(16,760)
Cash provided by operating activities		**86,115**	56,344	**190,054**	157,025
INVESTING ACTIVITIES					
Additions to real estate properties and tenant improvements	4	**(244,267)**	(15,699)	**(337,000)**	(34,311)
Additions to hotel properties	5	**(1,010)**	(2,629)	**(2,746)**	(7,593)
Additions to capital and intangible assets		**(348)**	(22)	**(701)**	(283)
Investment in properties under development	4	**(5,234)**	(2,411)	**(11,250)**	(5,970)
Proceeds from the sale of real estate properties, net	4	**34,076**	14,500	**130,141**	14,500
Proceeds from the sale of hotel properties, net	5	**29,528**	21,377	**87,255**	21,377
Increase in mortgages and loans receivable		**(25,393)**	—	**(35,439)**	—
Proceeds from disposition of marketable securities	7	**—**	14,200	**—**	14,200
Investment in equity-accounted and other fund investments, net	6	**—**	(931)	**(774)**	(1,784)
Cash provided by (used in) investing activities		**(212,648)**	28,385	**(170,514)**	136
FINANCING ACTIVITIES					
Proceeds from new mortgages		**453,991**	108,412	**570,173**	392,387
Financing costs on new mortgages		**(2,686)**	(1,994)	**(3,396)**	(3,256)
Repayment of mortgages					
Principal instalment repayments		**(33,435)**	(31,226)	**(99,953)**	(90,862)
Repayments on maturity		**(280,048)**	(48,320)	**(357,972)**	(203,698)
Repayments due to mortgage extinguishments	4, 5	**(29,458)**	—	**(95,716)**	—
Principal payment of lease liabilities		**(316)**	(504)	**(1,037)**	(1,377)
Proceeds from bank indebtedness		**184,067**	980	**221,919**	214,976
Repayment of bank indebtedness		**(71,406)**	(149,275)	**(76,482)**	(314,901)
Redemption of debentures payable	10(a)	**(200,000)**	—	**(200,000)**	(200,000)
Proceeds from (repayments of) loans payable, net		**(10,000)**	28,000	**5,000**	50,000
Dividends paid		**(1,658)**	(1,644)	**(4,975)**	(4,928)
Distributions to non-controlling interest, net		**(1,924)**	(1,640)	**(5,893)**	(5,289)
Common shares repurchased for cancellation	15(a)	**(7,867)**	—	**(8,478)**	(1,007)
Investment in Morguard REIT	15(b)	**(2,272)**	—	**(2,272)**	—
Decrease (increase) in restricted cash		**74,283**	1,199	**5,612**	(602)
Cash provided by (used in) financing activities		**71,271**	(96,012)	**(53,470)**	(168,557)
Net decrease in cash during the period		**(55,262)**	(11,283)	**(33,930)**	(11,396)
Net effect of foreign currency translation on cash balance		**3,762**	439	**7,184**	(1,357)
Cash, beginning of period		**198,410**	140,179	**173,656**	142,088
Cash, end of period		**$146,910**	$129,335	**$146,910**	$129,335

See accompanying notes to the condensed consolidated financial statements.

NOTES

For the three and nine months ended September 30, 2022 and 2021

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

NOTE 1

NATURE AND DESCRIPTION OF COMPANY

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

NOTE 2

STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

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

The condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on November 2, 2022.

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

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

	2022	2021
Canadian dollar to United States dollar exchange rates:		
- As at September 30	**$0.7231**	$0.7849
- As at December 31	—	0.7888
- Average for the three months ended September 30	**0.7652**	0.7937
- Average for the nine months ended September 30	**0.7793**	0.7992
United States dollar to Canadian dollar exchange rates:		
- As at September 30	**1.3829**	1.2741
- As at December 31	—	1.2678
- Average for the three months ended September 30	**1.3068**	1.2600
- Average for the nine months ended September 30	**1.2832**	1.2513

NOTE 3

SUBSIDIARIES WITH NON-CONTROLLING INTEREST

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

As at September 30, 2022, and December 31, 2021, the Company owned a 44.7% effective interest in Morguard Residential REIT through its ownership of 7,944,166 units and 17,223,090 Class B LP units. The Company continues to consolidate its investment in Morguard Residential REIT on the basis of *de facto* control in accordance with IFRS 10, Consolidated Financial Statements ("IFRS 10"). Refer to the Company's most recent annual audited consolidated financial statements for the factors that continue to support the conclusion that the Company has *de facto* control of Morguard Residential REIT.

During the three months ended September 30, 2022, Morguard Residential REIT recorded distributions of $6,838, or $0.1749 per unit (2021 - $6,829, or $0.1749 per unit), of which $1,392 was paid to the Company (2021 - $1,389) and $5,446 was paid to the remaining unitholders (2021 - $5,440). In addition, during the three months ended

September 30, 2022, Morguard Residential REIT paid distributions to the Company on the Class B LP units of $3,012 (2021 - $3,012).

During the nine months ended September 30, 2022, Morguard Residential REIT recorded distributions of $20,507, or $0.5247 per unit (2021 - $20,483, or $0.5247 per unit), of which $4,171 was paid to the Company (2021 - $4,168) and $16,336 was paid to the remaining unitholders (2021 - $16,315). In addition, during the nine months ended September 30, 2022, Morguard Residential REIT paid distributions to the Company on the Class B LP units of $9,037 (2021 - $9,037).

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

As at September 30, 2022, the Company owned 39,490,641 units (December 31, 2021 - 39,040,641 units) of Morguard REIT, which represents a 61.5% (December 31, 2021 - 60.9%) ownership interest.

During the three months ended September 30, 2022, Morguard REIT recorded distributions of $3,851, or $0.06 per unit (2021 - $3,848, or $0.06 per unit), of which $2,360 (2021 - $2,342) was paid to the Company and $1,491 was paid to the remaining unitholders (2021 - $1,506).

During the nine months ended September 30, 2022, Morguard REIT recorded distributions of $11,548, or $0.18 per unit (2021 - $12,829, or $0.20 per unit), of which $7,045 (2021 - $7,808) was paid to the Company and $4,503 was paid to the remaining unitholders (2021 - $5,021).

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

As at	September 30, 2022		December 31, 2021	
	MRT	MRG	MRT	MRG
Non-current assets	**$2,450,120**	**$3,973,170**	$2,468,615	$3,352,534
Current assets	**28,723**	**254,098**	23,822	120,753
Total assets	**$2,478,843**	**$4,227,268**	$2,492,437	$3,473,287
Non-current liabilities	**$813,302**	**$1,823,707**	$1,087,995	$1,767,212
Current liabilities	**518,940**	**333,813**	257,558	144,690
Total liabilities	**$1,332,242**	**$2,157,520**	$1,345,553	$1,911,902
Equity	**$1,146,601**	**$2,069,748**	$1,146,884	$1,561,385
Non-controlling interest	**$443,349**	**$1,144,778**	$452,355	$863,290

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

For the three months ended September 30	2022		2021	
	MRT	MRG	MRT	MRG
Revenue	**$61,127**	**$70,766**	$58,760	$61,955
Expenses	**(45,562)**	**(62,981)**	(43,952)	(66,616)
Fair value gain (loss) on real estate properties, net	**(73,263)**	**55,643**	(7,382)	96,310
Fair value gain (loss) on Class B LP units	**—**	**17,740**	—	(4,995)
Net income (loss) for the period	**($57,698)**	**$81,168**	$7,426	$86,654
Non-controlling interest	**($22,194)**	**$44,894**	$2,907	$47,907

For the three months ended September 30		2022		2021
	MRT	MRG	MRT	MRG
Cash provided by operating activities	**$21,415**	**$25,781**	$18,196	$11,326
Cash provided by (used in) investing activities	**(9,777)**	**(200,052)**	8,853	(7,987)
Cash provided by (used in) financing activities	**(12,601)**	**153,872**	(25,375)	(1,055)
Net increase (decrease) in cash during the period	**($963)**	**($20,399)**	$1,674	$2,284

For the nine months ended September 30		2022		2021
	MRT	MRG	MRT	MRG
Revenue	**$182,965**	**$203,415**	$178,205	$182,091
Expenses	**(135,948)**	**(236,651)**	(127,426)	(183,905)
Fair value gain (loss) on real estate properties, net	**(35,973)**	**411,449**	(42,668)	155,767
Fair value gain (loss) on Class B LP units	**—**	**40,647**	—	(19,635)
Net income for the period	**$11,044**	**$418,860**	$8,111	$134,318
Non-controlling interest	**$4,755**	**$231,671**	$3,174	$74,251

For the nine months ended September 30		2022		2021
	MRT	MRG	MRT	MRG
Cash provided by operating activities	**$53,000**	**$60,388**	$56,400	$46,250
Cash provided by (used in) investing activities	**(19,806)**	**(117,672)**	2,889	(20,159)
Cash provided by (used in) financing activities	**(33,593)**	**49,150**	(57,097)	(32,871)
Net increase (decrease) in cash during the period	**($399)**	**($8,134)**	$2,192	($6,780)

NOTE 4
REAL ESTATE PROPERTIES

Real estate properties consist of the following:

As at	September 30, 2022	December 31, 2021
Income producing properties	**$11,149,989**	$10,139,816
Properties under development	**18,126**	12,360
Land held for development	**109,595**	92,699
	$11,277,710	$10,244,875
Real estate properties	**$11,151,313**	$10,244,875
Real estate properties held for sale	**126,397**	—
Total	**$11,277,710**	$10,244,875

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, 2021	**$10,139,816**	**$12,360**	**$92,699**	**$10,244,875**
Additions:				
Acquisitions	**285,836**	**—**	**2,909**	**288,745**
Capital expenditures	**33,848**	**9,916**	**—**	**43,764**
Development expenditures	**9,909**	**543**	**798**	**11,250**
Tenant improvements, incentives and leasing commissions	**10,636**	**—**	**—**	**10,636**
Right-of-use asset (Note 12)	**6,643**	**—**	**—**	**6,643**
Transfers	**4,693**	**(4,693)**	**—**	**—**
Dispositions	**(128,843)**	**—**	**(1,298)**	**(130,141)**
Fair value gain, net	**445,543**	**—**	**13,289**	**458,832**
Foreign currency translation	**347,382**	**—**	**1,198**	**348,580**
Other	**(5,474)**	**—**	**—**	**(5,474)**
Balance as at September 30, 2022	**$11,149,989**	**$18,126**	**$109,595**	**$11,277,710**
Real estate properties held for sale				**(126,397)**
Real estate properties				**$11,151,313**

Real estate properties held for sale are assets that the Company intends to sell rather than hold on a long-term basis and meet the criteria established in IFRS 5, Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5") for separate classification. As at September 30, 2022, the following property was classified as held for sale.

Subsequent to September 30, 2022, the Company sold a multi-suite residential property located in Coconut Creek, Florida, comprising 340 suites, for gross proceeds of $127,227 (US$92,000), excluding closing costs and repaid the mortgage payable secured by the property in the amount of $28,279 (US$20,449).

Transactions completed during the nine months ended September 30, 2022

Acquisitions

On September 26, 2022, the Company acquired a retail property ("Rockville Town Square") comprising 186,712 square feet of commercial area located in Rockville, Maryland, for a purchase price of $46,102 (US$33,313), including closing costs. Rockville Town Square is part of a mixed-use complex that includes a 492-suite residential property, which the Company has owned since 2017.

On August 8, 2022, the Company acquired a multi-suite residential property comprising 350 suites located in Chicago, Illinois ("Echelon Chicago"), for a purchase price of $173,063 (US$134,605), including closing costs and was partially funded by a mortgage in the amount of $96,008 (US$74,674) at an interest rate of 4.71% for a term of seven years.

On June 30, 2022, the Company acquired an office property consisting of 163,580 square feet located in Ottawa, Ontario, for a purchase price of $65,886, including closing costs.

On February 28, 2022, the Company acquired land previously subject to a land lease, located in Toronto, Ontario, for a purchase price of $3,694, including closing costs.

Dispositions

On August 24, 2022, the Company sold a multi-suite residential property and a vacant parcel of land located in Slidell, Louisiana, comprising 144 suites, for gross proceeds of $34,076 (US$26,247), including closing costs and repaid the mortgage payable secured by the property in the amount of $9,972 (US$7,681).

On June 30, 2022, the Company sold an office property located in Regina, Saskatchewan, for net proceeds of $2,900, including closing costs.

On June 6, 2022, the Company sold a multi-suite residential property located in Atlanta, Georgia, comprising 292 suites, for net proceeds of $93,165 (US$74,152), including closing costs and repaid the mortgage payable secured by the property in the amount of $27,048 (US$21,528).

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

Reconciliation of the carrying amounts for real estate properties for the year ended December 31, 2021, is set out below:

	Income Producing Properties	Properties Under Development	Land Held for Development	Total
Balance as at December 31, 2020	$9,568,219	$25,416	$86,773	$9,680,408
Additions:				
Acquisitions	102,168	—	—	102,168
Capital expenditures	46,957	5,965	—	52,922
Development expenditures	5,965	863	417	7,245
Tenant improvements, incentives and leasing commissions	15,049	—	188	15,237
Right-of-use assets	5,878	—	—	5,878
Transfers	19,884	(19,884)	—	—
Transfer from equity-accounted investment (Note 6(a))	145,631	—	—	145,631
Dispositions	(18,421)	—	—	(18,421)
Fair value gain, net	261,594	—	5,377	266,971
Foreign currency translation	(9,533)	—	(56)	(9,589)
Other	(3,575)	—	—	(3,575)
Balance as at December 31, 2021	$10,139,816	$12,360	$92,699	$10,244,875

Transactions completed during the year ended December 31, 2021

Acquisitions

On October 26, 2021, the Company acquired the 40.9% interest not already owned in Lumina Hollywood, a mixed-use property comprising 299 residential suites and 52,000 square feet of commercial space located in Los Angeles, California, for a purchase price of $101,585 (US$80,127), including closing costs (Note 6(a)). Concurrent with the acquisition, the Company closed a mortgage financing in the amount of $150,868 (US$119,000) (at the Company’s 100% interest), with a fixed-term of three years and a floating interest rate of LIBOR plus 2.50%.

Dispositions

On September 29, 2021, the Company sold an unenclosed retail property located in London, Ontario, for gross proceeds of $15,000.

Capitalization Rates

As at September 30, 2022, and December 31, 2021, the Company had its portfolio internally appraised. In addition, the Company’s U.S. portfolio is appraised by independent U.S. real estate appraisal firms on a three-year cycle.

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

As at September 30, 2022, using the direct capitalization approach, the multi-suite residential, retail, office and industrial properties were valued using capitalization rates in the range of 3.0% to 9.8% (December 31, 2021 - 3.0% to 9.8%), resulting in an overall weighted average capitalization rate of 5.2% (December 31, 2021 - 5.2%).

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

As at	September 30, 2022 Occupancy Rates		September 30, 2022 Capitalization Rates			December 31, 2021 Occupancy Rates		December 31, 2021 Capitalization Rates		
	Max.	Min.	Max.	Min.	Weighted Average	Max.	Min.	Max.	Min.	Weighted Average
Multi-suite residential	**98.5%**	**92.0%**	**5.8%**	**3.0%**	**4.1%**	98.0%	92.0%	6.5%	3.0%	4.1%
Retail	**99.0%**	**85.0%**	**9.8%**	**5.0%**	**7.0%**	99.0%	85.0%	9.8%	5.3%	6.9%
Office	**100.0%**	**90.0%**	**8.0%**	**4.0%**	**6.4%**	100.0%	90.0%	7.8%	4.3%	6.1%
Industrial	**100.0%**	**95.0%**	**6.3%**	**4.3%**	**5.3%**	100.0%	95.0%	6.0%	4.0%	5.0%

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

As at	September 30, 2022 Maximum	September 30, 2022 Minimum	September 30, 2022 Weighted Average	December 31, 2021 Maximum	December 31, 2021 Minimum	December 31, 2021 Weighted Average
Retail						
Discount rate	**10.8%**	**5.8%**	**7.4%**	10.8%	6.0%	7.2%
Terminal cap rate	**9.8%**	**5.0%**	**6.4%**	9.8%	5.3%	6.2%
Office						
Discount rate	**8.5%**	**5.0%**	**6.5%**	8.5%	5.3%	6.4%
Terminal cap rate	**7.8%**	**4.0%**	**5.8%**	7.5%	4.3%	5.6%
Industrial						
Discount rate	**7.0%**	**6.0%**	**6.1%**	6.8%	5.8%	5.9%
Terminal cap rate	**6.8%**	**5.0%**	**5.4%**	6.5%	5.0%	5.2%

Fair values are most sensitive to changes in discount rates, capitalization rates and stabilized or forecast net operating income. Generally, an increase in stabilized net operating income will result in an increase in the fair value of the income producing properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in stabilized net operating income, with a lower capitalization rate resulting in a greater impact on the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rates were to increase or decrease by 25 basis points (assuming no change in stabilized net operating income), the value of the income producing properties as at September 30, 2022, would decrease by $544,562 and increase by $609,004, respectively.

The sensitivity of the fair values of the Company's income producing properties as at September 30, 2022, and December 31, 2021, is set out in the table below:

As at	September 30, 2022		December 31, 2021	
Change in capitalization rate:	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Multi-suite residential	**($382,026)**	**$433,493**	($311,848)	$351,762
Retail	**(70,779)**	**76,105**	(69,668)	74,974
Office	**(83,170)**	**89,960**	(86,478)	93,813
Industrial	**(8,587)**	**9,446**	(7,799)	8,614
	($544,562)	**$609,004**	($475,793)	$529,163

NOTE 5
HOTEL PROPERTIES

Hotel properties consist of the following:

As at September 30, 2022	Cost	Accumulated Impairment Provision	Accumulated Amortization	Net Book Value
Land	**$68,406**	**$—**	**$—**	**$68,406**
Buildings	**366,281**	**(40,263)**	**(53,858)**	**272,160**
Furniture, fixtures, equipment and other	**76,890**	**(3,678)**	**(57,322)**	**15,890**
	$511,577	**($43,941)**	**($111,180)**	**$356,456**

As at December 31, 2021	Cost	Accumulated Impairment Provision	Accumulated Amortization	Net Book Value
Land	$84,401	($2,276)	$—	$82,125
Buildings	512,333	(101,074)	(63,551)	347,708
Furniture, fixtures, equipment and other	103,172	(9,815)	(67,459)	25,898
Right-of-use asset - land lease	1,596	—	(174)	1,422
	$701,502	($113,165)	($131,184)	$457,153

Transactions in hotel properties for the nine months ended September 30, 2022, are summarized as follows:

As at September 30, 2022	Opening Net Book Value	Additions	Dispositions	Amortization	Closing Net Book Value
Land	**$82,125**	**$—**	**($13,719)**	**$—**	**$68,406**
Buildings	**347,708**	**1,437**	**(70,407)**	**(6,578)**	**272,160**
Furniture, fixtures, equipment and other	**25,898**	**1,309**	**(3,631)**	**(7,686)**	**15,890**
Right-of-use asset - land lease	**1,422**	**—**	**(1,422)**	**—**	**—**
	$457,153	**$2,746**	**($89,179)**	**($14,264)**	**$356,456**

Transactions completed during the nine months ended September 30, 2022

Dispositions

During the nine months ended September 30, 2022, the Company sold nine hotel properties for gross proceeds of $87,757. The purchase price was satisfied with cash proceeds of $37,805 (after deducting working capital adjustments and closing costs) and promissory notes receivable of $49,450. At closing, the Company repaid five first mortgage loans totalling $58,696 that were secured by the hotels.

The following table details hotel dispositions during the nine months ended September 30, 2022:

Property	City	Province	Date of Disposition	Gross Proceeds
Days Inn and Suites Sibley	Thunder Bay	Ontario	March 31, 2022	**$8,600**
Days Inn and Suites North	Thunder Bay	Ontario	March 31, 2022	**9,500**
Acclaim Hotel Calgary (70% interest)	Calgary	Alberta	April 14, 2022	**8,680**
Wingate by Wyndham Regina	Regina	Saskatchewan	May 19, 2022	**6,473**
Holiday Inn Winnipeg South	Winnipeg	Manitoba	May 19, 2022	**12,450**
Hilton Garden Inn	Edmonton	Alberta	May 31, 2022	**12,450**
Saskatoon Inn	Saskatoon	Saskatchewan	July 14, 2022	**4,250**
Temple Garden and Mineral Spa	Moose Jaw	Saskatchewan	August 31, 2022	**23,354**
Days Hotel and Suites	Lloydminster	Alberta	September 23, 2022	**2,000**
				$87,757

Transactions in hotel properties for the year ended December 31, 2021, are summarized as follows:

As at December 31, 2021	Opening Net Book Value	Additions	Impairment Provision	Dispositions	Amortization	Closing Net Book Value
Land	$90,844	$—	$—	($8,719)	$—	$82,125
Buildings	412,594	8,120	(42,797)	(18,721)	(11,488)	347,708
Furniture, fixtures, equipment and other	40,123	2,324	(2,492)	(1,060)	(12,997)	25,898
Right-of-use asset - land lease	1,480	—	—	—	(58)	1,422
	$545,041	$10,444	($45,289)	($28,500)	($24,543)	$457,153

Transactions completed during the year ended December 31, 2021

Dispositions

On July 14, 2021, the Company sold three hotels, one located in Yellowknife, Northwest Territories, and two located in Fort McMurray, Alberta, for gross proceeds of $17,500, resulting in aggregate net cash proceeds of $17,404 after deducting working capital adjustments and closing costs.

On September 29, 2021, the Company sold a hotel property located in Fort McMurray, Alberta, for gross proceeds of $4,000, resulting in aggregate net cash proceeds of $3,973 after deducting working capital adjustments and closing costs.

On November 15, 2021, the Company sold a hotel property located in Yellowknife, Northwest Territories, for gross proceeds of $7,000 (including a promissory note receivable of $6,000), resulting in aggregate net cash proceeds of $910 after deducting working capital adjustments and closing costs.

Impairment Provision

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

During the year ended December 31, 2021, impairment indicators were identified and a recoverability analysis was completed in accordance with the procedures specified by IFRS, which indicated that an impairment provision of $45,289 should be recorded at 12 hotels. The table below provide details of first-year net operating income and the discount rates used for valuing the hotel properties.

	Northwest Territories	Alberta	Saskatchewan	Manitoba	Nova Scotia
Recoverable amount	$18,000	$37,375	$5,000	$12,000	$40,000
Impairment provision	$6,059	$21,002	$12,247	$2,376	$3,605
Cumulative impairment provision	$7,610	$51,101	$31,084	$2,376	$7,346
Projected first-year net operating income (loss)	$1,476	($237)	$294	$296	$1,750
Discount rate (range)	10.8%	9.3% - 12.3%	12.3%	10.3%	9.3%

NOTE 6

EQUITY-ACCOUNTED AND OTHER FUND INVESTMENTS

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

As at	September 30, 2022	December 31, 2021
Joint ventures	**$28,533**	$36,716
Associates	**31,182**	25,507
Equity-accounted investments	**59,715**	62,223
Other real estate fund investments	**79,557**	81,985
Equity-accounted and other fund investments	**$139,272**	$144,208

The following are the Company's significant equity-accounted investments as at September 30, 2022, and December 31, 2021:

Property/Investment	Principal Place of Business	Investment Type	Asset Type	Company's Ownership September 30, 2022	Company's Ownership December 31, 2021	Carrying Value September 30, 2022	Carrying Value December 31, 2021
Petroleum Plaza	Edmonton, AB	Joint Venture	Office	**50.0%**	50.0%	**$14,331**	$18,578
Quinte Courthouse	Belleville, ON	Joint Venture	Office	**50.0%**	50.0%	**2,829**	2,848
Greypoint Capital L.P. II	Toronto, ON	Joint Venture	Other	**15.6%**	15.6%	**2,517**	6,624
Courtyard by Marriott	Ottawa, ON	Joint Venture	Hotel	**50.0%**	50.0%	**4,597**	4,608
Marriott Residence Inn	London, ON	Joint Venture	Hotel	**50.0%**	50.0%	**4,259**	4,058
MIL Industrial Fund II LP[(1)]	Various	Associate	Industrial	**18.8%**	18.8%	**31,182**	25,507
						$59,715	$62,223

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

Equity-accounted investments

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

As at	September 30, 2022	December 31, 2021
Balance, beginning of period	**$62,223**	$127,579
Additions	**774**	2,303
Transfer[(1)]	**—**	(88,690)
Share of net income	**6,033**	24,017
Distributions received	**(9,315)**	(3,523)
Foreign exchange gain	**—**	537
Balance, end of period	**$59,715**	$62,223

[(1)] The Company acquired the 40.9% interest not already owned in Lumina Hollywood on October 26, 2021, at which point the carrying value of the 59.1% interest was transferred to each respective balance sheet line item including: income producing properties $145,631 (Note 4) and mortgages payable $56,823.

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

As at	September 30, 2022			December 31, 2021		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Non-current assets	**$158,626**	**$210,997**	**$369,623**	$164,361	$181,697	$346,058
Current assets	**18,265**	**2,285**	**20,550**	51,403	3,010	54,413
Total assets	**$176,891**	**$213,282**	**$390,173**	$215,764	$184,707	$400,471
Non-current liabilities	**$59,538**	**$24,903**	**$84,441**	$60,916	$25,624	$86,540
Current liabilities	**55,436**	**21,445**	**76,881**	54,325	23,543	77,868
Total liabilities	**$114,974**	**$46,348**	**$161,322**	$115,241	$49,167	$164,408
Net assets	**$61,917**	**$166,934**	**$228,851**	$100,523	$135,540	$236,063
Equity-accounted investments	**$28,533**	**$31,182**	**$59,715**	$36,716	$25,507	$62,223

For the three months ended September 30	2022			2021		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Revenue	**$8,432**	**$2,639**	**$11,071**	$7,889	$2,914	$10,803
Expenses	**(6,160)**	**(1,097)**	**(7,257)**	(4,662)	(6,991)	(11,653)
Fair value gain (loss) on real estate properties, net	**(3,344)**	**(54)**	**(3,398)**	(5,052)	2,967	(2,085)
Net income (loss) for the period	**($1,072)**	**$1,488**	**$416**	($1,825)	($1,110)	($2,935)
Income (loss) in equity-accounted investments	**($656)**	**$280**	**($376)**	($1,266)	($1,263)	($2,529)

For the nine months ended September 30		2022			2021	
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Revenue	**$22,826**	**$7,861**	**$30,687**	$19,283	$7,460	$26,743
Expenses	**(16,575)**	**(3,546)**	**(20,121)**	(17,142)	(12,168)	(29,310)
Fair value gain (loss) on real estate properties, net	**(5,264)**	**28,928**	**23,664**	(5,282)	53,181	47,899
Net income (loss) for the period	**$987**	**$33,243**	**$34,230**	($3,141)	$48,473	$45,332
Income (loss) in equity-accounted investments	**($201)**	**$6,234**	**$6,033**	($1,977)	$22,213	$20,236

(b) Income Recognized from Other Fund Investments:

Other Real Estate Fund Investments

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Distribution income	**$313**	$305	**$954**	$648
Fair value gain (loss) for the period (Note 18)	**152**	260	**(386)**	(6,940)
Income (loss) from other real estate fund investments	**$465**	$565	**$568**	($6,292)

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

During the nine months ended September 30, 2022, the Company received a distribution in the amount of $8,746 (US$6,819) in connection with the disposal of three properties held within the Company's other real estate fund investments.

NOTE 7

OTHER ASSETS

Other assets consist of the following:

As at	September 30, 2022	December 31, 2021
Investment in marketable securities	**$90,477**	$113,583
Accrued pension benefit asset	**72,659**	83,043
Finance lease receivable	**58,196**	57,772
Intangible assets, net	**22,403**	26,252
Goodwill	**24,488**	24,488
Capital assets, net	**18,753**	18,864
Inventory	**2,371**	2,495
Right-of-use asset - office lease	**839**	1,247
Other	**166**	2,169
	$290,352	$329,913

During the nine months ended September 30, 2022, interest and other income includes a one-time special cash dividend from one of its investments in marketable securities amounting to $nil (2021- $8,490).

During the nine months ended September 30, 2022, the Company disposed of a portion of its investment in marketable securities at fair market value to the Company's pension plan, a related party, amounting to $nil (2021 - $14,200).

NOTE 8
AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

As at	September 30, 2022	December 31, 2021
Tenant receivables	**$37,004**	$31,670
Unbilled other tenant receivables	**7,190**	6,865
Receivables from related parties (Note 20(c))	**5,992**	6,190
Other receivables	**32,264**	35,865
Allowance for expected credit loss	**(12,448)**	(13,926)
	70,002	66,664
Government subsidy	**717**	3,497
	$70,719	$70,161

Government subsidy

On April 11, 2020, the Canada Emergency Wage Subsidy ("CEWS") was enacted, which provided a subsidy for each employee employed between March 15, 2020 to October 24, 2021. Subsequently, the Government of Canada replaced CEWS with two new programs offering wage and rent support: i) the Tourism and Hospitality Recovery Program ("THRP") and ii) the Hardest-Hit Business Recovery Program. The subsidy varies depending on the decline in revenue for each claim period. A company, or a group of companies under common control, will become eligible for the program if they've experienced a reduction in revenue during the qualification period.

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

For the three months ended September 30, 2022, the Company recorded government subsidies amounting to $nil (2021 - $3,702) as a deduction of the related expense, of which $nil (2021 - $461), $nil (2021 - $2,595) and $nil (2021 - $646) are a deduction of property operating costs, hotel operating expenses and property management and corporate expenses, respectively.

For the nine months ended September 30, 2022, the Company recorded government subsidies amounting to $1,342 (2021 - $16,670) as a deduction of the related expense, of which $nil (2021 - $1,561), $1,342 (2021 - $12,491) and $nil (2021 - $2,618) are a deduction of property operating costs, hotel operating expenses and property management and corporate expenses, respectively. In addition, during the nine months ended September 30, 2022, the Company reversed $1,736 (2021 - $nil) of government subsidies as certain eligibility criteria for THRP were not met.

NOTE 9
MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at	September 30, 2022	December 31, 2021
Mortgages payable	**$4,816,237**	$4,648,175
Mark-to-market adjustments, net	**2,881**	4,747
Deferred financing costs	**(24,567)**	(24,954)
	$4,794,551	$4,627,968
Current	**$916,675**	$656,271
Current - mortgages payable on real estate properties held for sale	**28,349**	—
Non-current	**3,849,527**	3,971,697
	$4,794,551	$4,627,968
Range of interest rates	**2.03 - 6.53%**	2.03 - 7.08%
Weighted average contractual interest rate	**3.68%**	3.39%
Estimated fair value of mortgages payable	**$4,518,677**	$4,769,113

As at September 30, 2022, approximately 93% of the Company's real estate and hotel properties, and related rental revenue, have been pledged as collateral for the mortgages payable.

The aggregate principal repayments and balances maturing of the mortgages payable as at September 30, 2022, 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
2022 (remainder of year)	$30,664	$366,674	$397,338	3.89%
2023	107,917	546,781	654,698	4.10%
2024	95,334	576,293	671,627	3.98%
2025	79,962	487,473	567,435	3.13%
2026	61,306	389,558	450,864	3.32%
Thereafter	213,402	1,860,873	2,074,275	3.64%
	$588,585	$4,227,652	$4,816,237	3.68%

Mortgages payable on real estate properties held for sale are secured by income producing properties that the Company intends to sell rather than hold on a long-term basis and meet the criteria established in IFRS 5 for separate classification (Note 4). As at September 30, 2022, mortgages payable include one mortgage (including unamortized deferred finance costs) classified as current amounting to $28,349.

The Company's first mortgages are registered against specific real estate assets and hotel properties. As at September 30, 2022, mortgages payable mature between 2022 and 2058 and have a weighted average term to maturity of 4.6 years (December 31, 2021 - 4.6 years) and approximately 94% of the Company's mortgages have fixed interest rates.

Some of the Company's mortgages payable require it to maintain annual debt service coverage ratios and/or debt to equity ratios and/or debt to appraised value ratios and arrange for capital expenditures in accordance with predetermined limits. As at September 30, 2022, the Company was in compliance with all debt ratio covenants. As at December 31, 2021, the Company was not in compliance with two debt ratio covenants affecting two mortgage loans amounting to $39,795.

NOTE 10

DEBENTURES PAYABLE

The Company's debentures consist of the following:

As at	**September 30, 2022**	December 31, 2021
Unsecured debentures	**$623,964**	$823,256
Convertible debentures	**171,707**	171,893
	$795,671	$995,149
Current	**$254,848**	$199,830
Non-current	**540,823**	795,319
	$795,671	$995,149

(a) Unsecured debentures

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

As at	Maturity Date	Coupon Interest Rate	September 30, 2022	December 31, 2021
Series C senior unsecured debentures	September 15, 2022	4.333%	**$—**	$200,000
Series E senior unsecured debentures	January 25, 2024	4.715%	**225,000**	225,000
Series F senior unsecured debentures	November 27, 2024	4.204%	**225,000**	225,000
Series G senior unsecured debentures	September 28, 2023	4.402%	**175,000**	175,000
Unamortized financing costs			**(1,036)**	(1,744)
			$623,964	$823,256
Current			**$174,770**	$199,830
Non-current			**449,194**	623,426
			$623,964	$823,256

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

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. On May 14, 2021, the Series D unsecured debentures were fully repaid on maturity.

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

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

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

For the three and nine months ended September 30, 2022, interest on the Unsecured Debentures of $8,828 (2021 - $9,184) and $26,897 (2021 - $30,252), respectively, is included in interest expense (Note 17).

(b) Convertible debentures

Convertible debentures consist of the following:

As at	Maturity Date	Conversion Price	Coupon Interest Rate	Principal Balance	Principal Owned by the Company	September 30, 2022	December 31, 2021
Morguard REIT	December 31, 2026	$7.80	5.25%	$159,000	$60,000	**$91,629**	$90,574
Morguard Residential REIT(1)	March 31, 2023	$20.20	4.50%	$85,500	$5,000	**80,078**	81,319
						$171,707	$171,893
Current						**$80,078**	$—
Non-current						**91,629**	171,893
						$171,707	$171,893

(1) As at September 30, 2022, the liability includes the fair value of the conversion option of $241 (December 31, 2021 - $2,028).

Morguard REIT

On December 7, 2021, Morguard REIT issued $150,000 principal amount of 5.25% convertible unsecured subordinated debentures maturing on December 31, 2026. On December 13, 2021, an additional principal amount of $9,000 was issued pursuant to the exercise of the over-allotment option. Interest is payable semi-annually, not in advance, on June 30 and December 31 of each year, commencing on June 30, 2022. The underwriter's commission and other issue costs attributable to the debentures in the amount of $4,213 has been capitalized and is being amortized over the term to maturity. The convertible debentures, with the exception of $4,213, the value assigned to the holder's conversion option, have been recorded as debt on the consolidated balance sheets. Morguard owns $60,000 aggregate principal amount of the 5.25% convertible unsecured subordinated debentures.

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. On December 17, 2021, the convertible debentures were fully repaid, including the $60,000 aggregate principal amount of the 4.50% convertible unsecured subordinated debentures owned by Morguard.

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 and other issue costs attributable to the debentures in the amount of $3,375 has been capitalized and is being amortized over the term to maturity. Morguard owns $5,000 aggregate principal amount of the 4.50% convertible unsecured subordinated debentures.

For the three and nine months ended September 30, 2022, interest on convertible debentures net of accretion of $2,398 (2021 - $2,491) and $7,158 (2021 - $7,385), respectively, is included in interest expense (Note 17).

NOTE 11

MORGUARD RESIDENTIAL REIT UNITS

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

As at September 30, 2022, the Company valued the non-controlling interest in the Morguard Residential REIT units at $430,395 (December 31, 2021 - $496,024) 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 and nine months ended September 30, 2022 of $23,458 (2021 - loss of $13,530) and $49,897 (2021 - loss of $48,161), respectively, in the consolidated statements of income (Note 18).

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

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Fair value gain (loss) on Morguard Residential REIT units	**$28,904**	($8,090)	**$66,233**	($31,846)
Distributions to external unitholders (Note 3)	**(5,446)**	(5,440)	**(16,336)**	(16,315)
Fair value gain (loss) on Morguard Residential REIT units	**$23,458**	($13,530)	**$49,897**	($48,161)

NOTE 12

LEASE LIABILITIES

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

As at	September 30, 2022	December 31, 2021
Balance, beginning of period	**$168,265**	$164,255
Interest on lease liabilities (Note 17)	**7,138**	9,617
Payments	**(8,175)**	(11,373)
Additions	**6,643**	5,878
Dispositions	**(1,562)**	—
Foreign exchange loss (gain)	**614**	(112)
Balance, end of period	**$172,923**	$168,265
Current (Note 13)	**$1,560**	$1,734
Non-current	**171,363**	166,531
	$172,923	$168,265

In connection with the acquisition of Rockville Town Square (Note 4), the Company assumed a land lease with an annual lease payment of $376, expiring on September 1, 2061. On acquisition of the property, the Company recorded a lease liability and a corresponding right-of-use asset amounting to $6,643 (US$4,843).

Future minimum lease payments under lease liabilities are as follows:

As at	September 30, 2022	December 31, 2021
Within 12 months	**$11,489**	$11,306
2 to 5 years	**45,043**	43,546
Over 5 years	**365,854**	357,982
Total minimum lease payments	**$422,386**	$412,834
Less: future interest costs	**(249,463)**	(244,569)
Present value of minimum lease payments	**$172,923**	$168,265

NOTE 13
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	September 30, 2022	December 31, 2021
Accounts payable and accrued liabilities	**$230,972**	$189,987
Tenant deposits	**26,694**	28,209
Stock appreciation rights ("SARs") liability (Note 15(c))	**6,954**	12,923
Income taxes payable	**—**	5,161
Lease liability (Note 12)	**1,560**	1,734
Other	**5,585**	2,295
	$271,765	$240,309

NOTE 14
BANK INDEBTEDNESS

As at September 30, 2022, the Company has operating lines of credit totalling $491,500 (December 31, 2021 - $493,500), the majority of which can be borrowed in either Canadian or United States dollars and are subject to floating interest rates based on bankers' acceptance. As at September 30, 2022, the maximum amount that can be borrowed on the operating lines of credit is $375,398 (December 31, 2021 - $403,026), which includes deducting issued letters of credit in the amount of $8,613 (December 31, 2021 - $8,856) related to these facilities. The Company's investments in Morguard REIT and Morguard Residential REIT, marketable securities, amounts receivable, inventory, capital assets and a fixed-charge security on specific properties have been pledged as collateral on these operating lines of credit. As at September 30, 2022, the Company had borrowed $153,994 (December 31, 2021 - $8,039) on its operating lines of credit.

The bank credit agreements include certain restrictive undertakings by the Company. As at September 30, 2022, 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, 2020	11,109	$100,942
Common shares repurchased through the Company's NCIB	(9)	(81)
Dividend reinvestment plan	1	68
Balance, December 31, 2021	11,101	$100,929
Common shares repurchased through the Company's NCIB	**(79)**	**(717)**
Dividend reinvestment plan	**—**	**19**
Balance, September 30, 2022	**11,022**	**$100,231**

The Company had the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 555,024 common shares. The program expired on September 21, 2022. On September 16, 2022, the Company obtained the approval of the TSX under its NCIB to purchase up to 554,788 common shares, being approximately 5% of the issued and outstanding common shares, and the program expires on September 21, 2023. The daily repurchase restriction for the common shares is 1,000. During the nine months ended September 30, 2022, 78,866 common shares were repurchased for cash consideration of $8,478 at a weighted average price of $107.50 per common share.

Total dividends declared during the three and nine months ended September 30, 2022, amounted to $1,664, or $0.15 per common share (2021 - $1,651, or $0.15 per common share) and $4,994, or $0.45 per common share (2021 - $5,000 or $0.45 per common share), respectively. On November 2, 2022, the Company declared a common share dividend of $0.15 per common share to be paid in the fourth quarter of 2022.

(b) Contributed Surplus

During the nine months ended September 30, 2022, the Company acquired 450,000 units (2021 - nil units) of Morguard REIT for cash consideration of $2,272 (2021 - $nil). The difference between the cash consideration and the carrying value of the non-controlling interest acquired for the nine months ended September 30, 2022, amounted to $5,315 (2021 - $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 September 30, 2022

Date of Grant	Exercise Price	Issued	Redeemed	Cancelled	Outstanding
March 20, 2008	$30.74	200,000	(103,500)	(61,500)	35,000
November 2, 2010	$43.39	55,000	(11,500)	(8,500)	35,000
May 13, 2014	$137.90	25,000	(2,000)	(18,000)	5,000
May 13, 2015	$153.82	10,000	—	—	10,000
January 11, 2017	$179.95	90,000	(1,500)	(18,500)	70,000
May 18, 2018	$163.59	125,000	—	(15,000)	110,000
August 8, 2018	$168.00	20,000	—	—	20,000
November 8, 2018	$184.00	10,000	—	—	10,000
Total		**535,000**	**(118,500)**	**(121,500)**	**295,000**

During the three and nine months ended September 30, 2022, the Company recorded a fair value adjustment to reduce compensation expense of $13 (2021 - $1,195) and $3,413 (2021 - increase compensation expense of $3,330), respectively. The fair value adjustment is included in property management and corporate expenses in the consolidated statements of income, and the liability is classified as accounts payable and accrued liabilities (Note 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 September 30, 2022: a dividend yield of 0.55% (2021 - 0.45%), expected volatility of approximately 30.98% (2021 - 30.26%) and the 10-year Bank of Canada Bond Yield of 3.08% (2021 - 1.51%).

(d) Accumulated Other Comprehensive Income

As at September 30, 2022, and December 31, 2021, accumulated other comprehensive income consists of the following amounts:

As at	September 30, 2022	December 31, 2021
Actuarial gain on defined benefit pension plans	**$43,281**	$50,689
Unrealized foreign currency translation gain	**298,370**	129,264
	$341,651	$179,953

NOTE 16
REVENUE

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

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Rental income	**$133,837**	$120,416	**$385,743**	$361,065
Realty taxes and insurance	**37,548**	34,108	**108,318**	102,551
Common area maintenance recoveries	**23,779**	21,756	**71,518**	63,763
Property management and ancillary income	**39,699**	34,277	**115,880**	103,233
	$234,863	$210,557	**$681,459**	$630,612

The components of revenue from hotel properties are as follows:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Room revenue	**$43,217**	$30,477	**$101,459**	$67,268
Other hotel revenue	**7,199**	8,246	**22,524**	23,719
	$50,416	$38,723	**$123,983**	$90,987

The components of management and advisory fees are as follows:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Property and asset management fees	**$7,872**	$8,281	**$24,365**	$25,085
Other fees	**2,146**	2,143	**6,076**	6,965
	$10,018	$10,424	**$30,441**	$32,050

NOTE 17
INTEREST EXPENSE

The components of interest expense are as follows:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Interest on mortgages	**$41,431**	$38,066	**$120,411**	$113,460
Interest on debentures payable, net of accretion (Note 10)	**11,226**	11,675	**34,055**	37,637
Interest on bank indebtedness	**1,330**	1,031	**1,724**	3,163
Interest on loans payable and other	**76**	577	**118**	1,296
Interest on lease liabilities (Note 12)	**2,364**	2,389	**7,138**	7,173
Amortization of mark-to-market adjustments on mortgages, net	**(680)**	(637)	**(1,866)**	(2,082)
Amortization of deferred financing costs	**2,068**	1,871	**6,412**	5,751
Loss on extinguishment of mortgages payable	**—**	—	**181**	—
	57,815	54,972	**168,173**	166,398
Less: Interest capitalized to properties under development	**(123)**	(63)	**(295)**	(276)
	$57,692	$54,909	**$167,878**	$166,122

NOTE 18
FAIR VALUE GAIN (LOSS), NET

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

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Fair value gain (loss) on real estate properties, net	**($23,865)**	$108,219	**$459,091**	$154,763
Financial assets (liabilities):				
Fair value gain (loss) on conversion option of MRG convertible debentures (Note 10)	**640**	20	**1,787**	(175)
Fair value gain (loss) on MRG units (Note 11)	**23,458**	(13,530)	**49,897**	(48,161)
Fair value gain (loss) on other real estate fund investments (Note 6(b))	**152**	260	**(386)**	(6,940)
Fair value gain (loss) on investment in marketable securities	**(10,034)**	(7,896)	**(26,049)**	7,138
Total fair value gain (loss), net	**($9,649)**	$87,073	**$484,340**	$106,625

NOTE 19
OTHER INCOME (EXPENSE)

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

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Foreign exchange gain (loss)	**($313)**	$12	**($280)**	$1,382
Other income (expense)	**(535)**	172	**778**	2,969
	($848)	$184	**$498**	$4,351

NOTE 20
RELATED PARTY TRANSACTIONS

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

(a) Paros Enterprises Limited ("Paros")

Paros is the majority shareholder and ultimate parent of the Company. Paros is owned by the Company's Chairman and Chief Executive Officer, Mr. K. Rai Sahi. As at September 30, 2022, the Company has a demand loan agreement with Paros that provides for the Company to borrow up to $50,000 (December 31, 2021 - $50,000). The total loan payable as at September 30, 2022 was $nil (December 31, 2021 - $nil). During the three and nine months ended September 30, 2022, the Company incurred net interest expense of $18 (2021 - $319) and $23 (2021 - $525), respectively.

(b) TWC Enterprises Limited ("TWC")

The Company provides TWC with managerial and consulting services for its business and the business of its subsidiaries. Mr. K. Rai Sahi is Chairman and Chief Executive Officer and the majority shareholder of TWC through his personal holding companies, which include Paros. Pursuant to contractual agreements between the Company and TWC, for the three and nine months ended September 30, 2022, the Company received a management fee of $324 (2021 - $319) and $964 (2021 - $953), respectively, and paid rent and operating expenses of $154 (2021 - $133) and $468 (2021 - $477), respectively.

The Company has a revolving demand loan agreement with TWC that provides for either party to borrow up to $50,000 at either the prime rate or the bankers' acceptance rate plus applicable stamping fees. The total loan payable as at September 30, 2022 was $5,000 (December 31, 2021 - $nil). During the three and nine months ended September 30, 2022, the Company paid net interest of $37 (2021 - $112) and $37 (2021 - $332), respectively.

(c) Share/unit Purchase and Other Loans

As at September 30, 2022, share/unit purchase and other loans to officers and employees of the Company and its subsidiaries of $5,992 (December 31, 2021 - $6,190) are outstanding. The loans are collateralized by their common shares of the Company, units of Morguard REIT and units of Morguard Residential REIT and are interest-bearing computed at the Canadian prime interest rate and are due on January 13, 2026. Other loans are secured against the underlying asset. The loans are classified as amounts receivable in the consolidated balance sheets. As at September 30, 2022, the fair market value of the common shares/units held as collateral is $56,504.

NOTE 21
INCOME TAXES

(a) Tax Provision

For the three and nine months ended September 30, 2022, the Company recorded income tax expense of $20,938 (2021 - $36,880) and $131,276 (2021 - $99,092) respectively.

(b) Unrecognized Deductible Temporary Differences

As at September 30, 2022, the Company's U.S. subsidiaries have total net operating losses of approximately US$28,422 (December 31, 2021 - US$69,363) of which no deferred tax assets were recognized as it is not probable that taxable income will be available against which the deductible temporary difference can be utilized. The net operating losses expire in varying years commencing 2030. The recognition of previously unrecognized tax losses relates to the sale of a real estate property (Note 4) as it is probable that taxable income will be available against which the losses will be utilized until the Company is able to identify and close on a property acquisition utilizing a 1031 Exchange.

As at September 30, 2022, the Company's Canadian subsidiaries have total net operating losses of approximately $278,850 (December 31, 2021 - $257,782) of which no deferred tax assets were recognized as it is not probable that taxable income will be available against which they can be utilized. These losses expire in various years commencing 2022. The Company has other Canadian temporary differences for which no deferred tax asset was recognized for approximately $47,627 (December 31, 2021 - $82,926). These other temporary differences have no expiration date.

(c) Recognized Deductible Temporary Differences

As at September 30, 2022, the Company's U.S. subsidiaries have total net operating losses of approximately US$56,323 (December 31, 2021 - US$33,066) of which deferred tax assets were recognized, comprising US$23,257 (December 31, 2021 – US$nil) that will expire in various years commencing in 2032 and US$33,066 (December 31, 2021 – US$33,066) that can be carried forward indefinitely.

As at September 30, 2022, the Company's U.S. subsidiaries have total unutilized interest expense deductions of US$33,989 (December 31, 2021 - US$13,943) of which deferred tax assets were recognized.

NOTE 22
NET INCOME PER COMMON SHARE

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Net income attributable to common shareholders	**$66,824**	$102,626	**$505,801**	$134,279
Weighted average number of common shares outstanding (000s) - basic and diluted	**11,095**	11,100	**11,098**	11,100
Net income per common share - basic and diluted	**$6.02**	$9.25	**$45.58**	$12.10

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

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Fair value loss (gain) on real estate properties, net	**$11,370**	($118,481)	**($447,709)**	($144,112)
Fair value loss (gain) on conversion option of MRG convertible debentures (Note 18)	**(640)**	(20)	**(1,787)**	175
Fair value loss (gain) on MRG units (Note 11)	**(28,904)**	8,090	**(66,233)**	31,846
Fair value loss (gain) on other real estate investment funds (Note 18)	**(152)**	(260)	**386**	6,940
Fair value loss (gain) on investment in marketable securities (Note 18)	**10,034**	7,896	**26,049**	(7,138)
Equity loss (income) from investments	**376**	2,529	**(6,033)**	(20,236)
Amortization of hotel properties and other	**6,682**	7,995	**20,167**	24,653
Amortization of deferred financing costs (Note 17)	**2,068**	1,871	**6,412**	5,751
Amortization of mark-to-market adjustments on mortgages, net (Note 17)	**(680)**	(637)	**(1,866)**	(2,082)
Loss on extinguishment of mortgages payable (Note 17)	**—**	—	**181**	—
Amortization of tenant incentive	**759**	1,110	**2,650**	2,600
Stepped rent - adjustment for straight-line method	**496**	608	**3,099**	(1,745)
Deferred income taxes	**16,718**	35,343	**125,239**	92,102
Accretion of convertible debentures	**168**	267	**526**	804
Provision for impairment	**—**	17,233	**—**	45,289
	$18,295	($36,456)	**($338,919)**	$34,847

(b) Net Change in Operating Assets and Liabilities

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Amounts receivable	**($3,119)**	($391)	**$679**	$3,273
Prepaid expenses and other	**(6,543)**	(16,880)	**(33,923)**	(27,282)
Accounts payable and accrued liabilities	**22,667**	3,026	**14,744**	7,249
Net change in operating assets and liabilities	**$13,005**	($14,245)	**($18,500)**	($16,760)

(c) Supplemental Cash Flow Information

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Interest paid	**$59,369**	$56,124	**$160,010**	$161,342
Interest received	**1,217**	112	**2,367**	431
Income taxes paid	**1,178**	460	**10,118**	7,488

During the three and nine months ended September 30, 2022, the Company issued non-cash dividends under the distribution reinvestment plan of $6 (2021 - $16) and $19 (2021 - $62), respectively.

(d) Reconciliation of Liabilities Arising from Financing Activities

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

	Mortgages payable	Unsecured debentures	Convertible debentures	Lease liabilities	Loans payable	Bank indebtedness	Total
Balance, beginning of period	**$4,627,968**	**$823,256**	**$171,893**	**$168,265**	**$—**	**$8,039**	**$5,799,421**
Repayments	**(99,953)**	**—**	**—**	**(1,037)**	**(15,000)**	**(76,482)**	**(192,472)**
New financing, net	**566,777**	**—**	**—**	**6,643**	**20,000**	**221,919**	**815,339**
Lump-sum repayments	**(453,688)**	**(200,000)**	**—**	**(1,562)**	**—**	**—**	**(655,250)**
Non-cash changes	**2,944**	**708**	**(186)**	**—**	**—**	**—**	**3,466**
Foreign exchange	**150,503**	**—**	**—**	**614**	**—**	**518**	**151,635**
Balance, September 30, 2022	**$4,794,551**	**$623,964**	**$171,707**	**$172,923**	**$5,000**	**$153,994**	**$5,922,139**

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, 2021, for an explanation of the Company's capital management policy.

The total managed capital for the Company as at September 30, 2022, and December 31, 2021, is summarized below:

As at	September 30, 2022	December 31, 2021
Mortgages payable, principal balance	**$4,816,237**	$4,648,175
Unsecured Debentures, principal balance	**625,000**	825,000
Convertible debentures, principal balance	**179,500**	179,500
Loans payable	**5,000**	—
Bank indebtedness	**153,994**	8,039
Lease liabilities	**172,923**	168,265
Shareholders' equity	**4,291,537**	3,632,176
	$10,244,191	$9,461,155

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

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

NOTE 26

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer to the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2021, for an explanation of the Company's risk management policy as it relates to financial instruments.

Fair Value of Financial Assets and Financial Liabilities

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

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

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using September 30, 2022, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at September 30, 2022, of the mortgages payable before deferred financing costs and mark-to-market adjustments is estimated at $4,518,677 (December 31, 2021 - $4,769,113), compared with the carrying value of $4,816,237 (December 31, 2021 - $4,648,175). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

The fair value of the Unsecured Debentures liability is based on its closing bid price (Level 1). As at September 30, 2022, the fair value of the Unsecured Debentures has been estimated at $599,455 (December 31, 2021 - $833,002) compared with the carrying value of $625,000 (December 31, 2021 - $825,000).

The fair value of the convertible debentures liability is based on their market trading prices (Level 1). As at September 30, 2022, the fair value of the convertible debentures before deferred financing costs has been estimated at $176,301 (December 31, 2021 - $180,769), compared with the carrying value of $179,500 (December 31, 2021 - $179,500).

The fair value of the finance lease receivable is determined by discounting the cash flows of the finance lease receivable using September 30, 2022, market rates for debt on similar terms (Level 3). Based on these assumptions, as at September 30, 2022, the fair value of the finance lease receivable has been estimated at $58,196 (December 31, 2021 - $57,772).

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

	September 30, 2022			December 31, 2021		
As at	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$11,151,313**	$—	$—	$10,244,875
Real estate properties held for sale	**—**	**—**	**126,397**	—	—	—
Investments in marketable securities	**90,477**	**—**	**—**	113,583	—	—
Investments in real estate funds	**—**	**—**	**79,557**	—	—	81,985
Financial liabilities:						
Morguard Residential REIT units	**—**	**430,395**	**—**	—	496,024	—
Conversion option on MRG convertible debentures	**—**	**241**	**—**	—	2,028	—

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 September 30, 2022	**Multi-suite Residential**	**Retail**	**Office**	**Industrial**	**Hotel**	**Total**
Revenue from real estate/hotel properties	**$112,222**	**$58,214**	**$60,780**	**$3,647**	**$50,416**	**$285,279**
Property/hotel operating expenses	**(38,530)**	**(27,601)**	**(27,588)**	**(1,056)**	**(32,470)**	**(127,245)**
Net operating income	**$73,692**	**$30,613**	**$33,192**	**$2,591**	**$17,946**	**$158,034**

For the three months ended September 30, 2021	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
Revenue from real estate/hotel properties	$95,523	$54,275	$57,629	$3,130	$38,723	$249,280
Property/hotel operating expenses	(36,548)	(23,770)	(24,651)	(1,078)	(27,788)	(113,835)
Net operating income	$58,975	$30,505	$32,978	$2,052	$10,935	$135,445

For the nine months ended September 30, 2022	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
Revenue from real estate/hotel properties	**$319,208**	**$172,993**	**$178,809**	**$10,449**	**$123,983**	**$805,442**
Property/hotel operating expenses	**(154,191)**	**(88,703)**	**(83,523)**	**(3,627)**	**(95,537)**	**(425,581)**
Net operating income	**$165,017**	**$84,290**	**$95,286**	**$6,822**	**$28,446**	**$379,861**

For the nine months ended September 30, 2021	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
Revenue from real estate/hotel properties	$280,610	$166,593	$174,360	$9,049	$90,987	$721,599
Property/hotel operating expenses	(137,825)	(82,651)	(75,076)	(3,501)	(66,082)	(365,135)
Net operating income	$142,785	$83,942	$99,284	$5,548	$24,905	$356,464

	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
As at September 30, 2022						
Real estate/hotel properties	**$6,447,211**	**$2,263,754**	**$2,231,783**	**$208,565**	**$356,456**	**$11,507,769**
Mortgages payable	**$2,596,842**	**$930,974**	**$1,126,305**	**$18,895**	**$93,186**	**$4,766,202**
For the nine months ended September 30, 2022						
Additions to real estate/hotel properties	**$255,628**	**$22,279**	**$76,162**	**$326**	**$2,746**	**$357,141**
Fair value gain (loss) on real estate properties	**$552,745**	**($49,044)**	**($72,165)**	**$27,555**	**$—**	**$459,091**

	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
As at December 31, 2021						
Real estate/hotel properties	$5,573,098	$2,258,025	$2,233,031	$180,721	$457,153	$10,702,028
Mortgages payable	$2,394,507	$936,788	$1,119,176	$19,320	$158,177	$4,627,968
For the nine months ended September 30, 2021						
Additions to real estate/hotel properties	$25,753	$11,801	$8,629	$664	$7,593	$54,440
Fair value gain (loss) on real estate properties	$196,997	($18,884)	($48,351)	$25,001	$—	$154,763

(b) Regional Segments

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

As at	September 30, 2022	December 31, 2021
Real estate and hotel properties		
Canada	**$7,322,642**	$7,348,930
United States	**4,185,127**	3,353,098
	$11,507,769	$10,702,028

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Revenue from real estate and hotel properties				
Canada	**$204,049**	$181,408	**$575,712**	$524,795
United States	**81,230**	67,872	**229,730**	196,804
	$285,279	$249,280	**$805,442**	$721,599

NOTE 28

COMPARATIVE AMOUNTS

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