2021 FOURTH QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

MORGUARD CORPORATION

Q4

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 year ended December 31, 2021. Unless otherwise noted, dollar amounts are stated in thousands of Canadian dollars, except per common share amounts.

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

This MD&A should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the years ended December 31, 2021 and 2020. This MD&A is based on financial information prepared in accordance with International Financial Reporting Standards ("IFRS") and is dated February 24, 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) are 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 (loss) attributable to common shareholders (an IFRS measure) to FFO and Normalized FFO is presented in the section "Part III, Funds From Operations."

NON-CONSOLIDATED MEASURES

The 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"), Morguard Residential REIT and Temple Hotels Inc. ("Temple") until the Company's privatization of Temple on February 18, 2020, (collectively the Company's "Public Entity Investments"), using the equity method of accounting and other adjustments as defined by the Indenture described below ("Non-Consolidated Basis" or "Morguard Non-Consolidated Basis"). The presentation of Non-Consolidated Basis measures represents a non-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 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.

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 II, Significant Events."

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.

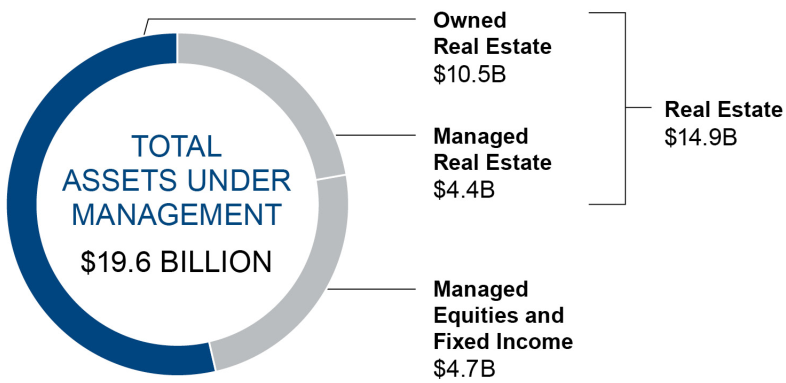
LIQUIDITY

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 $19.6 billion as at December 31, 2021. The Company's common shares are publicly traded and listed on the Toronto Stock Exchange ("TSX") under the symbol "MRC." The Company's primary goal is to accumulate a portfolio of high-quality real estate assets and then deliver the benefits of such real estate ownership to shareholders.



MANAGEMENT AND ADVISORY SERVICES

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

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

BUSINESS STRATEGY

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

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

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

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

SIGNIFICANT EVENTS

COVID-19 PANDEMIC

Since March 2020, the outbreak of the novel strain of coronavirus ("COVID-19") resulted in governments enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, closure of non-essential businesses, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. Governments have reacted with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 pandemic is unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Company in future periods.

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

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

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

RENTAL COLLECTION SUMMARY

As at February 24, 2022, the Company's collection of rental income since January 1, 2020 is summarized by asset class as follows:

Asset Class	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	January 2022	% of Rental Revenue
Residential	99.8%	99.6%	99.4%	99.2%	99.1%	99.3%	99.3%	98.8%	97.6%	44.4%
Retail	98.3%	62.4%	85.6%	90.5%	91.6%	93.2%	96.1%	95.5%	94.4%	26.7%
Office	99.9%	92.8%	98.1%	97.7%	99.0%	99.0%	99.2%	98.5%	95.7%	27.5%
Industrial	100.0%	93.5%	96.9%	99.6%	99.5%	99.2%	99.8%	96.5%	94.6%	1.4%
Total	**99.4%**	**86.6%**	**95.0%**	**96.2%**	**96.9%**	**97.5%**	**98.4%**	**97.8%**	**96.1%**	**100.0%**

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

TENANT ACCOUNTS RECEIVABLE

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

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

	2021			2020
As at at December 31	**Tenant Receivables**	**Allowance for Doubtful Accounts**	**Net Tenant Receivables**	Net Tenant Receivables
Residential	$5,742	($2,367)	$3,375	$2,412
Retail	16,650	(9,771)	6,879	19,696
Office	2,477	(1,540)	937	7,269
Industrial	302	(38)	264	136
Hotel	6,499	(210)	6,289	2,736
Total	**$31,670**	**($13,926)**	**$17,744**	**$32,249**

As at December 31, 2021, tenant receivables, net of an allowance for doubtful accounts totalled $17,744, with retail representing 38.8% of total net tenant receivables, reflecting lower collections within the retail asset class which have averaged 87.8% subsequent to the first quarter of 2020. As a result of the COVID-19 pandemic, certain tenants were unable to fulfil their rent obligations and there are a large number of retail tenants who have requested consideration for a deferral or an abatement. Management has considered the financial uncertainties faced by the Company's tenants and has provided for tenant receivable balances based on an assessment of each tenant's expected credit loss, applying credit loss factors based on historical loss experience along with forward-looking information.

BAD DEBT EXPENSE (RECOVERY)

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

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

For the three months ended December 31	**2021**	**% of Revenue**	2020	% of Revenue
Residential	**$835**	**0.9%**	$1,112	1.2%
Retail	**2,646**	**4.3%**	7,526	11.9%
Office	**353**	**0.6%**	638	1.0%
Industrial	**2**	**0.1%**	30	0.9%
Hotel	**72**	**0.2%**	6	—%
Total	**$3,908**	**1.5%**	$9,312	3.8%

For the year ended December 31	**2021**	**% of Revenue**	2020	% of Revenue
Residential	**$3,238**	**0.9%**	$3,204	0.8%
Retail	**4,757**	**2.1%**	20,158	8.4%
Office	**(548)**	**(0.2%)**	3,636	1.5%
Industrial	**14**	**0.1%**	194	1.7%
Hotel	**108**	**0.1%**	72	0.1%
Total	**$7,569**	**0.8%**	$27,264	2.8%

For the three months and year ended December 31, 2021, the Company recorded bad debt expense of $3,908 (2020 - $9,312) and $7,569 (2020 - $27,264), respectively. The decrease in bad debt expense is due to improved rent collections subsequent to the third quarter of 2020 as mandatory business closures impacted certain tenants who were unable to fulfil their rent obligations and/or requested consideration for a deferral or an abatement. In addition, the CECRA program in 2020 increased bad debt expense during the three months and year ended December 31, 2020 by $nil and $5,050, respectively.

CANADA EMERGENCY WAGE SUBSIDY ("CEWS") PROGRAM

On April 11, 2020, the Canada Emergency Wage Subsidy was enacted, which provides a subsidy for each employee employed between March 15 to June 6, 2020. Subsequently, the Government of Canada extended CEWS to October 23, 2021 and on October 24, 2021, the CEWS was replaced 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. The Company will continue to assess its eligibility for subsequent claim periods.

For the year ended December 31, 2021, the Company recorded $18,478 (2020 - $24,503) as a deduction of the related expense, of which $1,561 (2020 - $2,339), $14,299 (2020 - $14,079) and $2,618 (2020 - $8,085) are a deduction of property operating costs, hotel operating expenses and property management and corporate expenses, respectively.

LIQUIDITY

The Company has liquidity of approximately $596,000 comprised of $173,500 in cash, $395,000 available under its revolving credit facilities and $27,500 of net additional mortgage financing proceeds received subsequent to year end. In addition, the Company has approximately $1,153,000 of unencumbered income producing and hotel properties, and other investments which could be utilized for financing. To further enhance liquidity, the Company has narrowed down the scope of its capital expenditure program to ensure the availability of resources, allocating an amount that enables the Company to maintain the structural and overall safety of the properties. Management has also implemented various initiatives to reduce or defer operating expenses and is monitoring various government assistance programs in Canada and the U.S. structured to provide relief from personnel costs and commercial rent subsidies.

The Company has approximately $1,247,000 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 $200,000 and $175,000 of senior unsecured debentures maturing in September 2022 and September 2023, respectively, 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.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	2021	2020	2019
Real estate properties	**$10,244,875**	$9,680,408	$10,201,283
Hotel properties	**457,153**	545,041	628,783
Equity-accounted and other fund investments	**144,208**	216,278	248,665
Total assets	**11,492,543**	11,052,688	11,703,084
Indebtedness	**$5,808,277**	$5,835,647	$5,919,939
Indebtedness to total assets (%)	**50.5**	52.8	50.6
Non-consolidated indebtedness to total assets (%)(1)	**45.2**	47.6	43.8
Total equity	**$4,173,747**	$3,912,698	$4,305,717
Shareholders' equity per common share	**327.19**	303.57	314.55
Exchange rates - Canadian dollar to U.S. dollar	**$0.79**	$0.79	$0.77
Exchange rates - U.S. dollar to Canadian dollar	**$1.27**	$1.27	$1.30

(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."

For the years ended December 31	**2021**	2020	2019
Revenue from real estate properties	**$852,692**	$888,324	$872,223
Revenue from hotel properties	**123,916**	98,046	245,282
Management and advisory fees	**45,302**	42,080	52,401
Total revenue	**1,044,844**	1,044,189	1,189,173
Net operating income	**488,000**	491,243	556,181
Fair value gain (loss), net	**201,585**	(493,945)	7,731
Net income (loss) attributable to common shareholders	**249,760**	(98,918)	186,939
Per common share - basic and diluted	**22.50**	(8.83)	16.57
Funds from operations(1)	**187,920**	161,200	250,871
Per common share - basic and diluted(1)	**16.93**	14.39	22.23
Normalized FFO(1)	**194,077**	181,205	225,612
Per common share - basic and diluted(1)	**17.48**	16.17	19.99
Distributions received from Morguard REIT	**14,640**	23,468	33,750
Distributions received from Morguard Residential REIT	**17,607**	17,607	16,675
Dividends declared/paid	**(6,660)**	(6,714)	(6,770)
Average exchange rates - Canadian dollar to U.S. dollar	**$0.80**	$0.75	$0.75
Average exchange rates - U.S. dollar to Canadian dollar	**$1.25**	$1.34	$1.33

(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 December 31, 2021, were $11,492,543, compared to $11,052,688 as at December 31, 2020. Total assets increased by $439,855 primarily due to the following:

- An increase in real estate properties of $564,467, mainly due to a net fair value gain of $266,971, acquisitions of $102,168, transfers from equity-accounted investments of $145,631, capital and development expenditures of $60,167 and tenant incentives and leasing commissions of $15,237, offset by dispositions of $18,421 and a decrease of $9,589 due to the change in the U.S. dollar exchange rate;
- A decrease in hotel properties of $87,888, mainly due to a provision for impairment of $45,289, amortization of $24,543 and dispositions of $28,500;
- A decrease in equity-accounted and other fund investments of $72,070, primarily resulting from the transfer of the Company's net investment of $88,690 in Lumina Hollywood to each respective balance sheet line item, partly offset by equity-accounted investments' share of net income of $24,017;

- An increase in other assets and prepaid expense of $26,540, primarily due to an increase in accrued pension benefit asset of $27,857;
- A decrease in amounts receivable of $22,762; and
- An increase in cash of $31,568.

Total revenue during the year ended December 31, 2021, increased by $655 to $1,044,844, compared to $1,044,189 in 2020. The increase was primarily due to the following:

- A decrease in revenue from real estate properties in the amount of $35,632, primarily due to a decrease of $8,430 from office tenants as a result of lower prime rent, vacancy, lower parking revenue, and lower recoveries of operating expenses and a decrease of $11,016 from retail tenants converting to percentage rent leases resulting in lower recoveries of operating expenses and lower basic rent. In addition, a decrease of $16,338 from a decrease in the U.S. dollar foreign exchange rate;
- An increase in revenue from hotel properties in the amount of $25,870, resulting from the easing of pandemic restrictions as vaccination rates increased, which resulted in an increase in international travel as well as leisure and business demand relative to 2020 as many hotels were closed in the prior year. In addition, four hotels designated under the Government Authorized Accommodation ("GAA") program provided an increase in revenue in 2021;
- An increase in interest and other income of $7,195; primarily due to a one-time special cash dividend from one of the Company's investments in marketable securities; and
- An increase in management and advisory fees in the amount of $3,222.

PROPERTY PROFILE

As at December 31, 2021, the Company and its subsidiaries own a diversified portfolio of 197 multi-suite residential, retail, office, industrial and hotel properties located in Canada and in the United States.

PORTFOLIO COMPOSITION BY ASSET TYPE

The composition of the Company's real estate properties by asset type as at December 31, 2021, 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	56	—	17,752	$5,542,725
Retail	36	8,103	—	2,222,787
Office	48	7,601	—	2,198,862
Industrial	25	1,120	—	175,442
Hotel	32	—	5,058	457,153
Properties and land held for and under development	—	—	—	105,059
Total	**197**	**16,824**	**22,810**	**$10,702,028**

(1) Total GLA is shown on a proportionate basis; on a 100% basis, total GLA of the Company's commercial properties is 20.4 million square feet.
(2) Total suites/hotel rooms include equity-accounted investments and non-controlling interest. The Company on a proportionate basis has ownership of 17,307 suites and 4,821 hotel rooms.

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

The Company's retail portfolio includes two broad categories of income producing properties: (i) enclosed full-scale, regional shopping centres that are dominant in their respective markets; and (ii) neighbourhood and community shopping centres that are primarily anchored by food retailers, discount department stores and banking institutions. The retail portfolio comprises 25 properties located in Canada and 11 properties located in Florida and Louisiana. The combined retail portfolio represents 8.1 million square feet of gross leasable area ("GLA").

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

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

The Company's hotel portfolio comprises 21 branded and 11 unbranded hotel properties located in six Canadian provinces. Branded hotels include Hilton, Marriott, Holiday Inn and Wyndham and consist of full and select service formats. The hotel portfolio represents 5,058 rooms.

AVERAGE OCCUPANCY LEVELS

COMPARATIVE AVERAGE OCCUPANCY LEVELS

	Suites/GLA Square Feet		Dec. 2021	Sep. 2021	Jun. 2021	Mar. 2021	Dec. 2020
Multi-suite residential	17,752	(1)	94.3%	94.2%	93.7%	93.3%	93.1%
Retail	7,446,000	(2)	93.2%	92.7%	92.2%	91.4%	93.2%
Office	7,601,500		90.4%	90.4%	90.7%	90.9%	90.6%
Industrial	1,120,000		92.8%	91.8%	90.9%	90.6%	90.9%

(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 December 31, 2021 is 93.6% (September 30, 2021 - 93.5%, June 30, 2021 - 92.6%, March 31, 2021 - 91.9%, December 31, 2020 - 91.6%).
(2) Retail occupancy has been adjusted to exclude development space of 656,813 square feet of GLA.

During October 2021, the Company's redevelopment property, 1643 Josephine Street, New Orleans, Louisiana, reached stabilized occupancy. The repositioned asset further improves the overall quality of the portfolio having an average monthly rent ("AMR") of $1,842, and is located within close proximity to The Georgian Apartments, offering management a platform for operational synergies.

During 2021, 112,616 square feet of GLA relating to development space was taken off-stream to allow for future redevelopment and lease-up. As at December 31, 2021, the retail occupancy levels were adjusted to exclude development space and space that is pending demolition (656,813 square feet of GLA), this adjustment increased retail occupancy from 85.6% to 93.2%.

PART III

REVIEW OF OPERATIONAL RESULTS

The Company's operational results for the years ended December 31, 2021, and 2020, are summarized below:

For the years ended December 31	2021	2020
Revenue from real estate properties	**$852,692**	$888,324
Revenue from hotel properties	**123,916**	98,046
Property operating expenses		
Property operating costs	**(199,599)**	(212,299)
Utilities	**(55,845)**	(56,603)
Realty taxes	**(136,992)**	(136,556)
Hotel operating expenses	**(96,172)**	(89,669)
Net operating income	**488,000**	491,243
OTHER REVENUE		
Management and advisory fees	**45,302**	42,080
Interest and other income	**22,934**	15,739
	68,236	57,819
EXPENSES		
Interest	**220,312**	236,721
Property management and corporate	**80,201**	59,607
Amortization of hotel properties and other	**32,499**	35,295
Provision for impairment	**45,289**	37,041
	378,301	368,664
OTHER INCOME (EXPENSE)		
Fair value gain (loss), net	**201,585**	(493,945)
Equity income (loss) from investments	**24,017**	(7,470)
Other income	**4,565**	1,233
	230,167	(500,182)
Income (loss) before income taxes	**408,102**	(319,784)
Provision for (recovery of) income taxes		
Current	**22,018**	8,260
Deferred	**129,463**	(77,994)
	151,481	(69,734)
Net income (loss) for the year	**$256,621**	($250,050)
Net income (loss) attributable to:		
Common shareholders	**$249,760**	($98,918)
Non-controlling interest	**6,861**	(151,132)
	$256,621	($250,050)
Net income (loss) per common share attributable to:		
Common shareholders - basic and diluted	**$22.50**	($8.83)

NET INCOME (LOSS)

Net income for the year ended December 31, 2021, was $256,621, compared to a net loss of $250,050 in 2020. The increase in net income of $506,671 for the year ended December 31, 2021, was primarily due to the following:

- A decrease in net operating income of $3,243, primarily due to higher vacancy at multi-suite residential properties and was partially offset by higher NOI from the hotel portfolio due to increased revenue per available room ("RevPar") and a higher provision for CEWS. The change in foreign exchange rate decreased NOI by $11,024;

- An increase in interest and other income of $7,195, primarily due to a one-time special cash dividend from one of the Company's investments in marketable securities;
- A decrease in interest expense of $16,409, mainly due to lower interest on mortgages, bank indebtedness, and lower interest on the Debentures, primarily due to the repayment upon maturity of the Series D unsecured debentures on May 14, 2021;
- An increase in property management and corporate expense of $20,594, primarily due to an increase in non-cash compensation expense related to the Company's SARs plan of $16,132 and a decrease in a provision for CEWS of $5,467;
- An increase in provision for impairment on hotel properties of $8,248;
- An increase in non-cash net fair value gain of $695,530, mainly due to an increase in net fair value gain recorded on the Company's real estate properties and an increase in the net fair value gain on the Company's marketable securities, partially offset by an increase in the fair value loss on Morguard Residential REIT units;
- An increase in equity income from investments of $31,487, primarily due to an increase in fair value gain recorded on the Company's real estate property investments; and
- An increase in income tax expense (current and deferred) of $221,215, primarily a result of fair value gains recorded on the Company's real estate properties.

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 decreased by $3,243, or 0.7%, during the year ended December 31, 2021, to $488,000, compared to $491,243 generated in 2020, and is further analyzed by asset type below.

ADJUSTED NOI BY ASSET TYPE

For the year ended December 31	2021	2020
Multi-suite residential	**$204,143**	$227,565
Retail	**116,741**	116,201
Office	**131,675**	131,836
Industrial	**7,459**	7,264
Hotel	**27,744**	8,377
Adjusted NOI	**487,762**	491,243
IFRIC 21 adjustment - multi-suite residential	**238**	—
NOI	**$488,000**	$491,243

NOI from the multi-suite residential portfolio for the year ended December 31, 2021, decreased by $23,184, or 10.2% to $204,381, compared to $204,565 in 2020. The decrease in NOI is primarily due to the change in Adjusted NOI described below.

Adjusted NOI from the multi-suite residential portfolio for the year ended December 31, 2021, decreased by $23,422 or 10.3%, to $204,143, compared to $227,565 in 2020. The decrease in Adjusted NOI is primarily due to the following:

- A decrease in Canadian multi-suite residential properties of $9,315 primarily resulting from:
  - A decrease of $7,973 primarily resulting from increased vacancy, partially offset by an increase in AMR of 1.7%. The increase in vacancy is due to lower leasing traffic resulting from social distancing restrictions and current economic conditions;
  - During the year ended December 31, 2021, the Company's Canadian portfolio turned over 1,271 suites, or 15.9% of total suites and achieved average monthly rent growth of 9.3% on suite turnover; and
  - A decrease of $1,342 due to a prior year provision for CEWS;
- A decrease in U.S. multi-suite residential properties of US$4,239 primarily resulting from:
  - A decrease of US$9,016 mainly due to higher realty taxes from an increase in assessed market value and higher rental concessions at three properties located in Chicago, Illinois;

- An increase of US$379 from a redevelopment property in New Orleans, Louisiana which reached stabilized occupancy in October 2021;
- An increase of US$4,398 mainly due to lower vacancy and higher average rental rates mainly at properties located in Florida; and
- During the year ended December 31, 2021, the Company's U.S. portfolio achieved AMR growth of 5.4%.
- A decrease of $9,868 due to the change in the U.S. dollar foreign exchange rate.

NOI from the retail portfolio for the year ended December 31, 2021, increased by $540, or 0.5%, to $116,741, compared to $116,201 in 2020, primarily due to the following:

- An increase in Canadian retail properties of $839 primarily resulting from:
  - An increase of $14,518 due to lower bad debt expense compared to 2020. Bad debt expense in the prior year included $4,004 relating to the 25% landlord portion of the CECRA program;
  - A decrease of $15,444 predominantly due to a higher proportion of tenants converting to percentage rent leases resulting in lower recoveries of operating expenses and lower basic rent; and
  - An increase of $1,765 in lease cancellation fees received.
- An increase in U.S. retail properties of US$907 primarily resulting from lower bad debt expense.
- A decrease of $1,206 due to the change in the U.S. dollar foreign exchange rate.

NOI from the office portfolio for the year ended December 31, 2021, decreased by $161, or 0.1%, to $131,675, compared to $131,836 in 2020, primarily due to the following:

- A decrease of $5,595 predominantly due to lower prime rent from vacancy, parking revenue and lower recoveries of operating expenses as well as a rent abatement at a property in Calgary, Alberta;
- An increase of $4,184 due to lower bad debt expense when compared to the same period in 2020. Included prior year bad debt expense of $882 from the 25% landlord portion of the CECRA program; and
- An increase of $1,250 in lease cancellation fees received.

NOI from the industrial portfolio for the year ended December 31, 2021, increased by $195, or 2.7%, to $7,459, compared to $7,264 in 2020, primarily due to the following:

- A decrease of $386 due to the sale of a property located in Puslinch, Ontario, during the first quarter of 2020; and
- An increase of $581 due to higher prime rent mainly at two properties and lower bad debt expense when compared to the same period in 2020. Bad debt expense in the prior year included $164 relating to the 25% landlord portion of the CECRA program.

NOI from the hotel portfolio for the year ended December 31, 2021, increased by $19,367, or 231.2% to $27,744, compared to $8,377 in 2020, primarily due to the following:

- An increase of $19,069 mainly due to increased RevPar as the easing of pandemic restrictions positively impacted travel demand compared to hotel closures during 2020. In addition, four hotels designated under the GAA program provided an increase in revenue of $18,443. During the year ended December 31, 2021, hotel occupancy was 44.8% compared to 29.7% during the same period in 2020, as a result, RevPar increased by $19.52 to $56.74 during the year, compared to $37.22 in 2020. The average daily rate ("ADR") increased to $126.61 during the year ended December 31, 2021, compared to $125.44 in 2020;
- An increase of $220 due to a provision for CEWS; and
- An increase of $78 due to the sale of seven hotel properties subsequent to the second quarter of 2020.

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."

For the years ended December 31	2021	2020
Multi-suite residential (in local currency)	**$182,341**	$194,382
Retail (in local currency)	**108,265**	107,659
Office	**130,859**	131,085
Industrial	**7,411**	6,902
Hotel	**25,530**	4,848
Exchange amount to Canadian dollars	**29,055**	40,046
Comparative NOI	**483,461**	484,922
Dispositions	**2,941**	4,858
Realty tax expense accounted for under IFRIC 21	**238**	—
Lease cancellation fees	**5,595**	2,312
U.S. residential development	**364**	(118)
Realty tax refund/reassessment	**870**	807
Other	**(5,469)**	(1,538)
NOI	**$488,000**	$491,243

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 year ended December 31, 2021, decreased by $1,461, to $483,461 compared to $484,922 in 2020, due to the following:

- Multi-suite residential decreased by $12,041 as a result of increased vacancy and a prior year provision for CEWS of $1,342;
- Retail increased by $606 mainly due to a decrease in bad debt expense of $15,401 when compared to the same period in 2020. Bad debt expense in the prior year included $4,004 relating to the 25% landlord portion of the CECRA program. Partially, offsetting the increase in NOI is a higher proportion of tenants converting to percentage rent leases resulting in lower recoveries of operating expenses and lower basic rent;
- Office decreased by $226 mainly due to lower prime rent from vacancy, parking revenue and lower recoveries of operating expenses as well as rent abatement at a property in Calgary, Alberta, partially offset by an increase of $988 due to a recovery of bad debt provision at a property in Saint-Laurent, Québec;
- Hotel increased by $20,682 mainly due to increased RevPar and occupancy as the easing of pandemic restrictions positively impacted travel demand compared to hotel closures during 2020, and increase in provisions for CEWS; and
- The change in the foreign exchange rate decreased Comparative NOI for the U.S. properties by $10,991.

MANAGEMENT AND ADVISORY FEES

Morguard's management and advisory fee revenue for the year ended December 31, 2021, increased by $3,222, or 7.7%, to $45,302, compared to $42,080 in 2020, primarily due to higher asset management, property management, leasing and disposition fees earned.

INTEREST AND OTHER INCOME

Interest and other income for the year ended December 31, 2021, increased by $7,195, to $22,934 compared to $15,739 in 2020. The increase was primarily due to a one-time special cash dividend from one of of the Company's investments in marketable securities amounting to $8,490.

INTEREST EXPENSE

Interest expense consists of the following:

For the year ended December 31	2021	2020
Mortgages payable	**$152,538**	$161,228
Debentures payable, net of accretion	**48,141**	55,761
Bank indebtedness	**3,573**	5,259
Loans payable and other	**1,713**	1,510
Lease liabilities	**9,617**	9,440
Amortization of mark-to-market adjustments on mortgages, net	**(2,649)**	(4,552)
Amortization of deferred financing costs	**7,726**	8,772
	220,659	237,418
Less: Interest capitalized to properties under development	**(347)**	(697)
	$220,312	$236,721

Interest expense for the year ended December 31, 2021, decreased by $16,409, or 6.9%, to $220,312, compared to $236,721 in 2020, mainly due to lower interest on mortgages payable, bank indebtedness and lower interest on the Debentures, primarily due to the repayment upon maturity of the Series D unsecured debentures on May 14, 2021, as well as a decrease in interest from the issuance of the Series G unsecured debentures in September 2020, net of the repayment of the Series B unsecured debentures in November 2020. The decrease in interest on mortgages payable is largely attributable to principal repayments, refinancing of mortgages at favourable interest rates and the strengthening of the Canadian dollar which decreased interest expense of U.S. mortgages by $3,431, partially offset by proceeds from new mortgages during the year.

PROPERTY MANAGEMENT AND CORPORATE

Property management and corporate expenses for the year ended December 31, 2021, increased by $20,594, or 34.5% to $80,201, compared to $59,607 in 2020, primarily due to an increase in non-cash compensation expense related to the Company's SARs plan of $16,132 and a decrease in a provision for CEWS of $5,467.

AMORTIZATION OF HOTEL PROPERTIES AND OTHER

Amortization of hotel properties and other for the year ended December 31, 2021, decreased by $2,796 to $32,499, compared to $35,295 in 2020.

PROVISION FOR IMPAIRMENT

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. See section "Part IV, Balance Sheet Analysis".

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 year ended December 31, 2021, the Company recognized a net fair value gain on real estate properties of $266,971, compared to a net fair value loss of $511,472 in 2020.

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

For the year ended December 31	2021	2020
Multi-suite residential	**$327,512**	$87,261
Retail	**(42,946)**	(477,299)
Office	**(48,909)**	(133,437)
Industrial	**31,314**	12,003
	$266,971	($511,472)

For the year ended December 31, 2021, the Company recognized a net fair value gain of $327,512 in the residential portfolio. The fair value gain is comprised of $129,448 at the Canadian properties and $198,064 at the U.S. properties primarily as a result of a 25 basis point decrease in capitalization rates at most properties as well as an increase in stabilized NOI.

For the year ended December 31, 2021, the Company recognized a net fair value loss of $42,946 in the retail portfolio mainly due to a decrease in NOI and cash flow at several enclosed malls.

For the year ended December 31, 2021, the Company recognized a net fair value loss of $48,909 in the office portfolio. The fair value loss was mainly due to reductions in cash flow assumptions resulting from a lease amendment at a property located in Calgary, Alberta, and due to lower stabilized NOI at certain other properties.

For the year ended December 31, 2021, the Company recognized a net fair value gain of $31,314 in the industrial portfolio primarily due to a 25 basis point decrease in the capitalization rate and increase in stabilized NOI.

FAIR VALUE LOSS ON MORGUARD RESIDENTIAL REIT UNITS

For the year ended December 31, 2021, the Company recorded a fair value loss on the Morguard Residential REIT units of $70,941, which includes a mark-to-market loss of $49,184 on the units as a result of an increase in trading price and the distributions made to external unitholders of $21,757.

FAIR VALUE GAIN ON INVESTMENT IN MARKETABLE SECURITIES

Investment in marketable securities are classified as financial assets measured at FVTPL. For the year ended December 31, 2021, the Company recorded a fair value gain on investment in marketable securities of $12,263 resulting from an increase in market value of the securities.

EQUITY INCOME (LOSS) FROM INVESTMENTS

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

For the year ended December 31	2021	2020
Joint ventures	**($1,899)**	($3,904)
Associates	**25,916**	(3,566)
	$24,017	($7,470)

Equity income from investments for the year ended December 31, 2021, increased by $31,487 to $24,017, compared to an equity loss of $7,470 in 2020. The increase is primarily due to a fair value gain recorded on the Company's investment in Lumina Hollywood during the year ended December 31, 2021, compared to a fair value loss recorded in the same period in 2020, partially offset by a provision for impairment at one of the Company's hotel investments and a decrease in operating income at Lumina Hollywood as the property continues the initial lease-up.

OTHER INCOME

Other income for the year ended December 31, 2021, increased by $3,332 to $4,565, compared to $1,233 in 2020, primarily due to an increase in foreign exchange gain of $1,427 and due to $2,014 in settlement proceeds received on four disclaimed leases from Sears Canada Inc., partially offset by a gain of $2,067 on the sale of hotel properties recognized in 2020.

INCOME TAXES

For the year ended December 31, 2021, the Company recorded an income tax expense of $151,481, compared to an income tax recovery of $69,734 in 2020. The increase in income tax expense of $221,215 comprises an increase of $207,457 in deferred tax expense and an increase of $13,758 in current tax expense.

The increase in current tax expense for the year ended December 31, 2021 is attributable to an increase of $12,935 as a result of Morguard Residential REIT redeeming its Class C limited partnership units ("Class C LP units") and was partially offset by the higher taxable income during 2020 from the disposition of a property. The Class C LP units were originally issued in 2012 in connection with four properties sold by the Company to Morguard Residential REIT.

The increase in deferred tax expense for the year ended December 31, 2021, is primarily a result of fair value gains related to Canadian and U.S. properties compared to the fair value losses recorded during the same period in 2020.

PENSION PLANS

The Company's accounting policy under IFRS is to recognize actuarial gains/losses in the period in which they occur, and these gains/losses are reflected in the consolidated statements of comprehensive income (loss). During the year ended December 31, 2021, an actuarial gain of $29,417 was recorded in the consolidated statements of comprehensive income (loss), compared to an actuarial loss of $27,897 for the year ended December 31, 2020.

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 (loss) 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 December 31		Year ended December 31	
	2021	2020	**2021**	2020
Multi-suite residential	**$52,059**	$52,265	**$204,143**	$227,565
Retail	**31,447**	28,586	**116,741**	116,201
Office	**32,391**	33,053	**131,675**	131,836
Industrial	**1,911**	1,981	**7,459**	7,264
Hotel	**2,839**	233	**27,744**	8,377
Adjusted NOI(1)	**120,647**	116,118	**487,762**	491,243
Other Revenue				
Management and advisory fees	**13,252**	10,460	**45,302**	42,080
Interest and other income	**4,420**	4,540	**22,934**	15,739
Equity-accounted FFO(2)	**656**	1,303	**(191)**	5,145
	18,328	16,303	**68,045**	62,964
Expenses and Other				
Interest	**(54,190)**	(57,677)	**(220,312)**	(236,721)
Principal repayment of lease liabilities	**(379)**	(438)	**(1,756)**	(1,722)
Property management and corporate	**(20,022)**	(19,996)	**(80,201)**	(59,607)
Internal leasing costs	**1,183**	1,416	**3,502**	3,795
Amortization of capital assets	**896**	(842)	**(1,593)**	(3,467)
Current income taxes(3)	**(14,498)**	1,816	**(21,488)**	(3,890)
Non-controlling interests' share of FFO(4)	**(14,131)**	(13,936)	**(55,244)**	(56,985)
Unrealized changes in the fair value of financial instruments	**5,808**	18,808	**6,006**	(33,637)
Other income (expense)	**230**	650	**3,199**	(773)
FFO	**$43,872**	$62,222	**$187,920**	$161,200
FFO per common share amounts – basic and diluted	**$3.95**	$5.60	**$16.93**	$14.39
Weighted average number of common shares outstanding (in thousands):				
Basic and diluted	**11,101**	11,115	**11,101**	11,205

(1) For the three months ended and year ended December 31, 2021, an IFRIC 21 adjustment of $10,889 (2020 - $11,082) and $238 (2020 - $nil) was added, respectively, from 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 months ended and year ended December 31, 2021, excludes $530 (2020 - $nil) and $530 (2020 - $4,370), respectively, of income tax relating to the disposal of property.

(4) For the three months ended and year ended December 31, 2021, non-controlling interests' share of FFO includes Morguard Residential REIT's non-controlling interest share of FFO in the amount of $6,025 (2020 - $5,666) and $23,633 (2020 - $25,843), respectively.

For the three months ended December 31, 2021, the Company recorded FFO of $43,872 ($3.95 per common share), compared to $62,222 ($5.60 per common share) in 2020. The decrease in FFO of $18,350 is mainly due to the following:

- An increase in Adjusted NOI of $4,529, primarily due to higher NOI from the hotel portfolio due to increased RevPar as the easing of pandemic restrictions positively impacting travel demand. In addition, higher NOI from the retail portfolio was mainly caused by lower bad debt expense, partially offset by lower recoveries of operating expenses;
- An increase in management and advisory fees of $2,792, primarily due to higher asset management, property management, leasing and disposition fees earned compared to 2020;

- A decrease in interest expense of $3,487, mainly due to lower interest on mortgages payable, bank indebtedness and lower interest on the Debentures;
- An increase in current income taxes of $16,314, mainly due to the redemption of Class C LP units; and
- A decrease in unrealized changes in the fair value of financial instruments of $13,000.

The change in foreign exchange rate had a negative impact on FFO of $464 ($0.04 per common share).

For the year ended December 31, 2021, the Company recorded FFO of $187,920 ($16.93 per common share), compared to $161,200 ($14.39 per common share) in 2020. The increase in FFO of $26,720 is mainly due to the following:

- A decrease in Adjusted NOI of $3,481, primarily due to higher vacancy at multi-suite residential properties and was partially offset by higher NOI from the hotel portfolio due to increased RevPar and many hotels being temporarily closed during 2020;
- An increase in management and advisory fees of $3,222 primarily due to higher asset management, property management, leasing and disposition fees earned compared to 2020;
- An increase in interest and other income of $7,195, primarily due to a one-time special cash dividend from one of the Company's investments in marketable securities amounting to $8,490;
- A decrease in the equity-accounted FFO of $5,336, primarily due to the Company's investment in Lumina Hollywood, which is under initial lease-up;
- A decrease in interest expense of $16,409, mainly due to lower interest on mortgages payable, bank indebtedness and lower interest on the Debentures;
- An increase in property management and corporate expenses of $20,594 primarily due to an increase in non-cash compensation expense related to the Company's SARs plan and a decrease in a provision for CEWS;
- An increase in current income taxes of $17,598, mainly due to the redemption of Class C LP units;
- A decrease in the non-controlling interests' share of FFO of $1,741;
- An increase of $39,643 in unrealized changes in the fair value of the Company's financial instruments; and
- An increase in other income of $3,972 primarily due to settlement proceeds received on four disclaimed leases from Sears Canada Inc.

The change in foreign exchange rate had a negative impact on FFO of $4,352 ($0.39 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 December 31		Year ended December 31	
	2021	2020	**2021**	2020
FFO (from above)	**$43,872**	$62,222	**$187,920**	$161,200
Add/(deduct):				
Unrealized changes in the fair value of financial instruments	**(5,808)**	(18,808)	**(6,006)**	33,637
SARs plan increase (decrease) in compensation expense	**641**	1,832	**3,971**	(12,161)
Sears settlement, net of non-controlling interest	**—**	—	**(1,238)**	—
Lease cancellation fee and other	**(730)**	(924)	**(3,258)**	(1,582)
Tax effect of above adjustments	**(99)**	111	**(247)**	111
Current tax on redemption of Class C LP units	**12,935**	—	**12,935**	—
Normalized FFO	**$50,811**	$44,433	**$194,077**	$181,205
Per common share amounts – basic and diluted	**$4.58**	$4.00	**$17.48**	$16.17

Normalized FFO for the three months ended December 31, 2021, was $50,811, or $4.58 per common share, versus $44,433, or $4.00 per common share, for the same period in 2020, which represents an increase of $6,378, or 14.4%.

Normalized FFO for the year ended December 31, 2021, was $194,077, or $17.48 per common share, versus $181,205, or $16.17 per common share, for the same period in 2020, which represents an increase of $12,872, or 7.1%.

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

	Three months ended December 31		Year ended December 31	
	2021	2020	**2021**	2020
Net income (loss) attributable to common shareholders	**$115,481**	($62,328)	**$249,760**	($98,918)
Add/(deduct):				
Fair value loss (gain) on real estate properties, net[1]	**(115,617)**	149,299	**(294,320)**	519,961
Non-controlling interests' share of fair value loss on real estate properties, net[1]	**(10,673)**	(45,081)	**(24,750)**	(181,598)
Fair value loss (gain) on Morguard Residential REIT units	**17,338**	40,531	**49,184**	(70,996)
Distribution to Morguard Residential REIT's external unitholders	**5,442**	5,434	**21,757**	21,727
Non-controlling interest - Morguard Residential REIT	**(6,025)**	(5,666)	**(23,633)**	(25,843)
Fair value loss (gain) on conversion option of MRG convertible debentures	**276**	767	**451**	(1,895)
Amortization of intangible asset	**2,897**	1,171	**6,363**	4,495
Amortization of hotel properties[2]	**6,129**	7,122	**25,603**	28,390
Non-controlling interests' share of amortization of hotel properties	**—**	—	**—**	(676)
Foreign exchange loss (gain)	**16**	535	**(1,366)**	61
Deferred income taxes	**37,361**	(28,688)	**129,463**	(77,994)
Current tax on disposition of property	**530**	—	**530**	4,370
Principal repayment of lease liabilities	**(379)**	(438)	**(1,756)**	(1,722)
Internal leasing costs	**1,183**	1,416	**3,502**	3,795
Realty taxes accounted for under IFRIC 21[3]	**(10,087)**	(10,483)	**(238)**	—
Provision for impairment[4]	**—**	8,631	**47,370**	40,110
Gain on sale of hotel property	**—**	—	**—**	(2,067)
FFO	**$43,872**	$62,222	**$187,920**	$161,200
FFO per common share – basic and diluted	**$3.95**	$5.60	**$16.93**	$14.39
Weighted average number of common shares outstanding (in thousands):				
Basic and diluted	**11,101**	11,115	**11,101**	11,205

(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 94% of Morguard's total assets. Real estate properties include multi-suite residential, retail, office and industrial properties held to earn rental income and for capital appreciation. Real estate properties also include properties or land that is being constructed or developed for future use as income producing properties.

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

As at December 31	2021	2020
Real estate properties		
Multi-suite residential	**$5,542,725**	$4,937,059
Retail	**2,222,787**	2,243,942
Office	**2,198,862**	2,253,706
Industrial	**175,442**	133,512
	10,139,816	9,568,219
Properties under development	**12,360**	25,416
Land held for development	**92,699**	86,773
Real estate properties	**$10,244,875**	$9,680,408

Real estate properties increased by $564,467 at December 31, 2021, to $10,244,875, compared to $9,680,408 at December 31, 2020. The increase is primarily the result of the following:

- A fair value gain on real estate properties of $266,971;
- Transfers from equity-accounted investments of $145,631;
- Acquisitions of $102,168;
- Capitalization of property enhancements, including capital expenditures and tenant improvements totalling $68,159;
- Development expenditures of $7,245;
- A decrease of $9,589 due to the change in the U.S. dollar exchange rate; and
- Dispositions of a real estate property of $18,421.

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

As at December 31, 2021, using the direct capitalization approach, the multi-suite residential, retail, office and industrial properties were valued using capitalization rates in the range of 3.0% to 9.8% (2020 - 3.3% to 9.8%), resulting in an overall weighted average capitalization rate of 5.2% (2020 - 5.4%).

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

As at December 31	2021 Occupancy Rates Max.	2021 Occupancy Rates Min.	2021 Capitalization Rates Max.	2021 Capitalization Rates Min.	2021 Capitalization Rates Weighted Average	2020 Occupancy Rates Max.	2020 Occupancy Rates Min.	2020 Capitalization Rates Max.	2020 Capitalization Rates Min.	2020 Capitalization Rates Weighted Average
Multi-suite residential	**98.0%**	**92.0%**	**6.5%**	**3.0%**	**4.1%**	98.0%	92.0%	6.8%	3.3%	4.3%
Retail	**99.0%**	**85.0%**	**9.8%**	**5.3%**	**6.9%**	99.0%	85.0%	9.8%	5.3%	6.9%
Office	**100.0%**	**90.0%**	**7.8%**	**4.3%**	**6.1%**	100.0%	90.0%	8.5%	4.3%	6.2%
Industrial	**100.0%**	**95.0%**	**6.0%**	**4.0%**	**5.0%**	100.0%	95.0%	6.8%	4.8%	5.3%

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

As at December 31	2021 Maximum	2021 Minimum	2021 Weighted Average	2020 Maximum	2020 Minimum	2020 Weighted Average
Retail						
Discount rate	**10.8%**	**6.0%**	**7.2%**	10.5%	6.0%	7.3%
Terminal cap rate	**9.8%**	**5.3%**	**6.2%**	9.5%	5.3%	6.2%
Office						
Discount rate	**8.5%**	**5.3%**	**6.4%**	8.0%	5.3%	6.4%
Terminal cap rate	**7.5%**	**4.3%**	**5.6%**	7.5%	4.3%	5.7%
Industrial						
Discount rate	**6.8%**	**5.8%**	**5.9%**	6.5%	6.0%	6.1%
Terminal cap rate	**6.5%**	**5.0%**	**5.2%**	6.0%	5.0%	5.4%

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

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

As at	December 31, 2021		December 31, 2020	
Change in capitalization rate:	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Multi-suite residential	**($311,848)**	**$351,762**	($255,541)	$285,352
Retail	**(69,668)**	**74,974**	(70,078)	75,329
Office	**(86,478)**	**93,813**	(88,986)	96,443
Industrial	**(7,799)**	**8,614**	(5,988)	6,578
	($475,793)	**$529,163**	($420,593)	$463,702

HOTEL PROPERTIES

Hotel properties consist of the following:

As at December 31	2021	2020
Cost	**$701,502**	$761,016
Accumulated impairment provision	**(113,165)**	(100,659)
Accumulated amortization	**(131,184)**	(115,316)
Hotel properties	**$457,153**	$545,041

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.

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 (loss) 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%

EQUITY-ACCOUNTED AND OTHER FUND INVESTMENTS

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

As at December 31	2021	2020
Joint ventures	**$36,716**	$44,474
Associates	**25,507**	83,105
Equity-accounted investments	**62,223**	127,579
Other real estate fund investments	**81,985**	88,699
Equity-accounted and other fund investments	**$144,208**	$216,278

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

				Company's Ownership		Carrying Value	
Property/Investment	Principal Place of Business	Investment Type	Asset Type	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Petroleum Plaza	Edmonton, AB	Joint Venture	Office	**50.0%**	50.0%	**$18,578**	$20,496
Quinte Courthouse	Belleville, ON	Joint Venture	Office	**50.0%**	50.0%	**2,848**	2,896
Greypoint Capital L.P. II	Toronto, ON	Joint Venture	Other	**15.6%**	22.4%	**6,624**	10,064
Courtyard by Marriott	Ottawa, ON	Joint Venture	Hotel	**50.0%**	50.0%	**4,608**	7,295
Marriott Residence Inn	London, ON	Joint Venture	Hotel	**50.0%**	50.0%	**4,058**	3,723
Lumina Hollywood(1)	Los Angeles, CA	Associate	Residential	**—%**	59.1%	**—**	64,180
MIL Industrial Fund II LP(2)(3)	Various	Associate	Industrial	**18.8%**	18.8%	**25,507**	18,925
						$62,223	$127,579

(1) The Company acquired the 40.9% interest not already owned in Lumina Hollywood on October 26, 2021.
(2) The Company accounts for its investment using the equity method since the Company has the ability to exercise significant influence as a result of its role as general partner; however, it does not control the fund.
(3) The fund disposed of its 50% interest in one industrial property on March 25, 2020, for net proceeds of $28,079.

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

As at December 31	2021	2020
Balance, beginning of year	**$127,579**	$138,953
Additions	**2,303**	15,532
Transfer[1]	**(88,690)**	—
Share of net income (loss)	**24,017**	(7,470)
Distributions received	**(3,523)**	(18,115)
Foreign exchange gain (loss)	**537**	(1,321)
Balance, end of year	**$62,223**	$127,579

[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.

MORTGAGES PAYABLE

Mortgages payable totalled $4,627,968 at December 31, 2021, compared to $4,269,374 at December 31, 2020, an increase of $358,594. The increase was predominantly due to net proceeds from new mortgage financing of $871,847 and a transfer of mortgage from equity-accounted investments of $56,823, partially offset by the repayment of mortgages discharged and matured of $443,141 and scheduled principal repayments of $122,981.

MORTGAGE CONTINUITY SCHEDULE

As at December 31	2021	2020
Opening mortgage balance	**$4,269,374**	$4,365,279
New mortgage financing	**881,680**	446,157
New mortgage financing costs	**(9,833)**	(2,997)
Mortgages discharged and matured	**(443,141)**	(397,462)
Scheduled principal repayments	**(122,981)**	(111,140)
Transfer of mortgage from equity-accounted investment	**56,823**	—
Change in foreign exchange rate	**(6,097)**	(31,563)
Mortgages mark-to-market adjustment, net	**(2,649)**	(4,552)
Deferred financing costs (including extinguishment)	**4,792**	5,652
Closing mortgage balance	**$4,627,968**	$4,269,374

The Company's first mortgages are registered against specific real estate assets and hotel properties. As at December 31, 2021, mortgages payable bear interest at rates ranging between 2.03% and 7.08% per annum with a weighted average interest rate of 3.39% (2020 - 3.58%), mature between 2022 and 2058 with a weighted average term to maturity of 4.6 years (2020 - 4.8 years) and approximately 94% of the Company's mortgages have fixed interest rates.

MORTGAGE REPAYMENT SCHEDULE

As at December 31, 2021	Principal Instalment Repayments	Balance Maturing	Total	Weighted Average Contractual Interest Rate
2022	$127,292	$534,801	$662,093	3.65%
2023	103,508	741,953	845,461	3.57%
2024	90,719	557,865	648,584	3.33%
2025	75,488	474,516	550,004	3.12%
2026	56,509	381,830	438,339	3.31%
Thereafter	187,382	1,316,312	1,503,694	3.32%
	$640,898	$4,007,277	4,648,175	3.39%
Mark-to-market adjustment, net			4,747	
Deferred financing costs			(24,954)	
			$4,627,968	

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 December 31, 2021, the Company was not in compliance with two (2020 - three) debt ratio covenants affecting two (2020 - four) mortgage loans, and are secured by a hotel and an office property amounting to $39,795 (2020 - $102,081). Subsequent to December 31, 2021, the Company received a waiver in regard to one mortgage loan secured by an office property with an aggregate amount of $29,581. None of the lenders have demanded payment of the mortgage loans. However, IFRS requires that the loan balance of mortgages payable in breach of debt covenants be included in the current portion of mortgages payable. The Company's one mortgage loan secured by a hotel property in breach of its debt ratio covenant is contractually scheduled to mature within one year and is included in the current portion of mortgages payable.

The following table details the new and refinancing activities completed during the year ended December 31, 2021:

Date	Asset Type	Location	New Interest Rate	Maturing Interest Rate	Term (years)	Mortgage Proceeds	Mortgage Repayment
April 29, 2021	Residential	Toronto, ON	2.22%	—%	3.8	$90,000	$—
April 30, 2021	Office	Oakville, ON	2.40%	—%	5.0	10,500	—
April 30, 2021	Office	Nepean, ON	2.40%	—%	5.0	10,500	—
April 30, 2021	Hotel	New Westminster, BC	4.55%	4.65%	1.8	11,100	10,913
May 1, 2021	Office	Ottawa, ON	3.50%	3.69%	3.0	12,000	15,745
May 3, 2021	Retail	Prince George, BC	2.58%	4.23%	2.0	65,098	65,098
May 31, 2021	Retail	Brampton, ON	3.08%	4.87%	7.0	36,269	15,114
June 1, 2021	Retail	Grande Prairie, AB	3.15%	3.74%	5.0	48,508	48,508
August 1, 2021	Hotel	Moose Jaw, SK	4.50%	3.96%	1.0	1,677	1,677
September 1, 2021	Office	Calgary, AB	3.14%	4.85%	10.0	15,000	7,369
September 1, 2021	Retail	Boynton Beach, FL	3.62%	4.99%	10.0	49,052	39,274
September 1, 2021	Retail	Dunnellon, FL	3.62%	—%	10.0	9,811	—
September 1, 2021	Retail	Palatka, FL	3.62%	—%	10.0	9,301	—
September 1, 2021	Retail	West Palm Beach, FL	3.62%	—%	10.0	23,571	—
October 1, 2021	Office	Ottawa, ON	2.63%	2.25%	1.0	28,500	28,500
October 1, 2021	Hotel	Moose Jaw, SK	4.50%	5.59%	0.6	15,078	15,078
October 1, 2021	Retail	Brandon, MB	2.69%	4.62%	5.0	29,107	29,107
November 10, 2021	Residential	Mississauga, ON	2.70%	3.97%	10.0	72,145	24,771
November 10, 2021	Residential	Toronto, ON	2.70%	3.97%	10.0	29,986	12,379
November 10, 2021	Residential	Toronto, ON	2.75%	3.97%	10.5	44,013	17,801
November 10, 2021	Residential	Toronto, ON	2.75%	3.97%	10.5	48,063	19,229
December 1, 2021	Hotel	Regina, SK	6.40%	3.75%	1.0	8,032	8,032
December 1, 2021	Residential	Los Angeles, CA	2.60%	5.50%	2.9	150,869	56,823
December 1, 2021	Office	Vancouver, BC	3.11%	3.84%	10.0	63,500	27,723
Weighted Averages and Total			**2.90%**	**4.30%**	**6.2**	**$881,680**	**$443,141**

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	6	$113,748	3.42%	34.6%	8	$360,957	3.36%	46.0%
Retail	3	121,906	3.06%	51.3%	5	240,818	3.36%	65.9%
Office	3	187,266	3.73%	66.3%	2	90,169	4.06%	44.8%
Hotels(1)	5	82,273	4.57%	80.0%	5	50,009	5.20%	70.5%
	17	$505,193	3.63%	53.1%	20	$741,953	3.57%	52.2%

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

UNSECURED DEBENTURES

The Company's Unsecured Debentures consist of the following:

As at December 31	Maturity Date	Coupon Interest Rate	2021	2020
Series C senior unsecured debentures	September 15, 2022	4.333%	**$200,000**	$200,000
Series D senior unsecured debentures	May 14, 2021	4.085%	**—**	200,000
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			**(1,744)**	(2,848)
			$823,256	$1,022,152

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

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

On May 14, 2018, the Company issued $200,000 (net proceeds including issuance costs - $198,805) of Series D senior unsecured debentures due on May 14, 2021. 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, a related party, acquired $12,500 aggregate principal amount of the Series E senior unsecured debentures. The Company has the option to redeem the Series E senior unsecured debentures at a redemption price equal to the greater of the Canada Yield Price or par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada Bond Yield with an equal term to maturity plus a spread of 0.70%.

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

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

For the year ended December 31, 2021, interest on the Unsecured Debentures of $39,437 (2020 - $45,964) is included in interest expense.

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 (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 ("Balance Sheet Indenture Adjustment");
- 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 ("Income Statement Indenture Adjustment").

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

Non-Consolidated Basis	**Covenant Requirements**	**December 31, 2021**	December 31, 2020
Interest coverage ratio(1)(2)	1.65	**2.28**	2.06
Indebtedness to aggregate assets ratio(2)	Less than or equal to 65%	**45.2%**	47.6%
Adjusted shareholders' equity(2)	Not less than $300,000	**$3,635,562**	$3,393,846

(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 December 31, 2021, on a Non-Consolidated Basis, the Company's unencumbered assets which include real estate and hotel properties, and other investments amounted to $851,774 (December 31, 2020 - $1,026,000).

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

MORGUARD NON-CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

As at December 31	Morguard Consolidated	Morguard REIT	Morguard Residential REIT	Equity Adjustment	Balance Sheet Indenture Adjustment	2021 Morguard Non-Consolidated Basis	2020 Morguard Non-Consolidated Basis
ASSETS							
Real estate properties	$10,244,875	($2,451,301)	($3,256,158)	($238,858)	$—	**$4,298,558**	$4,001,078
Hotel properties	457,153	—	—	—	131,184	**588,337**	660,357
Equity-accounted and other fund investments	144,208	(18,578)	(96,376)	1,392,962	—	**1,422,216**	1,408,183
Investment in Class C LP units	—	—	—	—	—	**—**	83,944
Other assets	646,307	(24,063)	(120,753)	72,045	—	**573,536**	553,691
Total assets	$11,492,543	($2,493,942)	($3,473,287)	$1,226,149	$131,184	**$6,882,647**	$6,707,253
LIABILITIES							
Mortgage payable and Class C LP units	$4,627,968	($1,125,657)	($1,288,555)	($151,342)	$—	**$2,062,414**	$1,865,693
Construction financing, loans and bank indebtedness	8,039	(7,526)	—	70,000	—	**70,513**	147,385
Class B LP units	—	—	(305,021)	305,021	—	**—**	—
Debentures payable	995,149	(147,908)	(86,319)	62,334	—	**823,256**	1,022,152
Lease liabilities	168,265	(16,718)	(9,065)	370	—	**142,852**	144,417
Morguard Residential REIT units	496,024	—	—	(496,024)	—	**—**	—
Deferred income tax liabilities	784,776	—	(175,229)	—	(609,547)	**—**	—
Accounts payable and accrued liabilities	238,575	(44,145)	(47,713)	1,333	—	**148,050**	133,760
Total liabilities	7,318,796	(1,341,954)	(1,911,902)	(208,308)	(609,547)	**3,247,085**	3,313,407
Equity / Adjusted shareholders' equity	4,173,747	(1,151,988)	(1,561,385)	1,434,457	740,731	**3,635,562**	3,393,846
Total liabilities and equity	$11,492,543	($2,493,942)	($3,473,287)	$1,226,149	$131,184	**$6,882,647**	$6,707,253

COMPUTATION FOR INTEREST COVERAGE RATIO

Year ended December 31	Morguard Consolidated	Morguard REIT	Morguard Residential REIT	Equity Adjustment	Income Statement Indenture Adjustment	2021 Morguard Non-Consolidated Basis	2020 Morguard Non-Consolidated Basis
Revenue from real estate properties	$852,692	($241,440)	($245,566)	($17,080)	$—	**$348,606**	$366,447
Revenue from hotel properties	123,916	—	—	—	—	**123,916**	79,840
Property operating expenses	(392,436)	119,311	116,071	(3,694)	(238)	**(160,986)**	(165,244)
Hotel operating expenses	(96,172)	—	—	—	—	**(96,172)**	(73,841)
Net operating income	488,000	(122,129)	(129,495)	(20,774)	(238)	**215,364**	207,202
Management and advisory fees/distributions	45,302	—	—	33,448	—	**78,750**	75,978
Interest and other income	22,934	—	—	6,971	—	**29,905**	24,420
Property management and corporate[1]	(80,201)	3,845	14,392	(16,266)	3,971	**(74,259)**	(72,163)
Other income (expense)[2]	3,199	(2,017)	(83)	102	—	**1,201**	(773)
Distributions from Morguard REIT and Morguard Residential REIT	—	—	—	—	32,247	**32,247**	41,075
EBITDA	$479,234	($120,301)	($115,186)	$3,481	$35,980	**$283,208**	$275,739
Interest expense	$220,312	($53,281)	($65,719)	$22,933	$—	**$124,245**	$133,945
Interest capitalized to development projects	347	(347)	—	—	—	**—**	—
Interest expense for interest coverage ratio	$220,659	($53,628)	($65,719)	$22,933	$—	**$124,245**	$133,945

(1) Morguard consolidated property management and corporate expense for the year ended December 31, 2021, includes a non-cash fair value adjustment relating to the Company's SARs liability and has been adjusted to remove the impact of the increase in SARs expense of $3,971 (2020 - decrease in SARs expense of $12,161).

(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 December 31	Maturity Date	Conversion Price	Coupon Interest Rate	Principal Balance	Principal Owned by the Company	2021	2020
Morguard REIT	December 31, 2021	$20.40	4.50%	$175,000	$60,000	**$—**	$114,157
Morguard REIT	December 31, 2026	$7.80	5.25%	$159,000	$60,000	**90,574**	—
Morguard Residential REIT(1)	March 31, 2023	$20.20	4.50%	$85,500	$5,000	**81,319**	80,165
						$171,893	$194,322

(1) As at December 31, 2021, the liability includes the fair value of the conversion option of $2,028 (2020 - $1,577).

MORGUARD REIT

On December 7, 2021, Morguard REIT issued $159,000 principal amount of 5.25% convertible unsecured subordinated debentures, and incurred issue costs of $4,213 for net proceeds of $154,787. Interest is payable semi-annually, not in advance, on June 30 and December 31 of each year, commencing on June 30, 2022. 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 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 year ended December 31, 2021, interest on convertible debentures net of accretion of $8,704 (2020 - $9,797) is included in interest expense.

MORGUARD RESIDENTIAL REIT UNITS

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

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

As at December 31, 2021, the Company valued the non-controlling interest in Morguard Residential REIT units at $496,024 (2020 - $446,091) and classified the units as a liability on the consolidated balance sheets. Due to the change in the market value of the units and the distributions paid to external unitholders, the Company recorded a fair value loss for the year ended December 31, 2021 of $70,941 (2020 - gain of $49,269), in the consolidated statements of income (loss).

BANK INDEBTEDNESS

As at December 31, 2021, the Company has operating lines of credit totalling $493,500 (2020 - $593,500), the majority of which can be borrowed in either Canadian or United States dollars and are subject to floating interest rates based on bankers' acceptance or LIBOR rates. As at December 31, 2021, the maximum amount that can be borrowed on the operating lines of credit is $403,026 (2020 - $578,554), which includes deducting issued letters of credit in the amount of $8,856 (2020 - $8,742) related to these facilities. The Company's investments in Morguard REIT and Morguard Residential REIT, marketable securities, amounts receivable, inventory, capital assets and a fixed-charge security on specific properties have been pledged as collateral on these operating lines of credit. As at December 31, 2021, the Company had borrowed $8,039 (2020 - $156,802) on its operating lines of credit.

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

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

LEASE LIABILITIES

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

As at December 31	2021	2020
Balance, beginning of year	**$164,255**	$166,144
Interest on lease liabilities	**9,617**	9,440
Payments	**(11,373)**	(11,162)
Additions	**5,878**	—
Foreign exchange gain	**(112)**	(167)
Balance, end of year	**$168,265**	$164,255

Under one of the Company's ground leases with a term until 2065, land rent is required to be reset every 10 years. During the year ended December 31, 2021, the fair market value of the land was reset resulting in a $5,878 lease liability and corresponding right-of-use asset adjustment.

Future minimum lease payments under lease liabilities are as follows:

As at December 31	2021	2020
Within 12 months	**$11,306**	$11,120
2 to 5 years	**43,546**	42,585
Over 5 years	**357,982**	353,577
Total minimum lease payments	**$412,834**	$407,282
Less: future interest costs	**(244,569)**	(243,027)
Present value of minimum lease payments	**$168,265**	$164,255

CONTRACTUAL MATURITIES

The contractual maturities and repayment obligations of the Company's financial liabilities for upcoming periods as at December 31, 2021, are as follows:

As at December 31, 2021	2022	2023	2024	2025	2026	Thereafter	Total
Mortgages payable	$662,093	$845,461	$648,584	$550,004	$438,339	$1,503,694	**$4,648,175**
Mortgage interest	146,387	115,044	95,621	76,319	58,216	159,571	**651,158**
Debentures payable	200,000	255,500	450,000	—	99,000	—	**1,004,500**
Interest on debentures	43,302	31,615	14,753	5,198	5,198	—	**100,066**
Bank indebtedness	8,039	—	—	—	—	—	**8,039**
Accounts payable and accrued liabilities	238,575	—	—	—	—	—	**238,575**
Lease liability (including interest)	11,306	11,006	10,975	10,853	10,712	357,982	**412,834**
	$1,309,702	**$1,258,626**	**$1,219,933**	**$642,374**	**$611,465**	**$2,021,247**	**$7,063,347**

EQUITY

Total equity increased by $261,049 to $4,173,747 at December 31, 2021, compared to $3,912,698 at December 31, 2020.

The increase in equity was primarily the result of:

- Net income for the year ended December 31, 2021 of $256,621;
- An actuarial gain on defined benefit pension plans of $29,417;
- Repurchase of common shares through the Company's NCIB (defined below) amounting to $1,007;
- Non-controlling interest distributions of $9,571;
- Dividends paid of $6,660;
- Unrealized foreign currency translation loss of $4,944; and
- Equity component of convertible debentures of $4,213.

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

As at December 31, 2021, and February 24, 2022, 11,100,662 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 year ended December 31, 2021, Morguard received $35,770 in recurring distributions and dividends from subsidiaries and affiliated entities.

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

YEAR ENDED DECEMBER 31, 2021

Cash Provided by Operating Activities

Cash provided by operating activities during the year ended December 31, 2021, was $265,443, compared to $211,890 in 2020. The cash provided by operating activities has been used to meet the Company's liquidity requirements, which consisted primarily of property re-leasing costs, maintenance costs and dividends to shareholders.

Cash Used in Investing Activities

Cash used in investing activities during the year ended December 31, 2021, totalled $125,617, compared to cash used in investing activities of $68,045 in 2020. The cash used in investing activities reflects:

- Additions to real estate properties and tenant improvements of $160,420;
- Additions to hotel properties of $10,444;
- Investment in properties under development of $7,245;
- Net proceeds from the sale of real estate properties of $18,421;
- Net proceeds from the sale of hotel properties of $22,287;
- Proceeds from the disposition of marketable securities of $14,200; and
- Net investment in equity-accounted and other fund investments of $2,303.

Cash Used in Financing Activities

Cash used in financing activities during the year ended December 31, 2021, totalled $106,631, compared to cash used in financing activities of $122,847 in 2020. The cash used in financing activities reflects:

- Proceeds from new mortgages, net of financing cost of $871,847;
- Mortgage principal repayments of $122,981;
- Repayment of mortgages on maturity of $443,141;
- Principal payment of lease liabilities of $1,756;
- Net repayment of bank indebtedness of $148,763;
- Proceeds from issuance of debentures payable, net of costs of $94,787;
- Redemption of debentures payable of $315,000;
- Net repayment from loans payable of $20,000;
- Dividends paid of $6,592;
- Distributions to non-controlling interest of $9,190;
- Common shares repurchased for cancellation of $1,007; and
- Increase in restricted cash of $4,835.

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 December 31, 2021 the Company has a demand loan agreement with Paros that provides for the Company to borrow up to $50,000 (2020 - $22,000). During the year ended December 31, 2021, the Company increased its existing demand loan by $28,000. The total loan payable as at December 31, 2021 was $nil (2020 - $nil). During the year ended December 31, 2021, the Company incurred net interest expense of $741 (2020 - $nil).

TWC ENTERPRISES LIMITED

The Company provides TWC with managerial and consulting services for its business and the business of its subsidiaries. Mr. K. Rai Sahi is Chairman and Chief Executive Officer and the majority shareholder of TWC through his personal holding companies, which include Paros. Pursuant to contractual agreements between the Company and TWC, for the year ended December 31, 2021, the Company received a management fee of $1,271 (2020 - $1,311), and paid rent and operating expenses $617 (2020 - $661).

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 December 31, 2021 was $nil (2020 - $20,000). During year ended December 31, 2021, the Company paid net interest of $390 (2020 - $452).

SHARE/UNIT PURCHASE AND OTHER LOANS

As at December 31, 2021, share/unit purchase and other loans to officers and employees of the Company and its subsidiaries of $6,190 (2020 - $5,502) are outstanding. The loans are collateralized by their common shares of the Company, units of Morguard REIT and units of Morguard Residential REIT and are interest-bearing computed at the Canadian prime interest rate and are due on January 13, 2026. Other loans are secured against the underlying asset. The loans are classified as amounts receivable on the consolidated balance sheets. As at December 31, 2021, the fair market value of the common shares/units held as collateral is $69,793.

During the year ended December 31, 2021, 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 $14,200.

PART VII

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Company's consolidated financial statements for the years ended December 31, 2021 and 2020, have been prepared in accordance with IFRS. A summary of the significant accounting policies are described in Note 2 to the audited consolidated financial statements for the year ended December 31, 2021.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting periods.

In determining estimates of fair market value for the Company's income producing properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Significant estimates used in determining fair value of the Company's income producing properties include capitalization rates and stabilized net operating income (which is influenced by vacancy rates, inflation rates and operating costs). Should any of these underlying assumptions change, actual results could differ from the estimated amounts.

Property and equipment and investments in joint arrangements are assessed for impairment. Significant assumptions are used in the assessment of fair value and impairment including estimates of future operating cash flows, the time period over which they will occur, an appropriate discount rate, appropriate growth rates (revenues and costs) and changes in market valuation parameters. Management considers various factors in its assessment including the historical performance of property and equipment and investments in joint arrangements, expected trends in each specific market as well as local and macroeconomic conditions.

The estimated useful lives and related amortization method are determined for each component of hotel properties. The selected amortization method and estimate of useful life impact the amount of amortization expense recognized. In establishing useful lives and related amortization method, management considers its capital maintenance plans.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's critical accounting policies are those that management believes are the most important in portraying the Company's financial condition and results and that require the most subjective judgment and estimates on the part of management.

De Facto Control

IFRS 10, Consolidated Financial Statements, ("IFRS 10") prescribes that the Company may have control over an investment even if the Company holds less than a majority of the investee's voting rights (*de facto* control). In accordance with IFRS 10, the following are the criteria that the Company uses to determine if *de facto* control exists: (i) the Company holds a significant voting interest (but less than half of the voting rights); (ii) there is wide diversity of public holdings of the remaining voting rights; (iii) the Company has the majority of the voting quorum according to historical participants in the general meetings of the unitholders; and (iv) the Company has the ability to establish policies and guide operations by appointing the investee's senior management. Judgment is applied by management in determining the existence of *de facto* control.

Real Estate Properties

Real estate properties include multi-suite residential, retail, office, industrial and hotel properties held to earn rental income and for capital appreciation and properties or land that are being constructed or developed for future use as income producing properties. Real estate properties, with the exception of hotel properties, are recorded at fair value, determined based on available market evidence, at the balance sheet date. The Company determined the fair value of each real estate 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 balance sheet dates, less future cash outflow pertaining to the respective leases. The residential properties are appraised using the direct capitalization income method. The retail, office and industrial properties are appraised using a number of approaches that typically include a discounted cash flow analysis 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. To assist with the evaluation of fair value, the Company has its Canadian properties appraised by Morguard's appraisal division. Morguard's appraisal division is staffed with accredited members of the AIC who, collectively, in 2021 valued approximately $13 billion of real estate properties in Canada and the U.S. for institutional and corporate clients.

In applying the accounting policies to the Company's real estate properties, judgment is required in determining whether certain costs are additions to the carrying amount of the property, in distinguishing between tenant incentives and tenant improvements, and, for properties under development, in identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development property. Judgment is also applied in determining the extent and frequency of independent appraisals.

Business Combinations

Accounting for business combinations under IFRS 3, Business Combinations ("IFRS 3"), applies only if it is considered that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purposes of providing a return to investors or lower costs or other economic benefits directly and proportionately to the Company. A business generally consists of inputs, processes applied to those inputs and resulting outputs that are or will be used to generate revenue. Judgment is used by management in determining if the acquisition of an individual property qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

When determining whether the acquisition of a real estate or hotel property or a portfolio of properties is a business combination or an asset acquisition, the Company applies judgment when considering whether the property or properties are acquired with significant processes.

Joint Arrangements

The Company reviews its interests in joint arrangements and accounts for those joint arrangements in which the Company is entitled only to the net assets of the arrangement as joint ventures using the equity method of accounting and for those joint arrangements in which the Company is entitled to its share of the assets and liabilities as joint operations and recognizes its rights to and obligations of the assets, liabilities, revenue and expenses of the joint operation.

The Company applies judgment to determine whether the joint arrangements provided it with joint control, significant influence or no influence and whether the arrangements are joint operations or joint ventures.

Income Taxes

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

In accordance with IFRS, the Company uses the liability method of accounting for income taxes. Under the liability method of tax allocation, current income tax assets and liabilities are based on the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that deductions, tax credits and tax losses can be utilized. The carrying amounts of deferred income tax assets are reviewed at each balance sheet date and reduced to the extent it is no longer probable that the income tax asset will be recovered.

Revenue Recognition

The Company applies judgment about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. If a contract is identified as containing more than one performance obligation, the Company allocates the total transaction price to each performance obligation in an amount based on an expected cost plus a margin approach.

Fair Value of Financial Instruments

Management reports on a quarterly basis the fair value of financial instruments. The fair value of financial instruments approximates amounts at which these instruments could be exchanged between knowledgeable and willing parties. The estimated fair value may differ in amount from that which could be realized on an immediate settlement of the instruments. Management estimates the fair value of mortgages payable by discounting the cash flows of these financial obligations using December 31, 2021, market rates for debts of similar terms.

ADOPTION OF ACCOUNTING STANDARDS

Current Accounting Policy Changes

Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments in Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments are effective for annual periods beginning on or after January 1, 2021 and are to be applied retrospectively. The Company has completed an assessment and implemented its transition plan to address the impact and effect changes as a result of amendments to the contractual terms of IBOR-referenced floating-rate borrowings. The Company's floating-rate debt is in the form of short-term revolving credit facilities or loans and the adoption did not have a material impact on the Company's consolidated financial statements.

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 December 31, 2021, market rates for debts of similar terms. Based on these assumptions, the fair value as at December 31, 2021, of the mortgages payable before deferred financing costs and mark-to-market adjustments is estimated at $4,769,113 (2020 - $4,552,081), compared with the carrying value of $4,648,175 (2020 - $4,282,087). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

The fair value of the Unsecured Debentures' liability is based on its closing bid price. As at December 31, 2021, the fair value of the Unsecured Debentures has been estimated at $833,002 (2020 - $1,039,322) compared with the carrying value of $825,000 (2020 - $1,025,000).

The fair value of the convertible debentures liability is based on their market trading prices. As at December 31, 2021, the fair value of the convertible debentures before deferred financing costs has been estimated at $180,769 (2020 - $196,539), compared with the carrying value of $179,500 (2020 - $195,500).

The fair value of the finance lease receivable is determined by discounting the cash flows of the financial receivable using December 31, 2021, market rates for debt on similar terms. Based on these assumptions, as at December 31, 2021, the fair value of the finance lease receivable has been estimated at $57,772 (2020 - $57,185).

RISKS AND UNCERTAINTIES

An investment in securities of the Company involves significant risks. Investors should carefully consider the risks described below, the other information described elsewhere in this MD&A (as updated by any subsequent interim MD&A) and those risks set out in the Company's Annual Information Form ("AIF") for the year ended December 31, 2021, dated February 24, 2022, before making a decision to buy securities of the Company. If any of the following or other risks occur, the Company's business, prospects, financial condition, financial performance and cash flows could be materially adversely impacted. In that case, the trading price of securities of the Company could decline and investors could lose all or part of their investment in such securities. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

There are certain risks inherent in an investment in the securities of the Company and in the activities of the Company, including those set out in the Company's publicly filed disclosure available on SEDAR.

The following are business risks the Company expects to face in the normal course of its operations and management's strategy to reduce the potential impact.

COVID-19 and Other Pandemic or Epidemic Risks

The ongoing COVID-19 pandemic has led to prolonged voluntary and mandatory building closures, business closures, government restrictions on travel, movement and gatherings, quarantines, curfews, self-isolation and physical distancing. The impact of these measures has led to a general shutdown of economic activity and has disrupted workforce and business operations both in North America and other parts of the world. Such occurrences could have a material adverse effect on the demand for real estate, the ability of tenants to pay rent and the debt and equity capital markets. The duration and impact of the ongoing COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. The pace of recovery following such occurrences cannot be accurately predicted, nor can the impact on the Company's business and operations, real estate and hotel property valuations, securities, cash flows, results of operations and the Company's ability to obtain additional financing or re-financing and ability to make dividends to shareholders.

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

(a) a material reduction in rental revenue and related collections due to associated financial hardship, unemployment and non-essential business orders governing the complete or partial closure of certain businesses;

(b) a material increase in vacancy potentially caused by the resulting economic crisis, changes in consumer demand for businesses' products and services, changes in businesses' real estate requirements, restrictions on travel and demand for hotels and the inability of businesses to operate in the normal course or at all;

(c) uncertainty of real estate and hotel valuations resulting from the impact of a potential decline in revenue and/or lack of market activity and demand for real estate;

(d) the negative impact on Canadian and global debt and equity capital markets, impacting both pricing and availability;

(e) ability to access capital markets at a reasonable cost;

(f) the trading price of the Company's securities;

(g) the impact of additional legislation, regulation, fiscal and monetary policy responses and other government interventions;

(h) uncertainty delivering services due to illness, Company or government-imposed isolation programs, restrictions on the movement of personnel, closures and supply chain disruptions;

(i) uncertainty associated with costs, delays and availability of resources required to complete major maintenance and expansion projects on time and on budget, and lease-up space following completion of development projects;
(j) a material reduction in revenue and related collections due to the impact that oil price challenges have on tenants that rely on this industry for their business success;
(k) adverse impacts on the creditworthiness of tenants and other counterparties; and
(l) increased risk of cyber-attacks due to remote working environments and increased reliance on information technology infrastructure.

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

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

Other outbreaks of pandemics and epidemics may have similar impacts on our business, operations, financial condition and ability to make dividends to shareholders.

Operating Risk

Real estate has a high fixed cost associated with ownership, and income lost due to vacancies cannot easily be minimized through cost reduction. Substantially all of our multi-suite residential leases are for a term of one year or less. Because these leases generally permit residents to leave at the end of the lease without penalty, our rental revenues are impacted by declines in market rents more quickly than if our leases were for longer terms.

Tenant retention and leasing vacant suites are critical to maintaining occupancy levels. The ongoing COVID-19 pandemic and changing economic and demographic conditions may adversely impact tenant retention in certain locations. Through well-located and professionally managed properties, management seeks to increase tenant loyalty and become the landlord of choice. The Company reduces operating risk through diversification of its portfolio by tenants, lease maturities, product and location.

Shifting consumer preferences toward e-commerce may result in a decrease in the demand for physical space by retail tenants. The failure of the Company to adapt to changes in the retail landscape, including finding new tenants to replace any lost income stream from existing tenants that reduce the amount of physical space they lease from the Company could adversely affect the Company's financial performance.

Concerns about the uncertainty over whether the economy will be adversely affected by inflation and the systemic impact of unemployment, volatile energy costs, geopolitical issues and the availability and cost of credit could contribute to increased market volatility and weakened business and consumer confidence. This difficult operating environment could adversely affect the Company's ability to generate revenues, thereby reducing its operating income and earnings. It could also have a material adverse effect on the ability of the Company's operators to maintain occupancy rates in the properties, which could harm the Company's financial condition. If these economic conditions transpire, the Company's tenants may be unable to meet their rental payments and other obligations owing to the Company, which could have a material adverse effect on the Company.

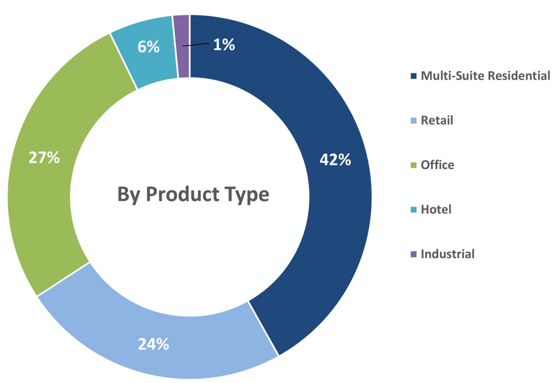
Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the Company is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale.

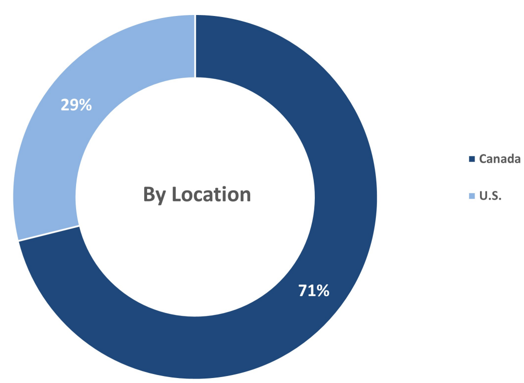
The Company is also subject to utility and property tax risk relating to increased costs that the Company may experience as a result of higher resource prices, as well as its exposure to significant increases in property taxes. There is a risk that property taxes may be raised as a result of revaluations of municipal properties and their adherent tax rates. In some instances, enhancements to properties may result in a significant increase in property assessments following a revaluation. Additionally, utility expenses, mainly consisting of natural gas, water and electricity service charges, have been subject to considerable price fluctuations over the past several years. Unlike commercial leases, which generally are “net” leases and allow a landlord to recover expenditures, residential leases are generally “gross” leases, and the landlord is not able to pass on costs to its tenants.

The Company currently relies on third-party vendors, developers, co-owners and strategic partners to provide the Company with various services or to complete projects. The lack of an effective process for developing joint venture arrangements or for contract tendering, drafting, review, approval and monitoring may pose a risk for the Company. The Company may not be able to negotiate contract terms, service levels and rates that are optimal for the Company. In addition, co-owners or joint venture partners may fail to fund their share of capital, may not comply with the terms of any governing agreements or may incur reputational damage which could negatively impact the Company. Inefficient, ineffective or incomplete vendor management/partnership strategies, policies and procedures could impact the Company's reputation, operations and/or financial performance.

In connection with the prudent management of its properties, the Company makes significant property capital investments (for example, to upgrade and maintain building structure, balconies, parking garages, roofing, and electrical and mechanical systems). The Company commissioned building condition reports in connection with the acquisition of each of the properties and has committed to a multi-year property capital investment plan based on the findings of such reports. The Company continually monitors its properties to ensure appropriate and timely capital repairs and replacements are carried out in accordance with its property capital investment programs. The Company requires sufficient capital to carry out its planned property capital investment and repair and refurbishment programs to upgrade its properties or it could be exposed to operating business risks arising from structural failure, electrical or mechanical breakdowns, fire or water damage, etc., which may result in significant loss of earnings to the Company.

For the year ended December 31, 2021, the Company’s portfolio diversification as a percentage of net operating income (“NOI”) is as follows:





Credit Risk

The Company’s primary business is the ownership and operation of multi-suite residential, retail, office, industrial and hotel properties. The income stream generated by tenants paying rent can be affected by general and local economic conditions and by a change in the credit and financial stability of tenants. Examples of local conditions that could adversely affect income include oversupply of space or reduced demand for rental space, the attractiveness of the Company’s properties compared to other space, and fluctuation in real estate taxes, insurance and other operating costs. The Company may be adversely affected if tenants become unable to meet their financial obligations under their leases, including as a result of the COVID-19 pandemic and related financial conditions that impact their creditworthiness.

Retail shopping centres traditionally rely on anchor tenants (department stores, junior department stores or grocery stores) as a source of significant revenue and in terms of generating traffic for the centre. Accordingly, the risk is present that an anchor tenant will move out or experience a failure, which would have a negative impact on the subject property.

As at December 31, 2021, the Company's ten largest tenants account for 20.1% of the Company's total rental revenue from real estate properties as follows:

Tenants as at December 31, 2021	Rental Revenue(1)	GLA Square Feet (000s)	% of Total GLA(2)
Federal and provincial government	10.1%	1,993	12.3%
Bombardier Inc.	2.4%	529	3.3%
TD Canada Trust	1.6%	436	2.7%
Obsidian Energy Ltd.	1.2%	206	1.3%
Loblaw Companies Ltd.	1.2%	280	1.7%
Athabasca Oil Corporation	0.8%	149	0.9%
Canadian Tire Corporation Ltd.	0.8%	384	2.4%
Brookfield BPR Canada Corporation	0.7%	132	0.8%
Canadian Broadcasting Corporation	0.7%	96	0.6%
Wood Group	0.6%	108	0.7%
	20.1%	**4,313**	**26.7%**

(1) Rental revenue excludes hotel properties.
(2) The total GLA excludes multi-suite residential and hotel properties.

Commercial Lease Rollover Risk

Lease rollover risk results from the possibility that the Company may experience difficulty in renewing leases as they expire or in re-leasing space vacated by a tenant upon expiry. The COVID-19 pandemic and related economic conditions may adversely impact the Company's ability to renew or re-lease space. Management attempts to stagger the lease expiry profile so that the Company is not exposed to disproportionate amounts of space expiring in any one year, as set out in the following table. Management further mitigates this risk by maintaining a diversified portfolio mix by both asset type and location.

Summary of Lease Expiries as at		2022		2023		2024	
December 31, 2021	Total SF	SF	%	SF	%	SF	%
Retail(1)	7,446	1,427	19%	862	12%	511	7%
Office	7,601	733	10%	633	8%	421	6%
Industrial	1,120	311	28%	171	15%	100	9%
Total	16,167	2,471	15%	1,666	10%	1,032	6%

(1) Retail SF has been adjusted to exclude development space of 656,813 square feet of GLA

Environmental Risk

As an owner and manager of real property, the Company is subject to various laws relating to environmental matters. These laws impose liability for the cost of removal and remediation of certain hazardous materials released or deposited on properties owned or managed by the Company or on adjacent properties. The failure to remove or remediate such substances or locations, if any, could adversely affect the Company's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the Company. As a result, Phase 1 environmental site assessments are completed prior to the acquisition of any property. Once the property is acquired, environmental assessment programs ensure continued compliance with all laws and regulations governing environmental and related matters. The Company's management is responsible for ensuring compliance with environmental legislation and is required to report quarterly to the Company's Board of Directors. The Company has certain properties that contain hazardous substances, and management has concluded that the necessary remediation costs will not have a material impact on its operations. The Company has obtained environmental insurance on certain assets to further manage risk.

Climate Change Risk

The Company is exposed to risks associated with inclement winter weather, including increased need for maintenance and repair and/or energy costs at its properties. Any of these events might have a material adverse effect on the Company's business, cash flows, financial condition and results of operations and ability to make dividends to shareholders.

Morguard has a sustainability program which helps the group structure efforts and act on environmental, social and governance risks and opportunities that are most important to its stakeholders. These major areas of focus are:

- decreasing energy and water use; reducing waste and emissions;
- creating excellence in energy and environmental management that result in green building certifications;
- collecting consistent data that tracks and validates its performance towards its objectives;
- reporting transparency;
- engaging investors, employees and tenants to support its initiatives; and
- driving new sustainability ideas and policies that align with this focus area.

Risk of Loss Not Covered by Insurance

The Company generally maintains insurance policies related to its business, including casualty, general liability and other policies covering the Company's business operations, employees and assets; however, the Company would be required to bear all losses that are not adequately covered by insurance, as well as any insurance deductibles. In the event of a substantial property loss, the insurance coverage may not be sufficient to pay the full current market value or current replacement cost of the property. In the event of an uninsured loss, the Company could lose some or all of its capital investment, cash flow and anticipated profits related to one or more properties. Although the Company believes that its insurance programs are adequate, assurance cannot be provided that the Company will not incur losses in excess of insurance coverage or that insurance can be obtained in the future at acceptable levels and reasonable cost.

Risk of Natural Disaster

While the Company has insurance to cover a substantial portion of damages to properties caused by hurricanes and other natural disasters, the insurance includes deductible amounts, and certain items may not be covered by insurance. The Company's operations and properties may be significantly affected by future natural disasters which may expose the Company to loss of rent and incur additional storm and other natural disaster cleanup costs.

Risk Related to Insurance Renewals

Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for terrorism. When the Company's current insurance policies expire, the Company may encounter difficulty in obtaining or renewing property or casualty insurance on its properties at the same levels of coverage and under similar terms, including limits and deductibles customarily carried for similar properties. Such insurance may be more limited and, for catastrophic risks (for example, earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. Even if the Company were able to renew our policies at levels and with limitations consistent with its current policies, the Company cannot be sure that will be able to obtain such insurance at premium rates that are commercially reasonable. If the Company were unable to obtain adequate insurance on its properties for certain risks, it could cause the Company to be in default under specific covenants on certain of its indebtedness or other contractual commitments it has that require the Company to maintain adequate insurance on its properties to protect against the risk of loss. If this were to occur or if the Company were unable to obtain adequate insurance and its properties experienced damages that would otherwise have been covered by insurance, it could adversely affect the Company's financial condition and the operations of its properties.

Liquidity and Capital Availability Risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Although a portion of the cash flows generated by the properties is devoted to servicing such outstanding debt, there can be no assurance that the Company will continue to generate sufficient cash flows from operations to meet interest payments and principal repayment obligations upon an applicable maturity date. If the Company is unable to meet interest payments and principal repayment obligations, it could be required to renegotiate such payments or issue additional equity or debt or obtain other financing. The failure of the Company to make or renegotiate interest or principal payments or issue additional equity or debt or obtain other financing could have a material adverse effect on the Company's business, cash flows, financial condition and results of operations and ability to make dividends to shareholders.

The real estate industry is highly capital intensive. The Company requires access to capital to fund operating expenses, to maintain its properties, to fund its growth strategy and certain other capital expenditures from time to time, and to refinance indebtedness. Although the Company expects to have access to the existing revolving credit facilities, there can be no assurance that it will otherwise have access to sufficient capital or access to capital on favourable terms. Failure by the Company to access required capital could have a material adverse effect on the

Company's business, cash flows, financial condition and results of operations and ability to make dividends to shareholders.

Liquidity and capital availability risks are mitigated by maintaining appropriate levels of liquidity, by diversifying the Company's sources of funding, by maintaining a well-diversified debt maturity profile and by actively monitoring market conditions.

Reporting Investment Property at Fair Value

The Company holds investment property to earn rental income or for capital appreciation, or both. All investment properties are measured using the fair value model under IFRS, whereby changes in fair value are recognized for each reporting period in the consolidated statements of income (loss) and comprehensive income (loss). Management values each investment property based on the most probable price that a property should be sold for in a competitive and open market as of the specified date under all conditions requisite to a fair sale, such as the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Each investment property has been valued on a highest-and-best-use basis.

There is a risk that general declines in real estate markets or sales of assets by the Company under financial or other hardship, including as a result of changes in demand for real estate resulting from COVID-19 and related economic conditions, would have an impact on the fair values reported or the cash flows associated with owning or disposing of such properties. Market assumptions applied for valuation purposes do not necessarily reflect the Company's specific history or experience, and the conditions for realizing the fair values through a sale may change or may not be realized. Consequently, there is a risk that the actual fair values may differ, and the differences may be material. In addition, there is an inherent risk related to the reliance on and use of a single appraiser because this approach may not adequately capture the range of fair values that market participants would assign to the investment properties.

Certain ratios and covenants could be negatively affected by downturns in the real estate market and could have a significant impact on the Company's operating revenues and cash flows, as well as the fair values of the investment properties

Financing Risk

The Company is subject to the risks associated with debt financing, including the risk that mortgages and credit facilities secured by the Company's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness. The COVID-19 pandemic and related economic and market conditions may adversely impact credit and capital markets. To minimize this risk, the Company has structured its debt maturities over a number of years and has negotiated fixed interest rates on approximately 98% of its total indebtedness.

As at December 31, 2021, the majority of the Company's multi-suite residential mortgages are insured in Canada under the *National Housing Act* ("NHA") and administered by the Canada Mortgage and Housing Corporation ("CMHC") and in the U.S. with the Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") or the U.S. Department of Housing and Urban Development ("HUD") insured mortgages. The Company seeks to manage its financing risk by maintaining a balanced maturity profile with no significant debts coming due in any period.

The use of CMHC, Fannie Mae, Freddie Mac or HUD insured mortgages ("insured mortgages") will assist the Company in managing its renewal risk, allowing the Company to increase the overall credit quality of the mortgage and, as such, enable the Company to obtain preferential interest rates as well as facilitating easier renewal on its due dates. However, there can be no assurance that the renewal of debt will be on as favourable terms as the Company's existing debt. Insured mortgages are major sources of financing for the multifamily residential sector and any potential reduction in loans, guarantees and credit enhancement arrangements could limit the availability of financing, increase the cost of financing or otherwise decrease the liquidity and credit available to the multifamily residential sector generally and the Company specifically. To the extent that any insured mortgage financing requires consent or approval that is not obtained or that such consent or approval is only available on unfavourable terms, the Company may be required to finance a conventional mortgage, which may be less favourable to the Company than an insured mortgage.

Foreign Exchange Risk

A 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 risk with respect to future cash flows derived from the properties located in the United States. The Company's exposure to exchange rate risk could increase if the proportion of income from properties located in the United States increases as a result of future property acquisitions.

As at December 31, 2021, the Canadian dollar value was US$0.789 compared to US$0.785 a year earlier. The average exchange rate for the year ended December 31, 2021 was US$0.80 compared to US$0.75 during 2020. The strengthening of the Canadian dollar during 2021 resulted in an unrealized foreign currency translation loss of approximately $4,944 for the year ended December 31, 2021, recognized in OCI.

The Company mitigates its foreign currency exposure by offsetting certain revenues earned in United States dollars from its U.S. properties against expenses and liabilities undertaken by the Company in United States dollars.

Volatile Market Price for the Company's Securities

The market price for the Company's securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following: (i) the actual or perceived impact of the COVID-19 pandemic and related financial conditions; (ii) actual or anticipated fluctuations in the Company's financial performance and future prospects; (iii) recommendations by securities research analysts; (iv) changes in the economic performance or market valuations of other issuers that investors deem comparable to the Company; (v) addition to or departure of the Company's executive officers; (vi) release or expiration of lock-up or other transfer restrictions on outstanding common shares; (vii) sales or perceived sales of additional common shares; (viii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; (ix) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets; (x) liquidity of the Company's securities; (xi) prevailing interest rates; (xii) the market price of other Company securities; (xiii) a decrease in the amount of dividends declared and paid by the Company; and (xiv) general economic conditions.

Financial markets have, in recent years, experienced significant price and volume fluctuations that have particularly affected the market prices of securities of issuers and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such issuers. Accordingly, the market price of the Company's securities may decline even if the Company's financial performance, underlying asset values, or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, governance and social practices and performance compared to such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Company's securities by those institutions. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil exist for a protracted period of time, the Company's operations could be adversely impacted and the trading price of the securities may be adversely affected.

Morguard REIT and Morguard Residential REIT Unitholder Taxation

As at December 31, 2021, the Company owned 39,040,641 units of Morguard REIT and 7,944,166 units of Morguard Residential REIT and 17,223,090 Class B LP units of Morguard NAR Canada Limited Partnership. The Class B LP units are exchangeable, on a one-for-one basis, at the option of the Company, into units of Morguard Residential REIT. Morguard REIT and Morguard Residential REIT (the "REITs") are subject to legislation relating to federal income taxation of a specified investment flow-through ("SIFT") trust or partnership enacted on June 22, 2007 (the "SIFT Rules").

A SIFT includes a publicly listed or traded partnership or trust such as an income trust. Under the SIFT Rules, certain distributions will not be deductible in computing the SIFT trust's taxable income, and the SIFT trust will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT trust as returns of capital should generally not be subject to the tax. The SIFT Rules do not apply to a trust that satisfies certain conditions relating to the nature of its income and investments (the "REIT Exception"). Although, as of the date hereof, management believes that the REIT's will be able to meet the requirements of the REIT Exception throughout 2021 and beyond, there can be no assurance that the REITs will be able to qualify for the REIT Exception such that the REITs and the unitholders will not be subject to the SIFT Rules in 2022 or in future years.

In the event that the SIFT Rules apply to the REITs, the impact to unitholders will depend on the status of the holder and, in part, on the amount of income distributed, which would not be deductible by the REIT in computing its income in a particular year, and what portions of the REIT's distributions constitute "non-portfolio earnings", other income and returns of capital. The likely effect of the SIFT Rules on the market for units and on the REIT’s ability to finance future acquisitions through the issue of units or other securities is unclear. If the SIFT Rules apply to the REITs, they may adversely affect the marketability of the units, the amount of cash available for distributions and the after-tax return to investors.

The Company believes that the REITs intend to comply with the requirements under the *Income Tax Act* (Canada) (the “Tax Act”) at all relevant times such that they maintain their status as a “unit trust” and “mutual fund trust” for purposes of the Tax Act. Under current law, a trust may lose its status under the Tax Act as a mutual fund trust if it can reasonably be considered that the trust was established or is maintained primarily for the benefit of non-residents, except in limited circumstances. Accordingly, non-residents may not be the beneficial owners of more than 49% of the units (determined on a basic or a fully diluted basis). The Trustees of the REITs will also have various powers that can be used for the purpose of monitoring and controlling the extent of non-resident ownership of the units. The restrictions on the issuance of units by the REITs to non-residents may negatively affect the REITs’ ability to raise financing for future acquisitions or operations. In addition, the non-resident ownership restrictions could have a negative impact on the liquidity of the units and the market price at which units can be sold. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting mutual fund trusts will not be changed in a manner that adversely affects unitholders.

Technology and Information Security Risk

The Company uses information technology for general business operations, the effective achievement of strategic business objectives, to improve tenants’ experience and to streamline operations. Consequently, the Company faces information technology risk from its continuous adoption and use of information technology. The risk consists of information technology related events such as cybersecurity incidents that could potentially have an adverse impact on the Company’s financial condition, IT systems, operations and tenants. Although we make efforts to maintain the security and integrity of our IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts will be effective or that attempted security breaches or disruptions will not be successful or damaging.

The efficient operation of the Company's business is dependent on computer hardware and software systems. Information systems are vulnerable to cybersecurity incidents. A cybersecurity incident is considered to be any material adverse event that threatens the confidentiality, integrity or availability or the Company's information resources. A cybersecurity incident is an intentional attack or an unintentional event including, but not limited to, malicious software, attempts to gain unauthorized access to data or information systems, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential of otherwise protected information and corruption of data. The Company's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to its business relationships with users, the disclosure of confidential information including personally identifiable information, potential liability to third parties, loss of revenue, additional regulatory scrutiny and fines, as well as litigation and other costs and expenses. The Company takes data privacy and protection seriously and has implemented processes, procedures and controls to help mitigate these risks. Access to personal data is controlled through physical security and IT security mechanisms. Additionally, the Company monitors and assesses risks surrounding collection, usage, storage, protection and retention/destruction practices of personal data. These measures, as well at its increased awareness of a risk of a cyber incident, do not guarantee that the Company's financial results will not be negatively impacted by such an incident.

The Company depends on relevant and reliable information for decision-making and financial reporting. As the volume of data being generated and reported by the Company increases and evolves, the Company will continue to undertake investments in IT systems to store, process and leverage such data. The failure to successfully migrate to new IT systems, or disruptions which may arise as a result of the transition to new IT systems, could result in a lack of relevant and reliable information to enable management to effectively achieve its strategic plan or manage the operations of the Company, which could negatively affect the reputation, operations and financial performance of the Company. In addition, any significant loss of data or failure to maintain reliable data could negatively affect the reputation, operations and financial performance of 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 and operation is adequate and effective as of and for the year ended December 31, 2021. The Company’s management has also evaluated the effectiveness of the internal controls over financial reporting and has concluded that their design and operation is effective as of and for the year ended December 31, 2021.

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

PART VIII

SELECTED ANNUAL AND QUARTERLY INFORMATION

The following table shows information for revenue from income producing properties, revenue from hotel properties, NOI, net income (loss) attributable to common shareholders, Normalized FFO, dividends declared, total assets, non-current financial liabilities, and per common share amounts for the periods noted.

For the years ended December 31 (In thousands of dollars, except per common share amounts)	2021	2020	2019
Revenue from income producing properties	**$852,692**	$888,324	$872,223
Revenue from hotel properties	**123,916**	98,046	245,282
NOI	**488,000**	491,243	556,181
NOI per common share			
- basic and diluted	**43.96**	43.84	49.28
Net income (loss) attributable to common shareholders	**249,760**	(98,918)	186,939
Net income (loss) attributable to common shareholders per common share			
- basic and diluted	**22.50**	(8.83)	16.57
Normalized FFO	**194,077**	181,205	225,612
Normalized FFO per common share			
- basic and diluted	**17.48**	16.17	19.99
Dividends declared	**6,660**	6,714	6,770
Dividends per common share	**0.60**	0.60	0.60
Total assets	**11,492,543**	11,052,688	11,703,084
Non-current portion of financial liabilities			
Mortgages payable	**3,971,697**	3,789,034	3,781,668
Debentures payable	**795,319**	902,464	1,040,169
Morguard Residential REIT units	**496,024**	446,091	516,462
Lease liability	**166,531**	162,456	164,441

(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
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)
September 30, 2020	251,469	130,268	119,832	43,756	(37,602)	(4,606)	(0.42)
June 30, 2020	240,905	131,174	120,842	42,383	(105,038)	(65,396)	(5.81)
March 31, 2020	292,310	102,601	134,451	50,633	(8,870)	33,412	2.97

SUMMARY OF QUARTERLY RESULTS

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

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

Since March 2020, the outbreak of COVID-19 resulted in governments enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, closure of non-essential businesses, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. During the year ended December 31, 2020, the Company temporarily closed 21 hotels of which three hotels remain closed.

Significant Real Estate Property Transactions During the Year Ended December 31, 2021

During the fourth quarter of 2021, the Company acquired the remaining 40.9% interest in a mixed-use property in the U.S. comprising 299 residential suites and 52,000 square feet of commercial space.

During the fourth quarter of 2021, the company disposed of one hotel property in Canada consisting of 80 rooms.

During the third quarter of 2021, the Company disposed of four hotel properties in Canada consisting of 379 rooms.

During the third quarter of 2021, the Company disposed of a retail property in Canada consisting of approximately 46,500 square feet of commercial area.

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

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

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

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

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

Revenue and Net Operating Income

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

The Company has experienced a decline in revenue mainly at hotel and retail properties due to the impact of COVID-19. The change in foreign exchange rates and the impact of acquisition net of disposal of properties (described above) also contributed to the fluctuation in revenue during the last eight quarters. Subsequent to the first quarter of 2020, revenue has increased mainly as a result of businesses reopening towards the end of the second quarter of 2020. In addition, lower hotel revenue during the first quarter of 2020 and 2021 is seasonally impacted by the colder months.

Similar to the reasons described above, NOI over the last eight quarters has followed a similar pattern. The decline in NOI subsequent to the first quarter of 2020 in addition to lower revenue (as described above) was due to higher bad debt expense due to the impact of COVID-19. The impact of foreign exchange rates and of acquisitions and dispositions also factor into the variance from quarter to quarter. The first quarter results (three months ended

March 31) are impacted by IFRIC 21, whereby the Company records the entire annual realty tax expense for its U.S. properties on January 1, except for U.S. properties acquired during the year in which the realty taxes are not recorded in the year of acquisition. As a result, the second, third and fourth quarters typically have no realty tax expense which results in higher NOI and NOI margins. Adjusted NOI which excludes IFRIC 21 is presented in the table above to illustrate a more comparable quarter-to-quarter analysis.

Net Income (Loss) Attributable to Common Shareholders

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

- The Company valued the Morguard Residential units (presented as a liability under IFRS) based on the market value of the TSX-listed units. During the three months ended March 31, 2020, the volatility of the stock market from the impact of the global health crisis resulted in a significant decline in the unit price of Morguard Residential that resulted in a fair value gain. Subsequent to the first quarter of 2020, there has been an upward trend in the trading price of the Morguard Residential units resulting in a fair value loss recorded to net income (loss);
- The Company recorded fair value gain on real estate properties for the year ended December 31, 2021, primarily due to a decrease in the capitalization rates at the Company's multi-suite residential properties. The Company recorded a fair value loss on real estate properties for the year ended December 31, 2020 due to an increase in the capitalization rates at the Company's enclosed malls which have experienced lower collections and higher tenant failures due to the impact of COVID-19;
- During the year ended December 31, 2021, the Company recorded a non-cash compensation expense related to the Company's SARs plan. During the year ended December 31, 2020, the Company recorded a non-cash reduction to compensation expense related to the Company's SARs plan;
- During the year ended December 31, 2021, the Company recorded a deferred tax expense coinciding with the net fair value gains recorded on the Company's real estate properties. During the year ended December 31, 2020, the Company recorded deferred tax recovery coinciding with the fair value loss recorded on the Company's real estate properties;
- The Company recorded an impairment provision on hotel properties of $17,233, $28,056, $5,562, $7,588 and $23,891 during the third quarter of 2021, second quarter of 2021, the fourth quarter of 2020, third quarter of 2020 and first quarter of 2020, respectively;
- During the year ended December 31, 2021, the Company recorded a fair value gain on the Company's equity-accounted investments and investment in marketable securities. During the year ended December 31, 2020, the Company recorded a fair value loss on the Company's equity-accounted investments and investment in marketable securities.

Fourth Quarter Results 2021

For the three months ended December 31 (In thousands of dollars)	2021	2020
Revenue from real estate properties	**$222,080**	$224,875
Revenue from hotel properties	**32,929**	19,630
Property operating expenses		
Property operating costs	**(56,288)**	(61,322)
Utilities	**(13,591)**	(14,091)
Realty taxes	**(23,504)**	(22,495)
Hotel operating expenses	**(30,090)**	(19,397)
Net operating income	**131,536**	127,200
OTHER REVENUE		
Management and advisory fees	**13,252**	10,460
Interest and other income	**4,420**	4,540
	17,672	15,000
EXPENSES		
Interest	**54,190**	57,677
Property management and corporate	**20,022**	19,996
Amortization of hotel properties and other	**7,846**	8,731
Provision for impairment	**—**	5,562
	82,058	91,966
OTHER INCOME (EXPENSE)		
Fair value gain (loss), net	**94,960**	(180,235)
Equity gain from investments	**3,781**	842
Other income	**214**	115
	98,955	(179,278)
Income (loss) before income taxes	**166,105**	(129,044)
Provision for (recovery of) income taxes		
Current	**15,028**	(1,816)
Deferred	**37,361**	(28,688)
	52,389	(30,504)
Net income (loss) for the period	**$113,716**	($98,540)
Net income (loss) attributable to:		
Common shareholders	**$115,481**	($62,328)
Non-controlling interest	**(1,765)**	(36,212)
	$113,716	($98,540)

The Company's net income for the three months ended December 31, 2021, increased by $212,256, to a net income of $113,716, compared to a net loss of $98,540 in the fourth quarter of 2020. The increase in net income was primarily due to the following:

- An increase in net operating income of $4,336, primarily due to higher hotel NOI as the easing of pandemic restrictions positively impacted travel demand. In addition, higher NOI from the retail portfolio was mainly caused by lower bad debt expense, partially offset by lower recoveries of operating expenses;
- An increase in management and advisory fees of $2,792, primarily due to higher asset management, leasing and property management fees earned compared to the same period in 2020;
- A decrease in interest expense of $3,487, mainly due to lower interest on mortgages, bank indebtedness, and lower interest on the Debentures primarily due to the repayment upon maturity of the Series D unsecured debentures on May 14, 2021;
- A decrease in provision for impairment of $5,562, as a result of a decrease in impairment recorded compared to the same period in 2020;

- An increase in net fair value gain of $275,195, primarily due to:
  – A fair value increase of $264,519 on income producing properties primarily due to a higher fair value gain recorded at retail, office, residential and industrial properties compared to the same period in 2020;
  – An decrease in the fair value loss on Morguard Residential REIT units of $23,185, due to the change in market value of the units; and
  – An decrease of $14,383 in unrealized changes in the fair value of the Company's financial instruments.
- An increase in equity income from investments of $2,939, mainly due to fair value gains recorded during the year compared to the same period in 2020; and
- An increase in current and deferred income tax recovery of $82,893, primarily a result of a higher taxable income on the redemption of Class C LP units and the fair value increase related to Canadian and U.S. properties compared to the same period in 2020.

SUBSEQUENT EVENT

On February 1, 2022, the Company completed the refinancing of two multi-suite residential properties located in Mississauga, Ontario, in the amount of $47,500 at an interest rate of 2.85% for a term of ten years. The maturing mortgages amounted to $19,818 and had an interest rate of 2.99%.

PART IX

OUTLOOK

The North American commercial property sector will continue to recover from the negative effects of the ongoing COVID-19 pandemic over the near term. Both the U.S. and Canadian economies are forecast to expand at a relatively robust rate in 2022, following an even stronger growth performance over the past year. U.S. economic output is projected to rise by a healthy 4.0% in 2022, after a 5.6% gain in 2021. Canadian Gross Domestic Product is forecast to expand by roughly 4.4% in 2022, just shy of the 4.5% average for this year. Economic growth in both countries will support generally positive and tight labour market conditions. Canadian employment had already surpassed the pre-pandemic level by the autumn of 2021. The U.S. job market also posted strong gains in 2021, although the labour market is expected to have fully recovered until well into the second half of 2022. Economic expansion in both the U.S. and Canada was expected to support stronger commercial property sector performance characteristics over the next couple of years. The industrial and multi-suite residential rental sectors were expected to continue to outperform, with rents reaching record high levels in most regions. Office and retail sector fundamentals were also forecast to stabilize, as owners continue to adjust to ongoing changes to the way in which people shop and work. Leasing demand will strengthen, with technology, finance and logistics users leading the way. One of the more prominent near-term downside North American economic and commercial real estate sector risks is the potential for another surge in COVID-19 cases and the requirement for further restrictions on consumer and business activity. In addition, ongoing supply chain challenges and inflation present another significant downside risk. Furthermore, the central banks of both countries will need to strike a delicate balance between monetary policy tightening and ensuring the economic recovery continues. Despite the downside risks, however, the North American economy will continue its emergence from the negative impacts of the COVID-19 pandemic over the near term.

Over the coming year, the environment for acquisitions should continue to be extremely competitive. The Company remains disciplined in exploring new investment opportunities. Management will continue to seek acquisition opportunities, focusing on properties that are accretive in the long term.

The Company's strength stems from conservative financial leverage, significant cash retention and our highly diversified cash flow streams.

CONSOLIDATED FINANCIAL STATEMENTS

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MANAGEMENT'S REPORT TO SHAREHOLDERS

The consolidated financial statements of Morguard Corporation (the "Company" or "Morguard") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management is responsible for the information in these consolidated financial statements and other sections of this annual report.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information. Where necessary, management uses its judgment to make estimates required to ensure fair and consistent presentation of this information. Management recognizes its responsibility for conducting the Company's affairs in compliance with applicable laws and proper standards of conduct.

As at December 31, 2021, the Chief Executive Officer and Chief Financial Officer evaluated, or caused the evaluation of under their direct supervision, the disclosure controls and procedures and the internal controls over financial reporting (as defined in Multilateral Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings)* and, based on that assessment, determined that the disclosure controls and procedures were designed and operating effectively and the internal controls over financial reporting were designed and operating effectively.

The Audit Committee of the Board of Directors of the Company, consisting solely of independent directors, has reviewed the consolidated financial statements, the report to shareholders of the external auditors, Ernst & Young LLP, and the management's discussion and analysis with management and recommended their approval to the Board of Directors. The Board of Directors has approved the consolidated financial statements.

Ernst & Young LLP, as independent auditors, have conducted the audits in accordance with Canadian generally accepted auditing standards and have had full access to the Audit Committee, with and without management being present.

(Signed) "K. Rai Sahi"	*(Signed) "Paul Miatello"*
K. Rai Sahi Chief Executive Officer	Paul Miatello Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Morguard Corporation

Opinion

We have audited the consolidated financial statements of Morguard Corporation (the "Company"), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, and the consolidated statements of income (loss), consolidated statements of comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Real Estate Properties Morguard Corporation's real estate portfolio comprises income producing properties, properties under development and land held for development with a fair value of $10.2 billion which represents 89% of total assets at December 31, 2021. Fair value of real estate properties is based on external and internal valuations, carried out by third party and certified staff appraisers respectively, using recognized valuation techniques. The valuation methodology for real estate properties is primarily based on an income approach, utilizing the direct capitalization method and the discounted cash flow method. Recent real estate transactions with characteristics and locations similar to the Company's assets are also considered when developing the valuations. Note 2 of the consolidated financial statements describes the accounting policy for real estate properties, including the valuation method and valuation inputs. Note 4 of the consolidated financial statements discloses the sensitivity of the fair value of income producing properties to a change in capitalization rates. The valuation of the Company's real estate property portfolio is a key audit matter given the inherently subjective nature of significant assumptions including discount rates, capitalization rates, terminal capitalization rates, and stabilized cash flows or stabilized net operating income, as applicable, which are based on vacancy and leasing assumptions. These assumptions are influenced by property-specific characteristics including location, type and quality of the properties and tenancy agreements.	With the assistance of our real estate valuation specialists, we evaluated the appropriateness of the underlying valuation methodology, and performed the following audit procedures, among others: • We assessed the competence and objectivity of management's valuation team, and any third-party appraisers engaged, by reviewing the qualifications and expertise of the individuals involved in the preparation and review of the valuations. • We selected a sample of properties where either the fair value change from prior year or significant assumptions fell outside our expectations, based on our understanding of the geographical real estate market for the specific asset type. For this sample of real estate properties, we evaluated the significant assumptions, including discount rates, capitalization rates, terminal capitalization rates, and stabilized cash flows or stabilized net operating income, as applicable, which are based on vacancy and leasing assumptions, by comparison to the expected real estate market benchmark range for similar assets and tenancies, in similar locations. We also considered whether there were any additional asset-specific characteristics that may impact the significant assumptions utilized and that these were appropriately considered in the overall assessment of fair value. • We assessed the accuracy of management's historical fair value estimates through comparison to transactions to acquire and dispose of interests in real estate properties completed by the Company during the year. • We evaluated the Company's critical accounting policies and related disclosures in the consolidated financial statements to assess appropriateness and conformity with IFRS.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
De facto Control of Morguard North American Residential Real Estate Investment Trust
As at December 31, 2021 the Company owns a 44.7% effective interest in Morguard North American Residential Real Estate Investment Trust (“MRG”) through its ownership of 7,944,166 units and 17,223,090 Class B LP Units. The investment is consolidated on the basis of de facto control in accordance with IFRS 10.
Note 2 of the consolidated financial statements describes the accounting policy in relation to consolidation and non-controlling interests.
Note 3 of the consolidated financial statements details the de facto control considerations.
The consolidation of the Company’s investment in MRG on the basis of de facto control is a key audit matter given the materiality of the investment and the judgment involved in the assessment of the de facto control conclusion. Management’s key considerations for concluding that the Company controls MRG include the significant interest the Company has in the MRG’s voting rights, the wide ownership dispersion of the remaining units of MRG, the Company’s ability to nominate a minimum number of MRG’s trustees, the overlap in executive management of the Company and MRG, and that MRG is significantly dependent on the Company as a result of existing service agreements.
Due to the judgement and subjectivity involved in this assessment, changes in the facts and circumstances could lead to the potential risk that the Company does not control MRG and, as a result, the financial statement presentation and disclosure of the Company’s investment in MRG would be materially impacted.
</td><td>
In order to assess the Company’s ability to direct the relevant activities of MRG, we performed the following audit procedures, among others:

We assessed the Company’s ownership and voting rights of MRG.
We assessed the Company’s ability to appoint or approve a minimum number of MRG’s trustees.
We considered MRG’s key management roles, including evaluating related party transactions.
We assessed existing service agreements for property management, asset management, debt financing and acquisitions to assess the significance of MRG’s dependency on the Company.
We reviewed the relevant notes to the year-end consolidated financial statements to assess whether the disclosures appropriately identify relevant judgments and assumptions made by management in concluding that they maintain de facto control over MRG.

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</table>

Key Audit Matter	How our audit addressed the key audit matter
Impairment – Hotel Properties The carrying value of the Company's hotel properties is \$457.2 million as at December 31, 2021. For the period ended December 31, 2021, the Company recorded an impairment charge of \$45.3 million with respect to the hotel properties. Note 2 of the consolidated financial statements describes the Company's impairment of non-financial assets accounting policy. Note 5 of the consolidated financial statements details the Company's disclosure of hotel properties and associated impairment provisions and significant assumptions. The Company defines each hotel property as a Cash-generating unit ("CGU"). CGUs are assessed by management for indicators of impairment, or impairment reversal, at each reporting date. Impairment is determined by estimating a CGU's respective recoverable amount. The recoverable amount of a CGU is the greater of its value-in-use or fair value less costs of disposal. The impairment of hotel properties is a key audit matter as auditing the Company's estimated recoverable amounts was complex and involves a significant degree of management judgement in determining the key assumptions. Management considers both qualitative and quantitative factors when performing their assessment. The key inputs when determining the recoverable amount of each CGU were the discount rates, terminal capitalization rates, and future operating cash flows which includes average daily rates, growth rates, management fees, replacement reserve, capital expenditures and occupancy rates.	With the assistance of our valuation specialists, we evaluated the appropriateness of the underlying valuation methodology, and performed the following audit procedures, among others: • We understood management's application of key assumptions and assessed the underlying average daily rates and occupancy assumptions that management used in their impairment model by comparison to the expected real estate market benchmark range for hotel assets. Additionally, our valuation specialists utilized the direct comparison approach to assess the reasonableness of management's final value conclusions derived from their income approach. • We assessed the historical accuracy of management's estimates and projections by comparing them to actual and historical performance, investigated significant variances identified and considered the impact on the current year's impairment assessments, if any. • We assessed the hotel dispositions completed in the period and compared them with the recorded value to ensure that properties were being disposed of at or above their book value to confirm no previously unrecognized impairment or additional indicators of impairment exited during the year. • We assessed the related disclosures in the year-end consolidated financial statements for impairment to assess whether they are appropriate under IFRS.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Stephanie Lamont.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
February 24, 2022

BALANCE SHEETS

In thousands of Canadian dollars

As at December 31	Note	2021	2020
ASSETS			
Non-current assets			
Real estate properties	4	**$10,244,875**	$9,680,408
Hotel properties	5	**457,153**	545,041
Equity-accounted and other fund investments	7	**144,208**	216,278
Other assets	8	**360,848**	338,126
		11,207,084	10,779,853
Current assets			
Amounts receivable	9	**70,161**	92,923
Prepaid expenses and other		**41,642**	37,824
Cash		**173,656**	142,088
		285,459	272,835
		$11,492,543	$11,052,688
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable	10	**$3,971,697**	$3,789,034
Debentures payable	11	**795,319**	902,464
Lease liabilities	13	**166,531**	162,456
Morguard Residential REIT units	12	**496,024**	446,091
Deferred income tax liabilities	22	**784,776**	648,225
		6,214,347	5,948,270
Current liabilities			
Mortgages payable	10	**656,271**	480,340
Debentures payable	11	**199,830**	314,010
Loans payable	21	**—**	20,000
Accounts payable and accrued liabilities	14	**240,309**	220,568
Bank indebtedness	15	**8,039**	156,802
		1,104,449	1,191,720
Total liabilities		**7,318,796**	7,139,990
EQUITY			
Shareholders' equity		**3,632,176**	3,372,352
Non-controlling interest		**541,571**	540,346
Total equity		**4,173,747**	3,912,698
		$11,492,543	$11,052,688

Contingencies 26

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

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

K. Rai Sahi,
Director

Bruce K. Robertson,
Director

STATEMENTS OF INCOME (LOSS)

In thousands of Canadian dollars, except per common share amounts

For the years ended December 31	Note	2021	2020
Revenue from real estate properties	17	**$852,692**	$888,324
Revenue from hotel properties	17	**123,916**	98,046
Property operating expenses			
Property operating costs	9(a), 9(b)	**(199,599)**	(212,299)
Utilities		**(55,845)**	(56,603)
Realty taxes		**(136,992)**	(136,556)
Hotel operating expenses	9(a)	**(96,172)**	(89,669)
Net operating income		**488,000**	491,243
OTHER REVENUE			
Management and advisory fees	17	**45,302**	42,080
Interest and other income	8	**22,934**	15,739
		68,236	57,819
EXPENSES			
Interest	18	**220,312**	236,721
Property management and corporate	9(a), 16(c)	**80,201**	59,607
Amortization of hotel properties and other		**32,499**	35,295
Provision for impairment	5	**45,289**	37,041
		378,301	368,664
OTHER INCOME (EXPENSE)			
Fair value gain (loss), net	19	**201,585**	(493,945)
Equity income (loss) from investments	7	**24,017**	(7,470)
Other income	20	**4,565**	1,233
		230,167	(500,182)
Income (loss) before income taxes		**408,102**	(319,784)
Provision for (recovery of) income taxes	22		
Current		**22,018**	8,260
Deferred		**129,463**	(77,994)
		151,481	(69,734)
Net income (loss) for the year		**$256,621**	($250,050)
Net income (loss) attributable to:			
Common shareholders		**$249,760**	($98,918)
Non-controlling interest		**6,861**	(151,132)
		$256,621	($250,050)
Net income (loss) per common share attributable to:			
Common shareholders - basic and diluted	23	**$22.50**	($8.83)

See accompanying notes to the consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

In thousands of Canadian dollars

For the years ended December 31	Note	2021	2020
Net income (loss) for the year		**$256,621**	($250,050)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified subsequently to net income (loss):			
Unrealized foreign currency translation loss		**(4,944)**	(30,271)
Deferred income tax recovery	22(b)	**494**	3,893
		(4,450)	(26,378)
Items that will not be reclassified subsequently to net income (loss):			
Actuarial gain (loss) on defined benefit pension plans	25	**29,417**	(27,897)
Deferred income tax recovery (provision)	22(b)	**(7,610)**	7,369
		21,807	(20,528)
Other comprehensive income (loss)		**17,357**	(46,906)
Total comprehensive income (loss) for the year		**$273,978**	($296,956)
Total comprehensive income (loss) attributable to:			
Common shareholders		**$267,395**	($144,504)
Non-controlling interest		**6,583**	(152,452)
		$273,978	($296,956)

See accompanying notes to the consolidated financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Canadian dollars

	Note	Retained Earnings	Accumulated Other Comprehensive Income	Share Capital	Total Shareholders' Equity	Non-controlling Interest	Total
Shareholders' equity, January 1, 2020		$3,238,576	$207,904	$102,426	$3,548,906	$756,811	$4,305,717
Changes during the year:							
Net loss		(98,918)	—	—	(98,918)	(151,132)	(250,050)
Other comprehensive loss		—	(45,586)	—	(45,586)	(1,320)	(46,906)
Dividends		(6,714)	—	—	(6,714)	—	(6,714)
Distributions		—	—	—	—	(18,102)	(18,102)
Issuance of common shares		—	—	99	99	—	99
Repurchase of common shares		(20,966)	—	(1,583)	(22,549)	—	(22,549)
Change in ownership of Temple Hotels Inc.		(23,235)	—	—	(23,235)	(20,914)	(44,149)
Change in ownership of Morguard REIT		24,044	—	—	24,044	(24,997)	(953)
Tax impact of increase in subsidiary ownership interest		(3,695)	—	—	(3,695)	—	(3,695)
Shareholders' equity, December 31, 2020		$3,109,092	$162,318	$100,942	$3,372,352	$540,346	$3,912,698
Changes during the year:							
Net income		**249,760**	**—**	**—**	**249,760**	**6,861**	**256,621**
Other comprehensive income (loss)		**—**	**17,635**	**—**	**17,635**	**(278)**	**17,357**
Dividends	16(a)	**(6,660)**	**—**	**—**	**(6,660)**	**—**	**(6,660)**
Distributions		**—**	**—**	**—**	**—**	**(9,571)**	**(9,571)**
Equity component of convertible debentures	11(b)	**—**	**—**	**—**	**—**	**4,213**	**4,213**
Issuance of common shares	16(a)	**—**	**—**	**68**	**68**	**—**	**68**
Repurchase of common shares	16(a)	**(926)**	**—**	**(81)**	**(1,007)**	**—**	**(1,007)**
Tax impact of increase in subsidiary ownership interest		**28**	**—**	**—**	**28**	**—**	**28**
Shareholders' equity, December 31, 2021		**$3,351,294**	**$179,953**	**$100,929**	**$3,632,176**	**$541,571**	**$4,173,747**

See accompanying notes to the consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

For the years ended December 31	Note	2021	2020
OPERATING ACTIVITIES			
Net income (loss) for the year		**$256,621**	($250,050)
Add items not affecting cash	24(a)	**(31,932)**	478,413
Distributions from equity-accounted and other fund investments	7	**3,523**	34,364
Additions to tenant incentives and leasing commissions	4	**(9,907)**	(7,776)
Net change in operating assets and liabilities	24(b)	**47,138**	(43,061)
Cash provided by operating activities		**265,443**	211,890
INVESTING ACTIVITIES			
Additions to real estate properties and tenant improvements	4	**(160,420)**	(52,635)
Additions to hotel properties	5	**(10,444)**	(7,142)
Additions to capital and intangible assets		**(677)**	(2,141)
Investment in properties under development	4	**(7,245)**	(29,656)
Proceeds from the sale of real estate properties, net	4	**18,421**	34,879
Proceeds from the sale of hotel properties, net	5	**22,287**	6,911
Decrease in mortgages and loans receivable		**564**	47
Proceeds from disposition of marketable securities	8	**14,200**	—
Investment in equity-accounted and other fund investments, net	7	**(2,303)**	(18,308)
Cash used in investing activities		**(125,617)**	(68,045)
FINANCING ACTIVITIES			
Proceeds from new mortgages		**881,680**	446,157
Financing costs on new mortgages		**(9,833)**	(2,997)
Repayment of mortgages			
Principal instalment repayments		**(122,981)**	(111,140)
Repayments on maturity		**(443,141)**	(268,524)
Repayments due to mortgage extinguishments		**—**	(111,774)
Principal payment of lease liabilities		**(1,756)**	(1,722)
Proceeds from bank indebtedness		**305,233**	477,789
Repayment of bank indebtedness		**(453,996)**	(422,087)
Proceeds from issuance of debentures payable, net of costs	11(a), 11(b)	**94,787**	174,303
Redemption of debentures payable	11(a), 11(b)	**(315,000)**	(200,000)
Repayments of loans payable, net		**(20,000)**	(15,234)
Dividends paid		**(6,592)**	(6,615)
Distributions to non-controlling interest, net		**(9,190)**	(17,475)
Common shares repurchased for cancellation	16(a)	**(1,007)**	(22,549)
Investment in subsidiaries	16(b)	**—**	(45,102)
Decrease (increase) in restricted cash		**(4,835)**	4,123
Cash used in financing activities		**(106,631)**	(122,847)
Net increase in cash during the year		**33,195**	20,998
Net effect of foreign currency translation on cash balance		**(1,627)**	(2,078)
Cash, beginning of year		**142,088**	123,168
Cash, end of year		**$173,656**	$142,088

See accompanying notes to the consolidated financial statements.

NOTES

For the years ended December 31, 2021 and 2020

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

NOTE 1
NATURE AND DESCRIPTION OF COMPANY

Morguard Corporation (the "Company" or "Morguard") is a real estate investment and management 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements were approved and authorized for issue by the Board of Directors on February 24, 2022.

Basis of Presentation

The Company's consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated. The consolidated financial statements are prepared on a historical cost basis, except for real estate properties and certain financial instruments that are measured at fair value. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company, as well as the entities that are controlled by the Company ("subsidiaries"). The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date of acquisition or the date on which the Company obtains control and are deconsolidated from the date that control ceases. Intercompany transactions, balances, unrealized losses and unrealized gains on transactions between the Company and its subsidiaries are eliminated.

Non-controlling Interests and MRG Convertible Debentures

Non-controlling interests represent equity interests in subsidiaries that are not attributable to the Company. For all of the Company's subsidiaries, with the exception of Morguard North American Residential Real Estate Investment Trust ("Morguard Residential REIT" or "MRG"), the share of the net assets of the subsidiaries that is attributable to non-controlling interest is presented as a component of equity.

The units of Morguard Residential REIT are redeemable at the option of the holder and therefore are considered puttable instruments that meet the definition of a financial liability under International Accounting Standard 32, Financial Instruments - Presentation ("IAS 32"). Whereas certain exceptions in IAS 32 allow Morguard Residential REIT to classify the units as equity in its own balance sheet, this exception is not available to the Company, and therefore the non-controlling interest that these units represent is classified as a liability in the consolidated financial statements of the Company and is measured at fair value, which is based on the units' redemption amount, with changes in the redemption amount recorded in the consolidated statements of income (loss) in the period of the change.

Similarly, the conversion feature component of the convertible debentures issued by Morguard Residential REIT also meets the definition of a financial liability and is recorded in the consolidated balance sheets as a liability, measured at fair value based on the Black-Scholes option pricing model, with changes in fair value recognized in the consolidated statements of income (loss). Any directly attributable transaction costs were allocated to the debt and conversion components of the convertible debentures in proportion to their initial carrying amounts, with the portion allocated to the conversion component expensed immediately.

Real Estate Properties

Real estate properties include residential, retail, office and industrial properties held to earn rental income and for capital appreciation and properties or land that are being constructed or developed for future use as income producing properties.

Income Producing Properties

Income producing property that is acquired as an asset purchase and not as a business combination is recorded initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal and other services and initial leasing commissions, of which transfer taxes and professional fees represent the majority of the costs.

Subsequent to initial recognition, income producing properties are recorded at fair value. The changes in fair value for each reporting period will be recorded in the consolidated statements of income (loss). In order to avoid double counting, the carrying value of income producing properties includes straight-line rent receivable, tenant improvements, tenant incentives, capital expenditures and direct leasing costs since these amounts are incorporated in the appraised values of the real estate properties. Fair value is based on external and internal valuations using recognized valuation techniques, including the direct capitalization of income and discounted cash flow methods. Recent real estate transactions with characteristics and location similar to the Company's assets are also considered.

Tenant improvements include costs incurred to meet the Company's lease obligations and are classified as either tenant improvements owned by the landlord or tenant incentives. When the obligation is determined to be an improvement that benefits the landlord and is owned by the landlord, the improvement is accounted for as a capital expenditure and included in the carrying amount of income producing properties in the consolidated balance sheets.

Leasing costs include incremental costs associated with leasing activities such as external leasing commissions. These costs are included in the carrying amount of income producing properties in the consolidated balance sheets.

Properties Under Development

The cost of properties under development includes all expenditures incurred in connection with the acquisition, including all direct development costs, realty taxes and other costs to prepare it for its productive use and borrowing costs directly attributable to the development. Borrowing costs associated with direct expenditures on properties under development or redevelopment are capitalized. Borrowing costs are also capitalized on the purchase cost of a site or property acquired specifically for redevelopment in the short term if the activities necessary to prepare the asset for development or redevelopment are in progress. Borrowing costs are capitalized from the commencement of the development until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. The Company considers practical completion to have occurred when the property is capable of operating in the manner intended by management. Generally, this consideration occurs on completion of construction and receipt of all necessary occupancy and other material permits. Where the Company has pre-leased space as of or prior to the start of the development and the lease requires the Company to construct tenant improvements that enhance the value of the property, practical completion is considered to occur on completion of such improvements.

Real estate properties under development are measured at fair value, with changes in fair value being recognized in the consolidated statements of income (loss) when fair value can be reliably determined.

Hotel Properties

Hotel properties comprise land, buildings, furniture, fixtures and equipment, and other and are stated at cost less accumulated amortization and any impairment losses. The application of this policy requires an estimate of the useful life of the asset and its residual value. The revenue and operating expenses of the hotel properties are included within net operating income in the consolidated statements of income (loss).

The Company provides for amortization of hotel properties so as to apply the cost of the assets over the estimated useful lives as follows:

	Method	Rate
Buildings	Straight-line	40 years
Furniture, fixtures and equipment	Straight-line	5 to 10 years
Other	Straight-line	5 to 10 years

Impairment of Non-financial Assets

The Company assesses at the end of each reporting period whether there is any indication that an asset may be impaired. Property and equipment and investments in joint arrangements are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Assets, including goodwill, that do not generate largely independent cash inflows are combined into cash-generating units. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually and whenever there is an indication that the cash-generating unit may be impaired. If the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. Recoverable amount is the greater of fair value less costs to sell or value in use. Value in use is assessed based on estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and is recorded as an expense.

Assets or cash-generating units that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset or cash-generating unit (excluding goodwill) is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in net income (loss). Impairment losses for goodwill are not revalued.

Interests in Joint Arrangements

The Company reviews its interests in joint arrangements and accounts for those joint arrangements in which the Company is entitled only to the net assets of the arrangement as joint ventures using the equity method of accounting, and for those joint arrangements in which the Company is entitled to its share of the assets and liabilities as joint operations and recognizes its rights to and obligations of the assets, liabilities, revenue and expenses of the joint operation.

Investments in Associates

Associates are entities over which the Company has significant influence but not control or joint control, generally accompanying an ownership of between 20% and 50% of the voting rights. However, determining significant influence is a matter of judgment and specific circumstances and, from time to time, the Company may hold an interest of less than 20% and exert significant influence through representation on the board of directors, through direction of management or through contractual agreements.

Investments in associates are accounted for using the equity method, whereby the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognizes the amount in the consolidated statements of income (loss) and comprehensive income (loss).

Goodwill

On acquisition of a business, the underlying fair value of net identifiable tangible and intangible assets is determined, and goodwill is recognized as the excess of the purchase price over this amount. Goodwill is not amortized.

Capital Assets

Capital assets include the following assets, which are stated at cost and amortized over their estimated useful lives using the following rates and methods:

	Method	Rate
Building (owner-occupied property)	Straight-line	40 years
Furniture, fixtures, office and computer equipment	Straight-line	5 to 10 years
Leasehold improvements	Straight-line	Over term of the lease

Intangible Assets

The Company's intangible assets comprise: (i) the value assigned to an acquired investment advisory contract, amortized over an estimated 10-year useful life on a straight-line basis; and (ii) the cost of self-built management information systems and computer application software that is initially recognized at cost and amortized over an estimated 5- to 10-year useful life on a straight-line basis.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks, and short-term deposits with remaining maturities at the time of acquisition of three months or less. Bank borrowings are considered to be financing activities.

Financial Instruments

Recognition and Measurement of Financial Instruments

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 fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured based on two categories: amortized cost and FVTPL. Initially, all financial assets and financial liabilities are recorded in the consolidated balance sheets at fair value. After initial recognition, the effective interest related to financial assets and liabilities measured at amortized cost and the gain or loss arising from the change in the fair value of financial assets or liabilities classified as FVTPL are included in net income (loss) for the year in which they arise. At each consolidated balance sheet date, financial assets measured at amortized cost or at FVTOCI, except for investment in equity instruments, require an impairment analysis using the expected credit loss model ("ECL model") to determine the expected credit losses using judgment determined on a probability weighting basis.

Expected Credit Loss

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.

Under the simplified approach, consideration is given to factors such as credit risk characteristics and the days past due as well as current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the COVID-19 pandemic and government's response actions to be relevant factors in these assessments. As at December 31, 2021, the Company's ECL includes estimates of the uncertainty of the recoverability of tenant receivables, short-term rent deferrals, rent reductions provided to tenants related to past due rents, and all other receivable balances. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are reversed in the consolidated statements of income (loss).

The Company accounts for rental abatements related to past due rents in connection with tenants experiencing financial hardship as a result of COVID-19 under the derecognition rules of IFRS 9. This includes abatements granted as a part of the Canada Emergency Commercial Rent Assistance ("CECRA") program (Note 9(b)). Financial assets, such as trade receivables, are derecognized when all or a portion of outstanding amounts will be forgiven or abated and no further collection activities will be pursued. The forgiveness or abatement of the tenant receivable is recognized in the period that the Company forgoes the contractual right to all or a portion of the outstanding receivable and is recognized as bad debt expense in the consolidated statements of income (loss).

The following summarizes the Company's classification and measurement of financial assets and liabilities:

Financial Assets	
Investment in real estate funds	FVTPL
Investment in marketable securities	FVTPL
Finance lease receivable	Amortized cost
Mortgages and loans receivable	Amortized cost
Amounts receivable	Amortized cost
Restricted cash	Amortized cost
Cash	Amortized cost
Financial Liabilities	
Mortgages payable	Amortized cost
Unsecured debentures	Amortized cost
Convertible debentures, excluding conversion option	Amortized cost
Loans payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liabilities	Amortized cost
Bank indebtedness	Amortized cost
Conversion option of MRG convertible debentures	FVTPL
Morguard Residential REIT units	FVTPL

Transaction Costs
Transaction costs are incremental costs directly related to the acquisition of a financial asset or the issuance of a financial liability.

Direct and indirect financing costs that are attributable to the issue of financial liabilities measured at amortized cost are presented as a reduction from the carrying amount of the related debt and are amortized using the effective interest rate method over the term of the related debt. These costs include interest, amortization of discounts or premiums relating to borrowings, fees and commissions paid to lenders, agents, brokers and advisers, and transfer taxes and duties that are incurred in connection with the arrangement of borrowings.

Fair Value
The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (i) in the principal market for the asset or liability; or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

Fair value measurements recognized in the consolidated balance sheets are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value measurement is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

Lease Liabilities
In accordance with IFRS 16, Leases ("IFRS 16"), at the commencement date of a lease, the Company will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Certain right-of-use assets related to land leases meet the definition of investment property under IAS 40, Investment Property; therefore, the fair value model is applied to those assets. Interest expense on the lease liability and the depreciation expense or fair value gain (loss) on the right-of-use asset, depending on the balance sheet

classification of the asset, is recognized separately. The Company applies the recognition exemptions for leases of low-value assets and short-term leases.

Right-of-use assets not meeting the definition of an investment property are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

The Company measures lease liabilities at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed-lease payments or a change in the assessment to purchase the underlying asset.

Revenue Recognition

Revenue from Real Estate Properties

Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has not transferred substantially all of the risks and benefits of ownership of its income producing properties and, therefore, accounts for leases with its tenants as operating leases.

Rental income from tenants under leases include lease components within the scope of IFRS 16, and are comprised of rental income, percentage participation rents, lease cancellation fees, leasing concessions and property taxes and insurance recoveries. Rental income is accounted for on a straight-line basis over the lease terms. Percentage participation rents are accrued based on sales estimates submitted by tenants if the tenant anticipates attaining the minimum sales level stipulated in the tenant lease. Property tax and insurance recoveries are recognized as income in the period in which they are earned.

The Company accounts for stepped rents and free rent periods on a straight-line basis, which are reflected in the consolidated balance sheets in the carrying value of real estate properties and recognized in the consolidated statements of income (loss) over the initial term of the lease. Any suite-specific incentives offered or initial direct costs incurred in negotiating and arranging an operating lease are reflected in the consolidated balance sheets in the carrying value of income producing properties and are amortized over the term of the operating lease and recognized in the consolidated statements of income (loss) on a straight-line basis.

Common area maintenance recoveries are considered non-lease components and within the scope of IFRS 15, Revenue from Contracts with Customers (“IFRS 15”). The performance obligation for the recovery of common area maintenance is satisfied over time. The Company receives variable consideration for common area maintenance recoveries under net leases to the extent costs have been incurred, and revenue is recognized on this basis, as this is the best estimate of amounts earned over the period these services are performed. Revenue is constrained by actual costs incurred and any restrictions in the lease contracts.

Property management and ancillary services are considered non-lease components and within the scope of IFRS 15. The performance obligation for property management and ancillary services is satisfied over time. Rents charged to tenants, primarily at the Company’s residential properties are generally charged on a gross basis, inclusive of property management and ancillary services.

The Company applies judgment about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. If a contract is identified as containing more than one performance obligation, the Company allocates the total transaction price to each performance obligation in an amount based on an expected cost plus a margin approach.

Revenue from Hotel Properties

Revenue from hotel properties relates to all revenue received from guests by owned hotels. The services rendered, including room rentals, food and beverage sales and other ancillary services, are distinct performance obligations, for which prices invoiced to the guests are representative of their standalone selling prices. These obligations are fulfilled over time when they relate to room rentals, that is over the stay within the hotel, and at a point in time for other goods or services, when they have been delivered or rendered.

Management and Advisory Fees

The Company provides management and advisory services to co-owners, partners and third parties for which it earns market-based fees. Management and advisory fees are primarily property and asset management revenue streams, which include base property and asset management fees, leasing fees, acquisition and disposition fees, project and development fees, and various other consulting fees.

Fees for base property and asset management services, and project and development services are generally recognized as revenue over the period of performance of those services, when the property owners simultaneously receive and consume the benefits provided. The Company elects the practical expedient to recognize revenue based on amounts invoiced to the customer, when this method of measuring progress best depicts the performance provided. Invoicing is based on contractual prices, which represent the standalone selling prices of specified promised services. Variable consideration depending on the occurrence of uncertain future events are estimated using the most likely amount method, based on all reasonably available information, and are, if need be, capped at the minimum amount considered as highly probable.

Leasing service fees, acquisition and disposition service fees and various other consulting service fees are recognized as revenue in the period in which the service is received by the customer. Amounts are determined and revenue is recognized based on the agreed transaction price in each contract.

Income Taxes

The Company uses the liability method of accounting for income taxes. Under the liability method of tax allocation, current income tax assets and liabilities are based on the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted at the consolidated balance sheet dates. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using enacted or substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that deductions, tax credits and tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each consolidated balance sheet date and reduced to the extent it is no longer probable that the income tax asset will be recovered.

In accordance with IAS 12, Income Taxes (“IAS 12”), the Company measures deferred tax assets and liabilities on its real estate and hotel properties based on the rebuttable presumption that the carrying amount of the property is recovered through sale, as opposed to presuming that the economic benefits of the property will be substantially consumed through use over time. This presumption is rebutted if the property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale, which is not the case for the Company.

Employee Future Benefits

The Company provides pensions to certain of its employees under two defined benefit arrangements and recognizes the cost of the defined benefit plans in the period in which the employee has rendered services. The cost of benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service, compensation increases, retirement ages of employees and future termination levels. No past service costs have been incurred under these plans. Actuarial gains and losses are recognized in full in the period in which they occur and are presented in the consolidated statements of comprehensive income (loss). The current service cost and gains and losses on settlement and curtailments are charged to operating income. The discount rate used to calculate net pension obligations or assets is determined on the basis of current market rates for high-quality corporate bonds and is re-evaluated at each year-end.

Stock-Based Compensation

The Company has a stock appreciation rights ("SARs") plan, which entitles specified officers and directors of Morguard to receive a cash payment equal to the excess of the market price of Morguard's common shares at the time of exercise over the grant date price of the right. The Company accounts for the SARs plan using the fair value method. Under this method, compensation expense for the SARs plan is measured at the fair value of the vested portion using the Black-Scholes option pricing model at each consolidated balance sheet date. The liability is measured at each reporting date at fair value, with changes in the liability recorded in the consolidated statements of income (loss).

Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation. Provisions are remeasured at each consolidated balance sheet date using the current discount rate. The increase in the provision due to the passage of time is recognized as interest expense.

Government Grants

The Company recognizes government assistance, in the form of grants or forgivable loans, when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Government assistance that compensates the Company for expenses are recognized as income on a systematic basis over the same periods that the related costs, for which it is intended to compensate, are expensed.

Income (Loss) Per Common Share

Basic income (loss) per common share is calculated by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding in each respective period. Diluted income (loss) per common share is calculated by dividing net income (loss) attributable to common shareholders, adjusted for the effect of dilutive securities, by the weighted average number of diluted shares outstanding.

Foreign Exchange

The operations of the Company's U.S.-based subsidiaries are in United States dollars, which are the functional currency of the foreign subsidiaries. Accordingly, the assets and liabilities of these foreign subsidiaries are translated into Canadian dollars at the exchange rate on the consolidated balance sheet dates. Revenue and expenses are translated at the average rate of exchange for the year. The resulting gains and losses are recorded in other comprehensive income (loss) ("OCI"). Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the reporting date. Exchange differences are recognized in profit or loss, except for exchange differences arising from a monetary item receivable from or payable to a foreign subsidiary, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign subsidiary. These exchange differences are recognized in OCI until the disposal of the net investment, at which time they are reclassified to profit or loss.

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

	2021	2020
Canadian dollar to United States dollar exchange rates:		
- As at December 31	**$0.7888**	$0.7854
- Average for the year ended December 31	**0.7978**	0.7454
United States dollar to Canadian dollar exchange rates:		
- As at December 31	**1.2678**	1.2732
- Average for the year ended December 31	**1.2535**	1.3415

Reportable Operating Segments

Reportable operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Company has determined that its chief operating decision-maker is the Chairman and Chief Executive Officer.

Critical Judgments in Applying Accounting Policies

The following are the critical judgments that have been made in applying the Company's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

De Facto Control

The Company's basis of consolidation is described above in the "Basis of Consolidation" section. Judgment is applied in determining when the Company controls an investment even if the Company holds less than a majority of the investee's voting rights (the existence of *de facto* control). The key assumptions in determining when the Company controls an investment on the basis of *de facto* control are further defined in Note 3.

Real Estate Properties

The Company's accounting policies relating to real estate properties are described above. In applying these policies, judgment has been applied in determining whether certain costs are additions to the carrying amount of the property, in distinguishing between tenant incentives and tenant improvements and, for properties under development, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development property. The key assumptions in the valuation of the Company's real estate properties are further defined in Note 4.

Joint Arrangements

The Company applies judgment to determine whether the joint arrangements provided it with joint control, significant influence or no influence and whether the arrangements are joint operations or joint ventures.

Business Combinations

Accounting for business combinations under IFRS 3, Business Combinations ("IFRS 3"), applies only if it is considered that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purposes of providing a return to investors or lower costs or other economic benefits directly and proportionately to the Company. A business generally consists of inputs, processes applied to those inputs and resulting outputs that are or will be used to generate revenue. Judgment is used by management in determining if the acquisition of an individual property qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

When determining whether the acquisition of a real estate or hotel property or a portfolio of properties is a business combination or an asset acquisition, the Company applies judgment when considering whether the property or properties are acquired with significant processes.

Critical Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting periods. In determining estimates of fair market value and net realizable values for the Company's real estate properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Should the underlying assumptions change, actual results could differ from the estimated amounts. The critical estimates and assumptions underlying the valuation of real estate properties are outlined in Note 4.

Property and equipment and investments in joint arrangements are assessed for impairment. Significant assumptions are used in the assessment of fair value and impairment including estimates of future operating cash flows, the time period over which they will occur, an appropriate discount rate, appropriate growth rates (revenues and costs) and changes in market valuation parameters. Management considers various factors in its assessment including the historical performance of property and equipment and investments in joint arrangements, expected trends in each specific market as well as local and macroeconomic conditions. The critical estimates and assumptions underlying the valuation of hotel properties are outlined in Note 5.

The estimated useful lives and related amortization method are determined for each component of hotel properties. The selected amortization method and estimate of useful life impact the amount of amortization expense recognized. In establishing useful lives and related amortization method, management considers its capital maintenance plans.

The fair value of financial instruments approximates amounts at which these instruments could be exchanged between market participants at the measurement date. The estimated fair value may differ in amount from that which could be realized on an immediate settlement of the instruments. The Company estimates the fair value of mortgages payable by discounting the cash flows of these financial obligations using market rates for debts of similar terms.

Current Accounting Policy Changes

Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments in Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments are effective for annual periods beginning on or after January 1, 2021 and are to be applied retrospectively. The Company has completed an assessment and implemented its transition plan to address the impact and effect changes as a result of amendments to the contractual terms of IBOR-referenced floating-rate borrowings. The Company's floating-rate debt is in the form of short-term revolving credit facilities or loans and the adoption did not have a material impact on the Company's consolidated financial statements.

Future Accounting Policy Changes

Amendments to IAS 1, Classification of Liabilities as Current or Non-Current ("IAS 1")

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendments to IAS 1 apply to annual reporting periods beginning on or after January 1, 2023 and are not expected to have a material impact on the Company's consolidated financial statements.

NOTE 3

SUBSIDIARIES WITH NON-CONTROLLING INTEREST

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

As at December 31, 2021, and 2020, the Company owned a 44.7% effective interest in Morguard Residential REIT through its ownership of 7,944,166 units and 17,223,090 Class B LP units. The Company continues to consolidate its investment in Morguard Residential REIT on the basis of *de facto* control in accordance with IFRS 10, Consolidated Financial Statements ("IFRS 10"). The basis for concluding that the Company continues to control Morguard Residential REIT is as follows: (i) the Company holds a significant interest in Morguard Residential REIT's voting rights as at December 31, 2021; (ii) there is a wide dispersion of the public holdings of Morguard Residential REIT's remaining units; (iii) the Company has the ability to nominate a minimum number of Morguard Residential REIT's Trustees based on the Company's ownership interest; (iv) all of Morguard Residential REIT's senior management are employees of the Company; and (v) Morguard Residential REIT is significantly dependent on the Company as a result of existing service agreements that cover property management, asset management, debt financing and acquisitions.

During the year ended December 31, 2021, Morguard Residential REIT recorded distributions of $27,315, or $0.6996 per unit (2020 - $27,285, or $0.6996 per unit), of which $5,558 was paid to the Company (2020 - $5,558) and $21,757 was paid to the remaining unitholders (2020 - $21,727). In addition, during the year ended December 31, 2021, Morguard Residential REIT paid distributions to the Company on the Class B LP units of $12,049 (2020 - $12,049).

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

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

During the year ended December 31, 2021, Morguard REIT recorded distributions of $24,055 or $0.38 per unit (2020 - $39,612, or $0.64 per unit), of which $14,640 (2020 - $23,468) was paid to or received by the Company through MRT's distribution reinvestment program ("MRT DRIP") and $9,415 was paid to the remaining unitholders (2020 - $16,144).

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 12).

As at December 31		2021		2020
	MRT	MRG	MRT	MRG
Non-current assets	**$2,468,615**	**$3,352,534**	$2,519,270	$3,034,246
Current assets	**23,822**	**120,753**	36,958	50,112
Total assets	**$2,492,437**	**$3,473,287**	$2,556,228	$3,084,358
Non-current liabilities	**$1,087,995**	**$1,767,212**	$934,873	$1,580,870
Current liabilities	**257,558**	**144,690**	471,904	155,869
Total liabilities	**$1,345,553**	**$1,911,902**	$1,406,777	$1,736,739
Equity	**$1,146,884**	**$1,561,385**	$1,149,451	$1,347,619
Non-controlling interest	**$452,355**	**$863,290**	$451,716	$744,559

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

For the years ended December 31		2021		2020
	MRT	MRG	MRT	MRG
Revenue	**$241,440**	**$245,566**	$253,764	$248,683
Expenses	**(172,478)**	**(258,941)**	(186,300)	(197,863)
Fair value gain (loss) on real estate properties, net	**(60,974)**	**288,662**	(419,766)	72,238
Fair value gain (loss) on Class B LP units	**—**	**(30,313)**	—	43,747
Net income (loss) for the year	**$7,988**	**$244,974**	($352,302)	$166,805
Non-controlling interest	**$3,124**	**$135,446**	($142,371)	$92,160

For the years ended December 31		2021		2020
	MRT	MRG	MRT	MRG
Cash provided by operating activities	**$80,187**	**$63,696**	$46,919	$50,128
Cash used in investing activities	**(2,946)**	**(31,300)**	(25,016)	(28,064)
Cash used in financing activities	**(74,618)**	**(33,053)**	(19,039)	(11,572)
Net increase (decrease) in cash during the year	**$2,623**	**($657)**	$2,864	$10,492

NOTE 4
REAL ESTATE PROPERTIES

Real estate properties consist of the following:

As at December 31	2021	2020
Income producing properties	**$10,139,816**	$9,568,219
Properties under development	**12,360**	25,416
Land held for development	**92,699**	86,773
	$10,244,875	$9,680,408

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

	Income Producing Properties	Properties Under Development	Land Held for Development	Total
Balance as at December 31, 2020	**$9,568,219**	**$25,416**	**$86,773**	**$9,680,408**
Additions:				
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 (Note 13)	**5,878**	**—**	**—**	**5,878**
Transfers	**19,884**	**(19,884)**	**—**	**—**
Transfers from equity-accounted investments (Note 7(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 7(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.

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

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

Transactions completed during the year ended December 31, 2020

Acquisitions

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

Dispositions

On March 25, 2020, the Company sold its 50% interest in an industrial property, comprising 284,000 square feet located in Puslinch, Ontario, for gross proceeds of $38,577, including closing costs, and the purchaser assumed the mortgage secured by the property in the amount of $10,498. In addition, the Company's equity-accounted investment, MIL Industrial Fund II LP, sold its interest in the property (Note 7(a)).

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

Capitalization Rates

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

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

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

As at December 31, 2021, using the direct capitalization approach, the multi-suite residential, retail, office and industrial properties were valued using capitalization rates in the range of 3.0% to 9.8% (2020 - 3.3% to 9.8%), resulting in an overall weighted average capitalization rate of 5.2% (2020 - 5.4%).

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

	2021					2020				
As at December 31	**Occupancy Rates**		**Capitalization Rates**			Occupancy Rates		Capitalization Rates		
	Max.	**Min.**	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Max.	Min.	Weighted Average
Multi-suite residential	**98.0%**	**92.0%**	**6.5%**	**3.0%**	**4.1%**	98.0%	92.0%	6.8%	3.3%	4.3%
Retail	**99.0%**	**85.0%**	**9.8%**	**5.3%**	**6.9%**	99.0%	85.0%	9.8%	5.3%	6.9%
Office	**100.0%**	**90.0%**	**7.8%**	**4.3%**	**6.1%**	100.0%	90.0%	8.5%	4.3%	6.2%
Industrial	**100.0%**	**95.0%**	**6.0%**	**4.0%**	**5.0%**	100.0%	95.0%	6.8%	4.8%	5.3%

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

As at December 31			2021			2020
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
Retail						
Discount rate	**10.8%**	**6.0%**	**7.2%**	10.5%	6.0%	7.3%
Terminal cap rate	**9.8%**	**5.3%**	**6.2%**	9.5%	5.3%	6.2%
Office						
Discount rate	**8.5%**	**5.3%**	**6.4%**	8.0%	5.3%	6.4%
Terminal cap rate	**7.5%**	**4.3%**	**5.6%**	7.5%	4.3%	5.7%
Industrial						
Discount rate	**6.8%**	**5.8%**	**5.9%**	6.5%	6.0%	6.1%
Terminal cap rate	**6.5%**	**5.0%**	**5.2%**	6.0%	5.0%	5.4%

Fair values are most sensitive to changes in discount rates, capitalization rates and stabilized or forecast net operating income. Generally, an increase in stabilized net operating income will result in an increase in the fair value of the income producing properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in stabilized net operating income, with a lower capitalization rate resulting in a greater impact on the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rates were to increase or decrease by 25 basis points (assuming no change in stabilized net operating income), the value of the income producing properties as at December 31, 2021, would decrease by $475,793 and increase by $529,163, respectively.

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

As at	December 31, 2021		December 31, 2020	
Change in capitalization rate:	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Multi-suite residential	**($311,848)**	**$351,762**	($255,541)	$285,352
Retail	**(69,668)**	**74,974**	(70,078)	75,329
Office	**(86,478)**	**93,813**	(88,986)	96,443
Industrial	**(7,799)**	**8,614**	(5,988)	6,578
	($475,793)	**$529,163**	($420,593)	$463,702

NOTE 5
HOTEL PROPERTIES

Hotel properties consist of the following:

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**

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

Transactions in hotel properties for the 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.

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

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

Transactions completed during the year ended December 31, 2020

Dispositions

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

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

Impairment Provision

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

During the year ended December 31, 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%

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

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

NOTE 6

CO-OWNERSHIP INTERESTS

The Company is a co-owner in several properties that are subject to joint control based on the Company's decision-making authority with regards to the relevant activities of the properties. These co-ownerships have been classified as joint operations and, accordingly, the Company recognizes its rights to and obligation for these assets, liabilities, revenue and expenses of these co-ownerships in the respective lines in the consolidated financial statements.

The following are the Company's significant co-ownerships as at December 31, 2021, and 2020:

			Company's Ownership	
Jointly Controlled Asset	**Location**	**Asset Type**	**December 31, 2021**	December 31, 2020
Bramalea City Centre	Brampton, ON	Retail	**20.7%**	20.7%
Woodbridge Square	Woodbridge, ON	Retail	**50.0%**	50.0%
77 Bloor Street West	Toronto, ON	Office	**50.0%**	50.0%
65 Overlea Boulevard	Toronto, ON	Office	**95.0%**	95.0%
2920 Matheson Boulevard	Mississauga, ON	Office	**50.0%**	50.0%
Performance Court	Ottawa, ON	Office	**50.0%**	50.0%
Standard Life Centre	Ottawa, ON	Office	**50.0%**	50.0%
Heritage Place	Ottawa, ON	Office	**50.0%**	50.0%
Jean Edmonds Towers	Ottawa, ON	Office	**49.9%**	49.9%
Rice Howard Place	Edmonton, AB	Office	**20.0%**	20.0%
505 Third Street	Calgary, AB	Office	**50.0%**	50.0%
945 Wilson Avenue	Toronto, ON	Industrial	**44.8%**	44.8%
Toronto Airport Marriott	Toronto, ON	Hotel	**94.8%**	94.8%

The following amounts included in these consolidated financial statements represent the Company's proportionate share of the assets and liabilities of the Company's co-ownership interests as at December 31, 2021, and 2020, and the results of operations for the years ended December 31, 2021, and 2020:

As at December 31	2021	2020
Assets	**$877,081**	$844,201
Liabilities	**$400,142**	$354,376

For the years ended December 31	2021	2020
Revenue	**$90,192**	$79,101
Expenses	**(64,353)**	(60,486)
Income before fair value adjustments	**25,839**	18,615
Fair value loss on real estate properties	**(1,007)**	(51,673)
Net income (loss)	**$24,832**	($33,058)

NOTE 7

EQUITY-ACCOUNTED AND OTHER FUND INVESTMENTS

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

As at December 31	2021	2020
Joint ventures	**$36,716**	$44,474
Associates	**25,507**	83,105
Equity-accounted investments	**62,223**	127,579
Other real estate fund investments	**81,985**	88,699
Equity-accounted and other fund investments	**$144,208**	$216,278

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

				Company's Ownership		Carrying Value	
Property/Investment	Principal Place of Business	Investment Type	Asset Type	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Petroleum Plaza	Edmonton, AB	Joint Venture	Office	**50.0%**	50.0%	**$18,578**	$20,496
Quinte Courthouse	Belleville, ON	Joint Venture	Office	**50.0%**	50.0%	**2,848**	2,896
Greypoint Capital L.P. II	Toronto, ON	Joint Venture	Other	**15.6%**	22.4%	**6,624**	10,064
Courtyard by Marriott	Ottawa, ON	Joint Venture	Hotel	**50.0%**	50.0%	**4,608**	7,295
Marriott Residence Inn	London, ON	Joint Venture	Hotel	**50.0%**	50.0%	**4,058**	3,723
Lumina Hollywood[(1)]	Los Angeles, CA	Associate	Residential	**—%**	59.1%	**—**	64,180
MIL Industrial Fund II LP[(2)(3)]	Various	Associate	Industrial	**18.8%**	18.8%	**25,507**	18,925
						$62,223	$127,579

(1) The Company acquired the 40.9% interest not already owned in Lumina Hollywood on October 26, 2021 (Note 4).
(2) The Company accounts for its investment using the equity method since the Company has the ability to exercise significant influence as a result of its role as general partner; however, it does not control the fund.
(3) The fund disposed of its 50% interest in one industrial property on March 25, 2020, for net proceeds of $28,079.

Equity-accounted investments

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

As at December 31	2021	2020
Balance, beginning of year	**$127,579**	$138,953
Additions	**2,303**	15,532
Transfer[1]	**(88,690)**	—
Share of net income (loss)	**24,017**	(7,470)
Distributions received	**(3,523)**	(18,115)
Foreign exchange gain (loss)	**537**	(1,321)
Balance, end of year	**$62,223**	$127,579

[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 December 31			2021			2020
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Non-current assets	**$164,361**	**$181,697**	**$346,058**	$174,935	$352,959	$527,894
Current assets	**51,403**	**3,010**	**54,413**	59,828	9,491	69,319
Total assets	**$215,764**	**$184,707**	**$400,471**	$234,763	$362,450	$597,213
Non-current liabilities	**$60,916**	**$25,624**	**$86,540**	$111,007	$42,984	$153,991
Current liabilities	**54,325**	**23,543**	**77,868**	4,261	111,687	115,948
Total liabilities	**$115,241**	**$49,167**	**$164,408**	$115,268	$154,671	$269,939
Net assets	**$100,523**	**$135,540**	**$236,063**	$119,495	$207,779	$327,274
Equity-accounted investments	**$36,716**	**$25,507**	**$62,223**	$44,474	$83,105	$127,579

For the years ended December 31			2021			2020
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Revenue	**$27,854**	**$10,774**	**$38,628**	$29,454	$9,254	$38,708
Expenses	**(22,443)**	**(15,356)**	**(37,799)**	(24,834)	(4,958)	(29,792)
Fair value gain (loss) on real estate properties, net	**(6,310)**	**74,169**	**67,859**	(9,236)	13,628	4,392
Net income (loss) for the year	**($899)**	**$69,587**	**$68,688**	($4,616)	$17,924	$13,308
Income (loss) in equity-accounted investments	**($1,899)**	**$25,916**	**$24,017**	($3,904)	($3,566)	($7,470)

(b) Income Recognized from Other Fund Investments:

Other Real Estate Fund Investments

For the years ended December 31	2021	2020
Distribution income	**$957**	$333
Fair value loss for the year (Note 19)	**(6,257)**	(5,398)
Loss from other real estate fund investments	**($5,300)**	($5,065)

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

During the year ended December 31, 2020, the Company received a distribution in the amount of $16,249 (US$12,762) in connection with the disposal of a residential property held within the Company's other real estate fund investments.

The underlying assets are appraised using a number of approaches that principally include a discounted cash flow analysis or a direct capitalization of income method. Using the direct capitalization approach, fund properties were valued using capitalization rates in the range of 4.8% to 5.3% (2020 - 5.0% to 5.3%), resulting in an overall weighted average capitalization rate of 4.9% (2020 - 5.1%). Under the discounted cash flow method, fund properties were valued using discount rates in the range of 6.0% to 7.5% (2020 - 6.1% to 7.6%), resulting in an overall weighted average discount rate of 7.1% (2020 - 6.8%) and terminal cap rates in the range of 4.3% to 6.3% (2020 - 4.6% to 5.9%), resulting in an overall weighted average terminal cap rate of 5.5% (2020 - 5.3%).

NOTE 8

OTHER ASSETS

Other assets consist of the following:

As at December 31	2021	2020
Investment in marketable securities	**$113,583**	$115,823
Accrued pension benefit asset (Note 25)	**83,043**	55,186
Finance lease receivable	**57,772**	57,185
Restricted cash	**30,935**	26,159
Intangible assets, net	**26,252**	32,195
Goodwill	**24,488**	24,488
Capital assets, net	**18,864**	19,626
Inventory	**2,495**	2,922
Right-of-use asset - office lease	**1,247**	1,926
Other	**2,169**	2,616
	$360,848	$338,126

During the year ended December 31, 2021, interest and other income includes a one-time special cash dividend from one of its investments in marketable securities amounting to $8,490.

During the year ended December 31, 2021, 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 $14,200.

Finance Lease Receivable

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

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

As at December 31	2021	2020
Within 12 months	**$3,388**	$3,322
2 to 5 years	**17,984**	17,631
Over 5 years	**160,524**	164,264
Total minimum lease payments	**181,896**	185,217
Less: Future finance income	**(124,124)**	(128,032)
Present value of minimum lease payments	**$57,772**	$57,185

NOTE 9
AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

As at December 31	2021	2020
Tenant receivables	**$31,670**	$48,951
Unbilled other tenant receivables	**6,865**	10,399
Receivables from related parties (Note 21(c))	**6,190**	5,502
Income taxes receivable	**—**	8,131
Other receivables	**35,865**	30,705
Allowance for expected credit loss	**(13,926)**	(16,702)
	66,664	86,986
Canada Emergency Wage Subsidy (“CEWS”)	**3,497**	5,937
	$70,161	$92,923

Government grants

(a) Canada Emergency Wage Subsidy

On April 11, 2020, the Canada Emergency Wage Subsidy was enacted, which provides a subsidy for each employee employed between March 15 to June 6, 2020. Subsequently, the Government of Canada extended CEWS to October 23, 2021 and on October 24, 2021, the CEWS was replaced 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. The Company will continue to assess its eligibility for subsequent claim periods.

For the year ended December 31, 2021, the Company recorded $18,478 (2020 - $24,503) as a deduction of the related expense, of which $1,561 (2020 - $2,339), $14,299 (2020 - $14,079) and $2,618 (2020 - $8,085) are a deduction of property operating costs, hotel operating expenses and property management and corporate expenses, respectively.

(b) Canada Emergency Commercial Rent Assistance

During 2020, the Government of Canada partnered with the provincial governments to deliver the CECRA program. The program was intended to provide relief for small businesses and commercial landlords who experienced financial difficulties during the COVID-19 pandemic.

Over the course of the program, property owners reduced rent by at least 75% for the months of April through September 2020 for their small business tenants. The Government of Canada, via a forgivable loan, covered 50% of the rent, with the tenant paying up to 25% and the landlord forgiving at least 25%. The interest-free loans were forgiven on December 31, 2020, if the property owner agreed to terms, including reducing the small business tenants’ rent by at least 75% under a rent reduction agreement and the landlord followed the terms and conditions of the loan, including complying with the rent reduction agreement and ensuring the attestation and application (including supporting documentation) was accurate and truthful. The Company finalized and received all applications under the CECRA program.

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

For the years ended December 31	2021	2020
Total CECRA applications	$—	$15,150
Government of Canada loan forgiveness	—	(10,100)
Landlord portion, net bad debt expense	$—	$5,050

NOTE 10
MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at December 31	2021	2020
Mortgages payable	**$4,648,175**	$4,282,087
Mark-to-market adjustments, net	**4,747**	7,396
Deferred financing costs	**(24,954)**	(20,109)
	$4,627,968	$4,269,374
Current	**$656,271**	$480,340
Non-current	**3,971,697**	3,789,034
	$4,627,968	$4,269,374
Range of interest rates	**2.03 - 7.08%**	2.03 - 7.08%
Weighted average contractual interest rate	**3.39%**	3.58%
Estimated fair value of mortgages payable	**$4,769,113**	$4,552,081

As at December 31, 2021, 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 December 31, 2021, together with the weighted average contractual interest rate on debt maturing in the next five years and thereafter, are as follows:

	Principal Instalment Repayments	Balances Maturing	Total	Weighted Average Contractual Interest Rate
2022	$127,292	$534,801	$662,093	3.65%
2023	103,508	741,953	845,461	3.57%
2024	90,719	557,865	648,584	3.33%
2025	75,488	474,516	550,004	3.12%
2026	56,509	381,830	438,339	3.31%
Thereafter	187,382	1,316,312	1,503,694	3.32%
	$640,898	$4,007,277	$4,648,175	3.39%

The Company's first mortgages are registered against specific real estate assets and hotel properties. As at December 31, 2021, mortgages payable mature between 2022 and 2058 and have a weighted average term to maturity of 4.6 years (2020 - 4.8 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 December 31, 2021, the Company was not in compliance with two (2020 - three) debt ratio covenants affecting two (2020 - four) mortgage loans, and are secured by a hotel and an office property amounting to $39,795 (2020 - $102,081). Subsequent to December 31, 2021, the Company received a waiver in regard to one mortgage loan secured by an office property with an aggregate amount of $29,581. None of the lenders have demanded payment of the mortgage loans. However, IFRS requires that the loan balance of mortgages payable in breach of debt covenants be included in the current portion of mortgages payable. The Company's one mortgage loan secured by a hotel property in breach of its debt ratio covenant is contractually scheduled to mature within one year and is included in the current portion of mortgages payable.

NOTE 11
DEBENTURES PAYABLE

The Company's debentures consist of the following:

As at December 31	2021	2020
Unsecured debentures	**$823,256**	$1,022,152
Convertible debentures	**171,893**	194,322
	$995,149	$1,216,474
Current	**$199,830**	$314,010
Non-current	**795,319**	902,464
	$995,149	$1,216,474

(a) Unsecured debentures

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

As at December 31	Maturity Date	Coupon Interest Rate	2021	2020
Series C senior unsecured debentures	September 15, 2022	4.333%	**$200,000**	$200,000
Series D senior unsecured debentures	May 14, 2021	4.085%	**—**	200,000
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			**(1,744)**	(2,848)
			$823,256	$1,022,152
Current			**$199,830**	$199,853
Non-current			**623,426**	822,299
			$823,256	$1,022,152

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

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

On May 14, 2018, the Company issued $200,000 (net proceeds including issuance costs - $198,805) of Series D senior unsecured debentures due on May 14, 2021. 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, commencing on March 28, 2021. The Company has the option to redeem the Series G senior unsecured debentures at a redemption price equal to the greater of the Canada Yield Price or par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada Bond Yield with an equal term to maturity plus a spread of 1.03%.

For the year ended December 31, 2021, interest on the Unsecured Debentures of $39,437 (2020 - $45,964) is included in interest expense (Note 18).

(b) Convertible debentures

Convertible debentures consist of the following:

As at December 31	Maturity Date	Conversion Price	Coupon Interest Rate	Principal Balance	Principal Owned by the Company	2021	2020
Morguard REIT	December 31, 2021	$20.40	4.50%	$175,000	$60,000	**$—**	$114,157
Morguard REIT	December 31, 2026	$7.80	5.25%	$159,000	$60,000	**90,574**	—
Morguard Residential REIT[(1)]	March 31, 2023	$20.20	4.50%	$85,500	$5,000	**81,319**	80,165
						$171,893	$194,322
Current						**$—**	$114,157
Non-current						**171,893**	80,165
						$171,893	$194,322

[(1)] As at December 31, 2021, the liability includes the fair value of the conversion option of $2,028 (2020 - $1,577).

Morguard REIT

On December 7, 2021, Morguard REIT issued $159,000 principal amount of 5.25% convertible unsecured subordinated debentures, and incurred issue costs of $4,213 for net proceeds of $154,787. Interest is payable semi-annually, not in advance, on June 30 and December 31 of each year, commencing on June 30, 2022. 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 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 year ended December 31, 2021, interest on convertible debentures net of accretion of $8,704 (2020 - $9,797) is included in interest expense (Note 18).

NOTE 12

MORGUARD RESIDENTIAL REIT UNITS

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

As at December 31, 2021, the Company valued the non-controlling interest in the Morguard Residential REIT units at $496,024 (2020 - $446,091) and classified the units as a liability on the consolidated balance sheets. Due to the change in the market value of the units and the distributions paid to external unitholders, the Company recorded a fair value loss for the year ended December 31, 2021 of $70,941 (2020 - gain of $49,269), in the consolidated statements of income (loss) (Note 19).

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

For the years ended December 31	2021	2020
Fair value gain (loss) on Morguard Residential REIT units	**($49,184)**	$70,996
Distributions to external unitholders (Note 3)	**(21,757)**	(21,727)
Fair value gain (loss) on Morguard Residential REIT units	**($70,941)**	$49,269

NOTE 13

LEASE LIABILITIES

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

As at December 31	2021	2020
Balance, beginning of year	**$164,255**	$166,144
Interest on lease liabilities (Note 18)	**9,617**	9,440
Payments	**(11,373)**	(11,162)
Additions	**5,878**	—
Foreign exchange gain	**(112)**	(167)
Balance, end of year	**$168,265**	$164,255
Current (Note 14)	**$1,734**	$1,799
Non-current	**166,531**	162,456
	$168,265	$164,255

Under one of the Company's ground leases with a term until 2065, land rent is required to be reset every 10 years. During the year ended December 31, 2021, the fair market value of the land was reset resulting in a $5,878 lease liability and corresponding right-of-use asset adjustment.

Future minimum lease payments under lease liabilities are as follows:

As at December 31	2021	2020
Within 12 months	**$11,306**	$11,120
2 to 5 years	**43,546**	42,585
Over 5 years	**357,982**	353,577
Total minimum lease payments	**$412,834**	$407,282
Less: future interest costs	**(244,569)**	(243,027)
Present value of minimum lease payments	**$168,265**	$164,255

NOTE 14
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at December 31	2021	2020
Accounts payable and accrued liabilities	**$189,987**	$178,828
Tenant deposits	**28,209**	27,931
SARs liability	**12,923**	10,779
Income taxes payable	**5,161**	—
Lease liability (Note 13)	**1,734**	1,799
Other	**2,295**	1,231
	$240,309	$220,568

NOTE 15
BANK INDEBTEDNESS

As at December 31, 2021, the Company has operating lines of credit totalling $493,500 (2020 - $593,500), the majority of which can be borrowed in either Canadian or United States dollars and are subject to floating interest rates based on bankers' acceptance or LIBOR rates. As at December 31, 2021, the maximum amount that can be borrowed on the operating lines of credit is $403,026 (2020 - $578,554), which includes deducting issued letters of credit in the amount of $8,856 (2020 - $8,742) related to these facilities. The Company's investments in Morguard REIT and Morguard Residential REIT, marketable securities, amounts receivable, inventory, capital assets and a fixed-charge security on specific properties have been pledged as collateral on these operating lines of credit. As at December 31, 2021, the Company had borrowed $8,039 (2020 - $156,802) on its operating lines of credit.

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

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

NOTE 16
SHAREHOLDERS' EQUITY
(a) Share Capital Authorized

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

Issued and Fully Paid Common Shares	Number (000s)	Amount
Balance, December 31, 2019	11,283	$102,426
Common shares repurchased through the Company's NCIB	(174)	(1,583)
Dividend reinvestment plan	—	99
Balance, December 31, 2020	11,109	$100,942
Common shares repurchased through the Company's NCIB	**(9)**	**(81)**
Dividend reinvestment plan	**1**	**68**
Balance, December 31, 2021	**11,101**	**$100,929**

The Company had the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 557,812 common shares. The program expired on September 21, 2021. On September 17, 2021, the Company obtained the approval of the TSX under its NCIB to purchase up to 555,024 common shares, being approximately 5% of the issued and outstanding common shares, and the program expires on September 21, 2022. The daily repurchase restriction for the common shares is 2,088. During the year ended December 31, 2021, 8,870 common shares were purchased for cash consideration of $1,007 at a weighted average price of $113.53 per common share.

Total dividends declared during the year ended December 31, 2021, amounted to $6,660, or $0.60 per common share (2020 - $6,714, or $0.60 per common share). On February 24, 2022, the Company declared a common share dividend of $0.15 per common share to be paid in the first quarter of 2022.

(b) Contributed Surplus

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

During the year ended December 31, 2021, the Company acquired nil units (2020 - 3,520,153 units) of Morguard REIT under its distribution reinvestment program for non-cash consideration of $nil (2020 - $17,784). The difference between the non-cash consideration and the carrying value of the non-controlling interest acquired for the year ended December 31, 2021, amounted to $nil (2020 - $24,044) and the amount has been recorded within retained earnings.

During the year ended December 31, 2021, Morguard REIT acquired nil units (2020 - 197,300 units) for cash consideration of $nil (2020 - $953) 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 December 31, 2021					
Date of Grant	Exercise Price	Issued	Redeemed	Cancelled	Outstanding
March 20, 2008	$30.74	200,000	(83,500)	(61,500)	55,000
November 2, 2010	$43.39	55,000	(6,500)	(8,500)	40,000
May 13, 2014	$137.90	25,000	(2,000)	(8,000)	15,000
May 13, 2015	$153.82	10,000	—	—	10,000
January 11, 2017	$179.95	90,000	(1,500)	(3,500)	85,000
May 18, 2018	$163.59	125,000	—	—	125,000
August 8, 2018	$168.00	20,000	—	—	20,000
November 8, 2018	$184.00	10,000	—	—	10,000
Total		**535,000**	**(93,500)**	**(81,500)**	**360,000**

During the year ended December 31, 2021, the Company recorded a fair value adjustment to increase compensation expense of $3,971 (2020 - reduce compensation expense of $12,161). The fair value adjustment is included in property management and corporate expenses in the consolidated statements of income (loss), and the liability is classified as accounts payable and accrued liabilities (Note 14).

The fair value for the SARs was calculated using the Black-Scholes option pricing model. In determining the fair value of the SARs, management is required to make assumptions that could have a material impact on the valuation. The following are the assumptions that were used in determining the fair value as at December 31, 2021: a dividend yield of 0.44% (2020 - 0.52%), expected volatility of approximately 30.35% (2020 - 30.13%) and the 10-year Bank of Canada Bond Yield of 1.47% (2020 - 0.70%).

(d) Accumulated Other Comprehensive Income

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

As at December 31	2021	2020
Actuarial gain on defined benefit pension plans	**$50,689**	$28,882
Unrealized foreign currency translation gain	**129,264**	133,436
	$179,953	$162,318

NOTE 17
REVENUE

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

For the years ended December 31	2021	2020
Rental income	**$472,397**	$494,807
Realty taxes and insurance	**137,517**	141,941
Common area maintenance recoveries	**91,051**	100,074
Property management and ancillary income	**151,727**	151,502
	$852,692	$888,324

The components of revenue from hotel properties are as follows:

For the years ended December 31	2021	2020
Room revenue	**$92,700**	$74,725
Other hotel revenue	**31,216**	23,321
	$123,916	$98,046

The components of management and advisory fees are as follows:

For the years ended December 31	2021	2020
Property and asset management fees	**$34,615**	$33,649
Other fees	**10,687**	8,431
	$45,302	$42,080

Included in property management and corporate expenses are services provided under third-party managed contracts, which are recoverable, amounting to $19,269 (2020 - $17,577).

NOTE 18
INTEREST EXPENSE

The components of interest expense are as follows:

For the years ended December 31	2021	2020
Interest on mortgages	**$152,538**	$161,228
Interest on debentures payable, net of accretion (Note 11)	**48,141**	55,761
Interest on bank indebtedness	**3,573**	5,259
Interest on loans payable and other	**1,713**	1,510
Interest on lease liabilities (Note 13)	**9,617**	9,440
Amortization of mark-to-market adjustments on mortgages, net	**(2,649)**	(4,552)
Amortization of deferred financing costs	**7,726**	8,772
	220,659	237,418
Less: Interest capitalized to properties under development	**(347)**	(697)
	$220,312	$236,721

NOTE 19

FAIR VALUE GAIN (LOSS), NET

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

For the years ended December 31	2021	2020
Fair value gain (loss) on real estate properties, net (Note 4)	**$266,971**	($511,472)
Financial assets (liabilities):		
Fair value gain (loss) on conversion option of MRG convertible debentures (Note 11)	**(451)**	1,895
Fair value gain (loss) on MRG units (Note 12)	**(70,941)**	49,269
Fair value loss on other real estate fund investments (Note 7(b))	**(6,257)**	(5,398)
Fair value gain (loss) on investment in marketable securities	**12,263**	(28,239)
Total fair value gain (loss), net	**$201,585**	($493,945)

NOTE 20

OTHER INCOME

The components of other income are as follows:

For the years ended December 31	2021	2020
Foreign exchange gain (loss)	**$1,366**	($61)
Gain on sale of hotel property (Note 5)	**—**	2,067
Other income (expense)	**3,199**	(773)
	$4,565	$1,233

NOTE 21

RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Notes 7 and 11(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 December 31, 2021, the Company has a demand loan agreement with Paros that provides for the Company to borrow up to $50,000 (2020 - $22,000). During the year ended December 31, 2021, the Company increased its existing demand loan by $28,000. The total loan payable as at December 31, 2021 was $nil (2020 - $nil). During the year ended December 31, 2021, the Company incurred net interest expense of $741 (2020 - $nil).

(b) TWC Enterprises Limited ("TWC")

The Company provides TWC with managerial and consulting services for its business and the business of its subsidiaries. Mr. K. Rai Sahi is Chairman and Chief Executive Officer and the majority shareholder of TWC through his personal holding companies, which include Paros. Pursuant to contractual agreements between the Company and TWC, for the year ended December 31, 2021, the Company received a management fee of $1,271 (2020 - $1,311), and paid rent and operating expenses of $617 (2020 - $661).

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 December 31, 2021 was $nil (2020 - $20,000). During the year ended December 31, 2021, the Company paid net interest of $390 (2020 - $452).

(c) Share/unit Purchase and Other Loans

As at December 31, 2021, share/unit purchase and other loans to officers and employees of the Company and its subsidiaries of $6,190 (2020 - $5,502) are outstanding. The loans are collateralized by their common shares of the Company, units of Morguard REIT and units of Morguard Residential REIT and are interest-bearing computed at the Canadian prime interest rate and are due on January 13, 2026. Other loans are secured against the underlying asset. The loans are classified as amounts receivable in the consolidated balance sheets. As at December 31, 2021, the fair market value of the common shares/units held as collateral is $69,793.

(d) Key Management Compensation

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company's key management personnel include the Chairman and Chief Executive Officer, Chief Financial Officer, Executive Vice President, Retail Asset Management (MIL), and Senior Vice President, Office/Industrial Asset Management (MIL).

The compensation paid or payable to key management for employee services is shown below:

For the years ended December 31	2021	2020
Salaries and other short-term employee benefits	**$4,156**	$4,727
SARs	**1,345**	(5,501)
	$5,501	($774)

NOTE 22

INCOME TAXES

(a) Income Tax Expense

For the years ended December 31	2021	2020
Income (loss) before income taxes	**$408,102**	($319,784)
Statutory rate	**26.5%**	26.5%
Income taxes at the Canadian and provincial income tax rate	**$108,147**	($84,743)
Increase (decrease) in income taxes due to:		
Non-taxable items	**(624)**	(7,136)
Non-taxable income (loss) of Morguard Residential REIT and Morguard REIT	**(4,861)**	42,671
Impact of subsidiary tax rate differential	**17,566**	(36,743)
Impact of change in tax rates	**6,733**	1,207
Non-recognition of the benefit of tax losses	**11,571**	12,862
Recognition of previously unrecognized benefit of tax losses	**—**	(2,384)
Adjustments to income tax estimates	**386**	2,440
Redemption of subsidiary partnership units	**12,935**	—
Other	**(372)**	2,092
Income tax (recovery) expense	**$151,481**	($69,734)

(b) The Major Components of Deferred Tax Liabilities and Movements

	December 31, 2020	Net income (loss)	Recognized in OCI	Equity and other	December 31, 2021
Real estate properties	**$633,612**	**$139,746**	**$353**	**$—**	**$773,711**
Investments	**(6,489)**	**5,437**	**—**	**(28)**	**(1,080)**
Pension assets	**15,759**	**(379)**	**7,610**	**—**	**22,990**
Other	**5,343**	**(15,341)**	**(847)**	**—**	**(10,845)**
Total net deferred tax liabilities	**$648,225**	**$129,463**	**$7,116**	**($28)**	**$784,776**

	December 31, 2019	Net income (loss)	Recognized in OCI	Equity and other	December 31, 2020
Real estate properties	$722,477	($85,047)	($3,818)	$—	$633,612
Investments	(10,949)	765	—	3,695	(6,489)
Pension assets	23,246	(118)	(7,369)	—	15,759
Other	(988)	6,406	(75)	—	5,343
Total net deferred tax liabilities	$733,786	($77,994)	($11,262)	$3,695	$648,225

(c) The Company's Tax Losses

As at December 31, 2021, the Company's U.S. subsidiaries have total net operating losses of approximately US$69,363 (2020 - US$66,736) of which no deferred tax assets were recognized as it is not probable that taxable income will be available against which the deductible temporary difference can be utilized. The net operating losses expire in varying years commencing 2030. As at December 31, 2021, the Company's U.S. subsidiaries have US$33,066 (2020 - US$26,808) of net operating losses of which deferred tax assets were recognized and the Company's U.S. subsidiaries have a total of US$13,943 (2020 - US$5,046) of unutilized interest expense deductions, of which deferred tax assets were recognized.

As at December 31, 2021, the Company's Canadian subsidiaries have total net operating losses of approximately $257,782 (2020 - $234,442) of which no deferred tax assets were recognized as it is not probable that taxable income will be available against which they can be utilized. These losses expire in various years commencing 2022. As at December 31, 2021, the Company has other Canadian temporary differences, of which no deferred tax asset was recognized for approximately $82,926 (2020 - $63,928). These other temporary differences have no expiration date.

(d) Other Temporary Differences

As at December 31, 2021, temporary differences associated with investments in subsidiaries and joint ventures, for which no deferred tax liability has been recognized, amounts to $198,473 (2020 - $182,287).

NOTE 23
NET INCOME (LOSS) PER COMMON SHARE

For the years ended December 31	2021	2020
Net income (loss) attributable to common shareholders	**$249,760**	($98,918)
Weighted average number of common shares outstanding (000s) - basic and diluted	**11,101**	11,205
Net income (loss) per common share - basic and diluted	**$22.50**	($8.83)

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

For the years ended December 31	2021	2020
Fair value loss (gain) on real estate properties, net	**($267,209)**	$511,472
Fair value loss (gain) on conversion option of MRG convertible debentures (Note 19)	**451**	(1,895)
Fair value loss (gain) on MRG units (Note 12)	**49,184**	(70,996)
Fair value loss on other real estate investment funds (Note 19)	**6,257**	5,398
Fair value loss (gain) on investment in marketable securities (Note 19)	**(12,263)**	28,239
Equity loss (income) from investments	**(24,017)**	7,470
Amortization of hotel properties and other	**32,499**	35,295
Amortization of deferred financing costs (Note 18)	**7,726**	8,772
Amortization of mark-to-market adjustments on mortgages, net (Note 18)	**(2,649)**	(4,552)
Amortization of tenant incentive	**4,040**	1,896
Stepped rent - adjustment for straight-line method	**(419)**	(665)
Deferred income taxes	**129,463**	(77,994)
Accretion of convertible debentures	**(284)**	999
Gain on sale of hotel property (Note 20)	**—**	(2,067)
Provision for impairment	**45,289**	37,041
	($31,932)	$478,413

(b) Net Change in Operating Assets and Liabilities

For the years ended December 31	2021	2020
Amounts receivable	**$23,176**	($23,307)
Prepaid expenses and other	**3,578**	(13,290)
Accounts payable and accrued liabilities	**20,384**	(6,464)
Net change in operating assets and liabilities	**$47,138**	($43,061)

(c) Supplemental Cash Flow Information

For the years ended December 31	2021	2020
Interest paid	**$208,472**	$226,821
Interest received	**817**	1,913
Income taxes paid	**10,290**	9,262

During the year ended December 31, 2021, the Company issued non-cash dividends under the distribution reinvestment plan of $81 (2020 - $99).

(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 year	**$4,269,374**	**$1,022,152**	**$194,322**	**$164,255**	**$20,000**	**$156,802**	**$5,826,905**
Repayments	**(122,981)**	**—**	**—**	**(1,756)**	**(70,000)**	**(453,996)**	**(648,733)**
New financing, net	**871,847**	**—**	**94,787**	**—**	**50,000**	**305,233**	**1,321,867**
Lump-sum repayments	**(443,141)**	**(200,000)**	**(115,000)**	**—**	**—**	**—**	**(758,141)**
Non-cash changes	**58,966**	**1,104**	**(2,216)**	**5,878**	**—**	**—**	**63,732**
Foreign exchange	**(6,097)**	**—**	**—**	**(112)**	**—**	**—**	**(6,209)**
Balance, December 31, 2021	**$4,627,968**	**$823,256**	**$171,893**	**$168,265**	**$—**	**$8,039**	**$5,799,421**

NOTE 25

EMPLOYEE FUTURE BENEFITS

The Company maintains a non-contributory defined benefit pension plan covering certain employees under the Morguard Corporation Employee Retirement Plan (the “Morguard Plan”). This plan provides benefits based on length of service and final average earnings. There is only one active member since the majority of members were employed in the Company’s industrial products distribution business, which was sold in 1996. The pension obligations and related assets for the former employees remain part of the Company’s defined benefit pension plan. The most recent actuarial valuation for the Morguard Plan was as at December 31, 2020.

Effective January 1, 2008, the Morguard Plan was amended and restated in its entirety to consist of the existing defined benefit provisions and new defined contribution provisions. Employees who accrued benefits under the Morguard Plan on December 31, 2007, will continue to participate in the defined benefit provisions of the Morguard Plan on and after January 1, 2008, and are not eligible to participate in the new defined contribution provisions. New employees of the Company participate under the defined contribution provisions upon completion of the applicable waiting period effective January 1, 2008.

Morguard Investments Limited Employees’ Retirement Plan (the “MIL Plan”) is a defined benefit plan that provides benefits based on years of service, years of contributions and annual earnings.

Effective January 1, 2008, all members of the MIL Plan ceased to accrue future benefits under the MIL Plan and commenced participation under the new defined contribution provisions of the Morguard Plan. No assets or liabilities will transfer from the MIL Plan to the new Morguard Plan with respect to benefits accrued to December 31, 2007, with respect to MIL Plan members. Accrued benefits under the MIL Plan will be determined using credited service and benefit entitlement as at December 31, 2007.

Membership is a requirement after a defined term of employment and age. Funding of the MIL Plan is provided by contributions from Morguard Investments Limited ("MIL"). Certain employees who commenced employment prior to January 1, 1997, elected to contribute to the MIL Plan and receive a higher benefit. The most recent actuarial valuation for the MIL Plan was as at December 31, 2019.

The significant actuarial assumptions adopted in measuring the Company's defined benefit pension plans for the years ended December 31, 2021, and 2020, are as follows:

For the years ended December 31		2021		2020
	Morguard	**MIL**	Morguard	MIL
Assumptions for defined benefit pension obligation				
Discount rate	**3.05%**	**3.05%**	2.40%	2.40%
Rate of price inflation	**1.82%**	**1.82%**	1.49%	1.49%
Rate of pension increases - pre-retirement	**—**	**0.75%**	—	0.60%
Rate of pension increases - post-retirement	**—**	**0.75%**	—	0.60%
Assumptions for defined benefit expense				
Discount rate	**2.40%**	**2.40%**	3.10%	3.10%
Rate of price inflation	**1.49%**	**1.49%**	1.35%	1.35%
Rate of pension increases - pre-retirement	**—**	**0.60%**	—	1.25%
Rate of pension increases - post-retirement	**—**	**0.60%**	—	1.25%

Information about the Company's defined benefit pension plans is as follows:

As at December 31			2021			2020
	Morguard	**MIL**	**Total**	Morguard	MIL	Total
Accrued benefit obligations						
Balance at beginning of year	**($50,718)**	**($38,313)**	**($89,031)**	($51,948)	($39,418)	($91,366)
Current service cost	**(6)**	**—**	**(6)**	(6)	—	(6)
Interest cost	**(1,172)**	**(901)**	**(2,073)**	(1,551)	(1,200)	(2,751)
Benefits paid	**6,002**	**2,514**	**8,516**	6,431	1,251	7,682
Changes in:						
Financial assumptions	**2,659**	**2,226**	**4,885**	(3,684)	(111)	(3,795)
Experience adjustments	**928**	**12**	**940**	40	1,165	1,205
Balance at end of year	**($42,307)**	**($34,462)**	**($76,769)**	($50,718)	($38,313)	($89,031)
Plan assets						
Fair value at beginning of year	**$106,962**	**$37,255**	**$144,217**	$131,150	$43,770	$174,920
Expected return on plan assets	**2,486**	**877**	**3,363**	3,960	1,332	5,292
Administration expenses	**(486)**	**(209)**	**(695)**	(496)	(320)	(816)
Return on plan assets	**17,553**	**6,184**	**23,737**	(18,765)	(6,276)	(25,041)
Employer contributions	**(2,294)**	**—**	**(2,294)**	(2,456)	—	(2,456)
Benefits paid	**(6,002)**	**(2,514)**	**(8,516)**	(6,431)	(1,251)	(7,682)
Balance at end of year	**$118,219**	**$41,593**	**$159,812**	$106,962	$37,255	$144,217
Net assets (liability)	**$75,912**	**$7,131**	**$83,043**	$56,244	($1,058)	$55,186

In 2021, Morguard contributed $2,294 to the defined contribution plan (2020 - $2,456).

Details of the defined benefit expense (income) recorded in the consolidated statements of comprehensive income (loss) for the years ended December 31, 2021, and 2020, are provided below:

For the years ended December 31			2021			2020
	Morguard	**MIL**	**Total**	Morguard	MIL	Total
Components of defined benefit cost						
Current service cost	**$6**	**$—**	**$6**	$6	$—	$6
Interest cost	**1,172**	**901**	**2,073**	1,551	1,200	2,751
Expected return on plan assets	**(2,486)**	**(877)**	**(3,363)**	(3,960)	(1,332)	(5,292)
Administrative expenses and taxes	**375**	**175**	**550**	375	175	550
Net benefit plan expense (income)	**($933)**	**$199**	**($734)**	($2,028)	$43	($1,985)

Details of the defined benefit pension plan recorded in the consolidated statements of comprehensive income (loss) are provided below:

For the years ended December 31			2021			2020
	Morguard	**MIL**	**Total**	Morguard	MIL	Total
Changes in:						
Financial assumptions	**($2,659)**	**($2,226)**	**($4,885)**	$3,684	$111	$3,795
Experience adjustments	**(928)**	**(12)**	**(940)**	(40)	(1,165)	(1,205)
Return of plan assets	**(17,442)**	**(6,150)**	**(23,592)**	18,886	6,421	25,307
Net actuarial loss (gain) on defined benefit pension plans	**($21,029)**	**($8,388)**	**($29,417)**	$22,530	$5,367	$27,897

Reconciliation of net accrued pension assets for the years ended December 31, 2021, and 2020, is as follows:

For the years ended December 31			2021			2020
	Morguard	**MIL**	**Total**	Morguard	MIL	Total
Net defined benefit asset, beginning of the year	**$56,244**	**($1,058)**	**$55,186**	$79,202	$4,352	$83,554
Net benefit plan income (expense)	**933**	**(199)**	**734**	2,028	(43)	1,985
Net actuarial gain (loss)	**21,029**	**8,388**	**29,417**	(22,530)	(5,367)	(27,897)
Employer contribution	**(2,294)**	**—**	**(2,294)**	(2,456)	—	(2,456)
Net defined benefit asset, end of the year	**$75,912**	**$7,131**	**$83,043**	$56,244	($1,058)	$55,186

Details of the defined benefit obligation by participant status as at December 31, 2021, and 2020, are as follows:

For the years ended December 31			2021			2020
	Morguard	**MIL**	**Total**	Morguard	MIL	Total
Actives, suspended and long-term disability	**$3,316**	**$18,099**	**$21,415**	$12,181	$18,943	$31,124
Vested deferred	**4,029**	**3,389**	**7,418**	2,201	3,566	5,767
Retirees	**34,962**	**12,974**	**47,936**	36,336	15,804	52,140
Total	**$42,307**	**$34,462**	**$76,769**	$50,718	$38,313	$89,031

The Morguard Plan and the MIL Plan have a sole investment in the Morguard Master Trust Fund (the “Master Trust”), and the assets of the Morguard Plan and the MIL Plan are combined in the Master Trust. The fair value of the investments in the Master Trust is as follows:

For the years ended December 31	2021	2020
Cash and cash equivalents	**$6,842**	$2,117
Fixed-income securities	**32,874**	34,343
Foreign equities	**12,722**	—
Canadian equities	**79,195**	84,790
Canadian pooled funds	**28,179**	22,967
Total investments	**$159,812**	$144,217

The following is a quantitative sensitivity analysis of the impact on the accrued pension benefits obligation as a result of the following changes in the significant pension assumptions:

	Increase (Decrease) in Pension Benefit Obligation		
Year ended December 31, 2021	**Morguard**	**MIL**	**Total**
Discount rate			
Discount rate -100 basis points	**$4,215**	**$2,886**	**$7,101**
Discount rate +100 basis points	**(3,574)**	**(3,971)**	**(7,545)**
Pension increase rate			
Pension increase rate -50 basis points	**—**	**(2,372)**	**(2,372)**
Pension increase rate +50 basis points	**—**	**2,615**	**2,615**
Mortality			
Mortality - life expectancy for member age 65 -1 year	**(2,024)**	**(1,365)**	**(3,389)**
Mortality - life expectancy for member age 65 +1 year	**2,009**	**1,339**	**3,348**

The following are the expected benefits payments to be made in the next 10 years from the defined benefit plan obligations:

Year ended December 31, 2021	Morguard	MIL	Total
Year 1	**$3,594**	**$1,650**	**$5,244**
Year 2	**3,537**	**1,651**	**5,188**
Year 3	**3,422**	**1,677**	**5,099**
Year 4	**3,313**	**1,691**	**5,004**
Year 5	**3,191**	**1,769**	**4,960**
Next 5 years	**13,951**	**9,789**	**23,740**

The Morguard Plan holds directly nil common shares (2020 - 336,618 common shares) of the Company and nil units (2020 - 80,962 units) of Morguard REIT. Net benefit plan income is recorded in property management and corporate expenses.

NOTE 26

CONTINGENCIES

(a) Commitments

Future minimum annual rental payments for land leases, office premises and equipment operating leases that expire at various dates ending in 2113 are payable over the next five years and thereafter as follows:

2022	**$16,001**
2023	**14,586**
2024	**12,040**
2025	**11,082**
2026	**10,705**
Thereafter	**$452,982**

The Company is a lessee under seven ground leases that expire at various dates, the latest of which is 2113. Annual rental expenses for each of the ground leases are as follows:

Ground Lease #1	Annual rental expense
From July 1, 2010 to June 30, 2030	$8,760
From July 1, 2030 to June 30, 2050	Fair market value of land at June 2030 multiplied by 6%
From July 1, 2050 to June 30, 2060	Fair market value of land at June 2050 multiplied by 6%

Ground Lease #2	Annual rental expense
From March 1, 2021 to February 28, 2031	$1,105
From March 1, 2031 to February 28, 2041	Fair market value of land at February 2031 multiplied by 8.5%
From March 1, 2041 to February 28, 2051	Fair market value of land at February 2041 multiplied by 8.5%
From March 1, 2051 to February 28, 2061	Fair market value of land at February 2051 multiplied by 8.5%
From March 1, 2061 to February 28, 2065	Fair market value of land at February 2061 multiplied by 8.5%

Ground Lease #3	Annual rental expense
From October 1, 2019 to September 30, 2024	US$342
From October 1, 2024 to September 30, 2029	396
Every 5 years thereafter	The greater of: (i) 1.1 times the rent for the fifteenth lease year (2029) and the last year of each fifth year lease year increment thereafter until 2113; or (ii) Index Adjustment

The Company has the option to purchase the land pertaining to Ground Lease #3 in September 2029 for US$7,150.

The Company has four other ground leases that expire between May 31, 2022 and July 21, 2069. The Company is required to pay an annual base rent totalling $490. In addition, the Company has a commitment to purchase the land of one of the ground leases that expires on May 31, 2022. The purchase price of the land will be based on the market value of the land at the end of the lease term.

The Company has entered into various leasing agreements and contracts for the development of properties. As at December 31, 2021, committed leasing costs, capital and development expenditures are estimated to be $19,582.

(b) Contingencies

As at December 31, 2021, the Company has issued irrevocable letters of credit relating to normal course development activity amounting to $14,032 (2020 - $13,880).

In addition, 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.

(c) Franchise Agreements

Under the terms of the franchise agreements expiring through July 31, 2032, annual payments for franchise fees are payable for 21 hotel properties owned by the Company. The franchise fees paid are based on a percentage of revenue and fixed annual fees.

NOTE 27

MANAGEMENT OF CAPITAL

The Company defines capital that it manages as the aggregate of its shareholders' equity, mortgages payable, Unsecured Debentures, convertible debentures, loans payable, bank indebtedness and lease liabilities. The Company's objective when managing capital is to ensure that the Company will continue as a going concern so that it can sustain daily operations and provide adequate returns to its shareholders.

The Company is subject to risks associated with debt financing, including the possibility that existing mortgages may not be refinanced or may not be refinanced on as favourable terms or with interest rates as favourable as those of the existing debt. The Company mitigates these risks by its continued efforts to stagger the maturity profile of its long-term debt, enhance the value of its real estate properties, maintain high occupancy levels and foster excellent relations with its lenders. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

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

As at December 31	2021	2020
Mortgages payable, principal balance	**$4,648,175**	$4,282,087
Unsecured Debentures, principal balance	**825,000**	1,025,000
Convertible debentures, principal balance	**179,500**	195,500
Loans payable	**—**	20,000
Bank indebtedness	**8,039**	156,802
Lease liabilities	**168,265**	164,255
Shareholders' equity	**3,632,176**	3,372,352
	$9,461,155	$9,215,996

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

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

NOTE 28

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial assets and financial liabilities comprise cash, restricted cash, amounts receivable, mortgages and loans receivable, accounts payable and accrued liabilities, bank indebtedness, mortgages payable, loans payable, lease liabilities, Unsecured Debentures and convertible debentures (excluding any conversion option). Fair values of financial assets and financial liabilities and a discussion of risks associated with financial assets and 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 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 December 31, 2021, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at December 31, 2021, of the mortgages payable before deferred financing costs and mark-to-market adjustments is estimated at $4,769,113 (2020 - $4,552,081), compared with the carrying value of $4,648,175 (2020 - $4,282,087). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

The fair value of the Unsecured Debentures liability is based on its closing bid price (Level 1). As at December 31, 2021, the fair value of the Unsecured Debentures has been estimated at $833,002 (2020 - $1,039,322) compared with the carrying value of $825,000 (2020 - $1,025,000).

The fair value of the convertible debentures liability is based on their market trading prices (Level 1). As at December 31, 2021, the fair value of the convertible debentures before deferred financing costs has been estimated at $180,769 (2020 - $196,539), compared with the carrying value of $179,500 (2020 - $195,500).

The fair value of the finance lease receivable is determined by discounting the cash flows of the finance lease receivable using December 31, 2021, market rates for debt on similar terms (Level 3). Based on these assumptions, as at December 31, 2021, the fair value of the finance lease receivable has been estimated at $57,772 (2020 - $57,185).

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

	December 31, 2021			December 31, 2020		
As at	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$10,244,875**	$—	$—	$9,680,408
Investments in marketable securities	**113,583**	**—**	**—**	115,823	—	—
Investments in real estate funds	**—**	**—**	**81,985**	—	—	88,699
Financial liabilities:						
Morguard Residential REIT units	**—**	**496,024**	**—**	—	446,091	—
Conversion option on MRG convertible debentures	**—**	**2,028**	**—**	—	1,577	—

Risks Associated with Financial Assets and Financial Liabilities

The Company is exposed to financial risks arising from its financial assets and financial liabilities. The financial risks include market risk relating to interest rates and foreign exchange rates, credit risk and liquidity risk. The Company's overall risk management program focuses on establishing policies to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company aims to develop a disciplined control environment in which all employees understand their roles and obligations.

(a) Market Risk

The risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate due to movements in market prices includes the effect of interest rate risk and foreign exchange risk.

Interest Rate Risk

The Company is subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be refinanced on terms as favourable as those of the existing indebtedness. Interest on the Company's bank indebtedness and certain mortgages is subject to floating interest rates. For the year ended December 31, 2021, the increase or decrease in annual net income for each one percent change in interest rates on floating-rate debt amounts to $3,451.

The Company's objective in managing interest rate risk is to minimize the volatility of the Company's income. As at December 31, 2021, interest rate risk has been minimized because the majority of long-term debt is financed at fixed interest rates with maturities scheduled over a number of years. Mortgages payable totalling $300,359 are subject to floating interest rates.

Foreign Exchange Risk

The Company is exposed to foreign exchange risk as it relates to its U.S. investments due to fluctuations in the exchange rate between the Canadian and United States dollars. Changes in the exchange rate may result in a reduction or an increase of reported earnings and other comprehensive income. For the year ended

December 31, 2021, a $0.05 change in the United States to Canadian dollar exchange rate would have resulted in an $8,558 change to net income or loss and a $63,749 change to comprehensive income or loss.

The Company's objective in managing foreign exchange risk is to mitigate the exposure from fluctuations in the exchange rate by maintaining U.S. dollar-denominated debt against its U.S. assets. The Company currently does not hedge translation exposures.

(b) Credit Risk
Credit risk arises from the possibility that tenants and/or debtors may experience financial difficulty and be unable or unwilling to fulfil their lease commitments. The Company mitigates the risk of loss by investing in well-located properties in urban markets that attract quality tenants, by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. A tenant's success over the term of its lease and its ability to fulfil its obligations are subject to many factors. There can be no assurance that a tenant will be able to fulfil all of its existing commitments and leases up to the expiry date.

The Company's commercial leases typically have lease terms between five and 10 years and may include clauses to enable periodic upward revision of the rental rates and contractual extensions at the option of the lessee.

Future minimum rentals under non-cancellable tenant operating leases are as follows:

As at December 31	2021	2020
Not later than one year	**$262,428**	$272,634
Later than one year and not longer than five years	**732,726**	805,289
Later than five years	**360,469**	420,523
	$1,355,623	$1,498,446

The majority of the Company's multi-suite residential operating leases have lease terms for a period of 12 months or less.

The objective in managing credit risk is to mitigate exposure through the use of approved credit policies governing the Company's credit practices that limit transactions according to counterparties' credit quality.

The Company utilizes the simplified approach to measure expected credit losses under IFRS 9, which requires the Company to recognize a lifetime expected credit loss allowance on all receivables at each reporting date. The carrying amount of amounts receivable is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statements of income (loss) within property operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of income (loss).

The following table sets forth details of trade receivables and the related allowance for doubtful accounts:

As at December 31	2021	2020
Tenant receivables	**$38,535**	$59,350
Less: Allowance for doubtful accounts	**(13,926)**	(16,702)
Trade receivables, net	**$24,609**	$42,648

(c) Liquidity Risk
Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations. The Company will be subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be able to be refinanced. The Company's objectives in minimizing liquidity risk are to maintain appropriate levels of leverage on its real estate assets and to stagger the debt maturity profile. As at December 31, 2021, the Company was holding cash of $173,656 and had undrawn lines of credit available to it of $476,605.

NOTE 29
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 year ended December 31, 2021	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
Revenue from real estate/hotel properties	**$378,778**	**$227,823**	**$234,097**	**$11,994**	**$123,916**	**$976,608**
Property/hotel operating expenses	**(174,397)**	**(111,082)**	**(102,422)**	**(4,535)**	**(96,172)**	**(488,608)**
Net operating income	**$204,381**	**$116,741**	**$131,675**	**$7,459**	**$27,744**	**$488,000**

For the year ended December 31, 2020	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
Revenue from real estate/hotel properties	$393,401	$241,062	$242,527	$11,334	$98,046	$986,370
Property/hotel operating expenses	(165,836)	(124,861)	(110,691)	(4,070)	(89,669)	(495,127)
Net operating income	$227,565	$116,201	$131,836	$7,264	$8,377	$491,243

	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 year ended December 31, 2021						
Additions to real estate/hotel properties	**$143,891**	**$20,206**	**$12,554**	**$921**	**$10,444**	**$188,016**
Fair value gain (loss) on real estate properties	**$327,512**	**($42,946)**	**($48,909)**	**$31,314**	**$—**	**$266,971**

	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
As at December 31, 2020						
Real estate/hotel properties	$4,965,659	$2,291,329	$2,285,085	$138,335	$545,041	$10,225,449
Mortgages payable	$2,093,904	$895,502	$1,096,121	$19,867	$163,980	$4,269,374
For the year ended December 31, 2020						
Additions to real estate/hotel properties	$39,010	$33,605	$17,441	$11	$7,142	$97,209
Fair value gain (loss) on real estate properties	$87,261	($477,299)	($133,437)	$12,003	$—	($511,472)

(b) Regional Segments

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

As at December 31	2021	2020
Real estate and hotel properties		
Canada	**$7,348,930**	$7,337,757
United States	**3,353,098**	2,887,692
	$10,702,028	$10,225,449

For the years ended December 31	2021	2020
Revenue from real estate and hotel properties		
Canada	**$710,321**	$710,458
United States	**266,287**	275,912
	$976,608	$986,370

NOTE 30

COMPARATIVE AMOUNTS

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

NOTE 31

SUBSEQUENT EVENT

On February 1, 2022, the Company completed the refinancing of two multi-suite residential properties located in Mississauga, Ontario, in the amount of $47,500 at an interest rate of 2.85% for a term of ten years. The maturing mortgages amounted to $19,818 and had an interest rate of 2.99%.