

MANAGEMENT'S DISCUSSION, ANALYSIS
& CONSOLIDATED FINANCIAL STATEMENTS

MORGUARD
CORPORATION

2023
4TH QUARTER
REPORT



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, 2023. 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, 2023, 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 year ended December 31, 2023 and 2022. This MD&A is based on financial information prepared in accordance with International Financial Reporting Standards ("IFRS") and is dated February 22, 2024. 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.sedarplus.ca 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 pandemic or epidemic 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.

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 a substitute 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 Company operates is ownership of the property on January 1 of each year for which the tax is imposed and, as a result, the Company records the entire annual realty tax expense for its U.S. properties on January 1, except for U.S. properties acquired during the year in which 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) is a non-GAAP financial measure widely used as a real estate industry standard that supplements net income (loss) and evaluates operating performance but is not indicative of funds available to meet the Company's cash requirements. FFO can assist with comparisons of the operating performance of the Company's real estate between periods and relative to other real estate entities. FFO is computed 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 (recovery of) impairment, (xiv) other fair value adjustments and non-cash items. The Company considers FFO to be a useful measure for reviewing its comparative operating and financial performance. FFO per common share is calculated as FFO divided by the weighted average number of common shares outstanding during the period.

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

A reconciliation of net income (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") and Morguard Residential REIT (collectively the Company's "Public Entity Investments"), using the equity method of accounting and other adjustments as defined by the Indenture described below ("Non-Consolidated Basis" or "Morguard Non-Consolidated Basis"). The presentation of Non-Consolidated Basis measures represents a non-GAAP financial measure and may not accurately depict the legal and economic implications of the Company.

The Company computes an interest coverage ratio, an indebtedness to aggregate assets ratio and an adjusted shareholders' equity covenant on a Non-Consolidated Basis and are presented in this MD&A because management considers these non-GAAP financial measures to be an important measure to evaluate and monitor the Company's compliance with its Indenture.

Non-Consolidated Basis adjustments include the following:

- An adjustment (as defined in the Indenture) to account for the Company's Public Entity Investments using the equity method of accounting. The adjustment requires the Public Entity Investments which are consolidated under IFRS to each respective financial statement line presented within the balance sheet and statement of income (loss) to be presented on a single line within equity-accounted investments;
- An adjustment (as defined in the Indenture) to the balance sheet to exclude deferred tax assets and liabilities, goodwill and to add back accumulated amortization of hotel properties; and
- An adjustment (as defined in the Indenture) to the statement of income (loss) to exclude other non-cash items (such as the Company's stock appreciation rights ("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 (recovery of) 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 a substitute 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:

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 maintain sufficient capital contingencies.

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

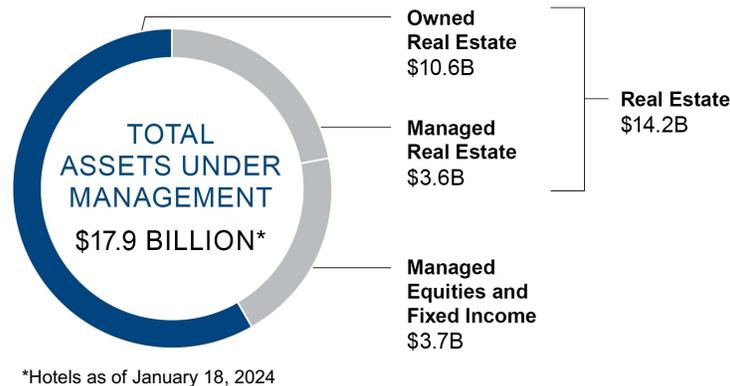
LIQUIDITY

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 \$17.9 billion as at December 31, 2023, except hotels which are as of January 18, 2024. 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, 2023, 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 \$7.3 billion.

BUSINESS STRATEGY

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

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

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

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

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS

As at December 31	2023	2022	2021
Real estate properties	\$10,493,655	\$10,551,074	\$10,244,875
Real estate properties held for sale	125,307	—	—
Hotel properties	87,376	337,239	457,153
Hotel properties held for sale	254,728	—	—
Equity-accounted and other fund investments	95,525	120,347	144,208
Total assets	11,623,088	11,705,252	11,492,543
Indebtedness	\$5,808,785	\$5,804,887	\$5,808,277
Indebtedness to total assets (%)	50.0	49.6	50.5
Non-consolidated indebtedness to total assets (%) ⁽¹⁾	44.6	45.0	45.2
Total equity	\$4,343,090	\$4,385,471	\$4,173,747
Shareholders' equity per common share	359.51	350.68	327.19

(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 a substitute 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	2023	2022	2021
Revenue from real estate properties	\$1,000,726	\$916,517	\$852,692
Revenue from hotel properties	161,601	162,169	123,916
Management and advisory fees	43,572	41,339	45,302
Total revenue	1,224,018	1,136,675	1,044,844
Net operating income	595,416	536,637	488,000
Fair value gain (loss), net	(215,264)	(120,905)	201,585
Net income attributable to common shareholders	74,176	122,771	249,760
Per common share - basic and diluted	6.80	11.08	22.50
Funds from operations ⁽¹⁾	214,122	211,603	187,920
Per common share - basic and diluted ⁽¹⁾	19.64	19.10	16.93
Normalized FFO ⁽¹⁾	239,700	218,821	194,077
Per common share - basic and diluted ⁽¹⁾	21.98	19.75	17.48
Distributions received from Morguard REIT	9,932	9,415	14,640
Distributions received from Morguard Residential REIT	18,226	17,693	17,607
Dividends declared/paid	(6,518)	(6,648)	(6,660)

(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 a substitute 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, 2023, were \$11,623,088, compared to \$11,705,252 as at December 31, 2022. Total assets decreased by \$82,164 primarily due to the following:

- An increase in real estate properties (including properties held for sale) of \$67,888, mainly due to acquisitions of \$223,758, capital and development expenditures of \$113,470 and tenant incentives and leasing commissions of \$33,585, partially offset by a net fair value loss of \$200,599 and a decrease of \$93,706 due to the change in the U.S. dollar exchange rate;
- A decrease in other assets and prepaid expense of \$114,506, primarily due to a decrease in restricted cash on the acquisition of a property partially funded from net sale proceeds held by a qualified intermediary pursuant to the Company utilizing a 1031 Exchange;
- A decrease in amounts receivable of \$20,298;
- A decrease in equity-accounted and other fund investments of \$24,822; and
- An increase in cash of \$4,709.

Total revenue during the year ended December 31, 2023, increased by \$87,343 to \$1,224,018, compared to \$1,136,675 in 2022, primarily due to the following:

- An increase in revenue from real estate properties in the amount of \$84,209, primarily due to higher average monthly rent ("AMR") within the multi-suite residential segment and an increase of \$21,379 from a change in foreign exchange rates;
- An increase in management and advisory fees of \$2,233; and
- An increase in interest and other income of \$1,469.

PROPERTY PROFILE

As at December 31, 2023, the Company and its subsidiaries own a diversified portfolio of 177 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, 2023, was as follows:

Asset Type	Number of Properties	GLA Square Feet (000s) ⁽¹⁾	Apartment Suites/Hotel Rooms ⁽²⁾	Real Estate/Hotel Properties
Multi-suite residential	56	—	17,798	\$6,274,851
Retail	37	8,229	—	2,134,485
Office ⁽³⁾	66	8,653	—	1,938,680
Hotel	4	—	771	87,376
Properties and land held for and under development	—	—	—	145,639
Total real estate properties	163	16,882	18,569	\$10,581,031
Assets held for sale ⁽⁴⁾	14	251	2,136	380,035
Total including assets held for sale	177	17,133	20,705	\$10,961,066

(1) Total GLA is shown on a proportionate basis; on a 100% basis, total GLA of the Company's commercial properties is 20.7 million square feet.

(2) Total suites/hotel rooms include equity-accounted investments and non-controlling interest. The Company on a proportionate basis has ownership of 17,353 suites and 2,737 hotel rooms.

(3) Includes industrial properties with 1,066,000 square feet of GLA and a fair value of \$226,727.

(4) Includes one office property located in Ottawa, and 13 hotel properties located in Ontario and Nova Scotia.

The Company's multi-suite residential portfolio comprises 25 Canadian properties located primarily throughout the Greater Toronto Area ("GTA") and 31 U.S. properties in California, Texas, Louisiana, Illinois, Georgia, Florida, North Carolina, Virginia and Maryland. The combined multi-suite residential portfolio represents 17,798 suites.

The Company's retail portfolio includes two broad categories of income producing properties: (i) enclosed full-scale, regional shopping centres with 5.3 million square feet of gross leaseable area ("GLA"); and (ii) neighbourhood and community shopping centres that are primarily anchored by food retailers and discount department stores with 2.9 million square feet of GLA. The retail portfolio comprises 25 properties located in Canada and 12 properties located in Florida, Louisiana and Maryland. The combined retail portfolio represents 8.2 million square feet of 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, Calgary and Vancouver. 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. This segment comprises 7.8 million square feet of office and 1.1 million square feet of industrial GLA.

The Company's hotel portfolio comprises 13 branded and 4 unbranded hotel properties located in three Canadian provinces. Branded hotels include Hilton, Marriott and Holiday Inn and consist of full and select service formats. The hotel portfolio represents 2,907 rooms.

AVERAGE OCCUPANCY LEVELS
COMPARATIVE AVERAGE OCCUPANCY LEVELS

	Suites/GLA Square Feet	Dec. 2023	Sep. 2023	Jun. 2023	Mar. 2023	Dec. 2022
Multi-suite residential	17,499 ⁽¹⁾	96.2%	96.2%	96.8%	96.6%	96.6%
Retail	7,832,000 ⁽²⁾	94.0%	93.5%	93.2%	92.9%	93.3%
Office ⁽³⁾	8,856,000 ⁽³⁾	88.4%	88.1%	85.9%	86.6%	87.2%

(1) Excludes one property that reached stabilized occupancy during the first quarter of 2023, located in Los Angeles, California. Including the one property previously under initial lease-up, occupancy at December 31, 2023 is 96.1% (September 30, 2023 - 96.1%, June 30, 2023 - 96.7%, March 31, 2023 - 96.8%, December 31, 2022 - 96.3%).

(2) Retail occupancy has been adjusted to exclude development space of 396,525 square feet of GLA.

(3) Office occupancy has been adjusted to exclude development space of 48,206 square feet of GLA. Office includes industrial properties with 1,066,000 square feet of GLA.

As at December 31, 2023, the retail occupancy levels were adjusted to exclude development space and space that is pending demolition (396,525 square feet of GLA); this adjustment increased retail occupancy from 89.4% to 94.0%.

PART III

REVIEW OF OPERATIONAL RESULTS

The Company's operational results for the years ended December 31, 2023, and 2022 are summarized below:

For the years ended December 31	2023	2022
Revenue from real estate properties	\$1,000,726	\$916,517
Revenue from hotel properties	161,601	162,169
Property operating expenses		
Property operating costs	(242,909)	(221,782)
Utilities	(65,421)	(63,086)
Realty taxes	(143,368)	(129,142)
Hotel operating expenses	(115,213)	(128,039)
Net operating income	595,416	536,637
OTHER REVENUE		
Management and advisory fees	43,572	41,339
Interest and other income	18,119	16,650
	61,691	57,989
EXPENSES		
Interest	264,675	229,335
Property management and corporate	87,131	77,613
Amortization of hotel properties and other	23,076	26,514
Recovery of impairment	(11,000)	—
	363,882	333,462
OTHER INCOME (EXPENSE)		
Fair value loss, net	(215,264)	(120,905)
Equity income from investments	4,334	1,207
Other expense	(710)	(6,006)
	(211,640)	(125,704)
Income before income taxes	81,585	135,460
Provision for income taxes		
Current	9,676	9,822
Deferred	13,673	13,386
	23,349	23,208
Net income for the year	\$58,236	\$112,252
Net income (loss) attributable to:		
Common shareholders	\$74,176	\$122,771
Non-controlling interest	(15,940)	(10,519)
	\$58,236	\$112,252
Net income per common share attributable to:		
Common shareholders - basic and diluted	\$6.80	\$11.08

NET INCOME

Net income for the year ended December 31, 2023 was \$58,236, compared to \$112,252 in 2022. The decrease in net income of \$54,016 for the year ended December 31, 2023, was primarily due to the following:

- An increase in non-cash net fair value loss of \$94,359, mainly due to an increase in fair value loss on real estate properties, a decrease in fair value gain on the Morguard Residential REIT units, and an increase in fair value loss on other real estate funds investments;
- An increase in net operating income of \$58,779, primarily due to an increase in AMR at multi-suite residential properties. In addition, higher NOI from the hotel portfolio due to an increase in transient and corporate demand compared to 2022;

- An increase in interest expense of \$35,340, mainly due to higher interest on mortgages payable and bank indebtedness, partially offset by lower interest on the Debentures, primarily due to the repayment of the Series C senior unsecured debentures on September 15, 2022. The change in foreign exchange rate increased U.S. mortgage interest by \$5,775;
- An increase in property management and corporate expenses of \$9,518; and
- A recovery of impairment on hotel properties of \$11,000.

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 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."

Net operating income increased by \$58,779, or 11.0%, for the year ended December 31, 2023, to \$595,416, compared to \$536,637 generated in 2022, and is further analyzed by asset type below.

ADJUSTED NOI BY ASSET TYPE

For the years ended December 31	2023	2022
Multi-suite residential	\$279,087	\$245,276
Retail	132,563	120,419
Office ⁽¹⁾	136,329	136,834
Hotel	46,388	34,130
Adjusted NOI	594,367	536,659
IFRIC 21 adjustment - multi-suite residential	1,049	(115)
IFRIC 21 adjustment - retail	—	93
NOI	\$595,416	\$536,637

(1) Includes industrial properties with NOI for the years ended December 31, 2023 of \$7,526 (2022 - \$8,788).

NOI from the multi-suite residential portfolio for the year ended December 31, 2023, increased by \$34,975, or 14.3%, to \$280,136, compared to \$245,161 in 2022. The increase in NOI is due to the change in Adjusted NOI described below, and an increase in the IFRIC 21 adjustment of \$1,164.

Adjusted NOI from the multi-suite residential portfolio for the year ended December 31, 2023, increased by \$33,811, or 13.8%, to \$279,087, compared to \$245,276 in 2022. The increase in Adjusted NOI is primarily due to the following:

- An increase in Canadian multi-suite residential properties of \$12,457 primarily resulting from:
 - Higher occupancy from improved leasing activity, and an increase in AMR of 5.1% as well as a decrease in utilities due to lower consumption. In addition, the Company's Canadian portfolio turned over 879 suites, or 11.0% of total suites, achieving AMR growth of 20.5% on suite turnover.
- An increase in U.S. multi-suite residential properties of US\$11,913 primarily resulting from:
 - An increase of US\$7,821 mainly due to an increase in AMR of 5.8%, partially offset by higher vacancy and an increase in operating costs by 11.1% from higher insurance premiums, repairs and maintenance, personnel expenses, and realty tax expense. The increase in realty tax expense was mainly due to successful property tax appeals received in 2022, totalling US\$4,171;
 - A decrease of US\$4,100 from the sale of three properties during 2022; and
 - An increase of US\$8,192 from the acquisition of Echelon Chicago during the third quarter of 2022, Xavier during the first quarter of 2023, and the initial lease-up of Lumina Hollywood which reached stabilized occupancy during the first quarter of 2023.
- An increase of \$9,441 due to the change in the U.S. dollar foreign exchange rate.

NOI from the retail portfolio for the year ended December 31, 2023, increased by \$12,051, or 10.0%, to \$132,563, compared to \$120,512 in 2022. The increase in NOI is primarily due to the change in Adjusted NOI described below, partially offset by a decrease in the IFRIC 21 adjustment of \$93.

Adjusted NOI from the retail portfolio for the year ended December 31, 2023, increased by \$12,144, or 10.1%, to \$132,563 compared to \$120,419 in 2022. The increase in Adjusted NOI is primarily due to the following:

- An increase in Canadian retail properties of \$8,019 primarily resulting from:
 - An increase of \$4,029 due to receipt of prior year tax refunds; and

- An increase of \$3,990 due to higher recoveries and lower bad debt expense, partially offset by lower lease cancellation fees received.
- An increase in U.S. retail properties of US\$2,468 primarily resulting from the acquisition of Rockville Town Square, Rockville, Maryland.
- An increase of \$1,657 due to the change in the U.S. dollar foreign exchange rate.

NOI from the office portfolio for the year ended December 31, 2023, decreased by \$505, or 0.4%, to \$136,329, compared to \$136,834 in 2022, primarily due to the following:

- A decrease of \$3,495 due to lower occupancy and lower recoveries of operating expenses, partially offset by higher lease cancellation fees received.
- An increase of \$3,397 from the acquisition of 3199 Palladium Drive and 215 Slater Street located in Ottawa, Ontario during 2022.
- A decrease of \$407 from the disposition of 4211 Albert Street, Regina, Saskatchewan during 2022.

NOI from the hotel portfolio for the year ended December 31, 2023, increased by \$12,258, or 35.9%, to \$46,388, compared to \$34,130 in 2022, primarily due to the following:

- An increase of \$11,646 mainly due to an increase in transient and corporate demand compared to prior year. During the year ended December 31, 2023, ADR increased to \$189.35, compared to \$172.27 in 2022 and hotel occupancy increased to 75.8%, compared to 67.4% during the same period in 2022. As a result revenue per available room ("RevPar") increased by \$27.40 to \$143.55 for the year ended December 31, 2023, compared to \$116.15 in 2022.
- An increase of \$612 due to the sale of hotel properties during 2022.

COMPARATIVE NET OPERATING INCOME

Comparative 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	2023	2022
Multi-suite residential (in local currency)	\$222,229	\$202,179
Retail (in local currency)	121,103	114,050
Office ⁽¹⁾	129,869	133,753
Hotel	46,773	35,127
Exchange amount to Canadian dollars	48,088	38,708
Comparative NOI	568,062	523,817
Acquired properties	19,973	5,496
Dispositions	(291)	5,038
Realty tax expense accounted for under IFRIC 21	1,049	(22)
Lease cancellation fees	4,432	3,538
U.S. residential initial lease-up	2,477	(1)
Realty tax refund/reassessment	4,029	5,412
Other	(4,315)	(6,641)
NOI	\$595,416	\$536,637

(1) Includes industrial properties with Comparative NOI for the years ended December 31, 2023 of \$7,422 (2022 - \$8,327).

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, 2023, increased by \$44,245 or 8.4%, to \$568,062 compared to \$523,817 in 2022 due to the following:

- Multi-suite residential increased by \$20,050 as a result of rental rate growth, partly offset by increase in operating expenses;
- Retail increased by \$7,053 mainly due to higher recoveries and lower abatements;

- Office decreased by \$3,886 mainly due to slightly higher vacancy which led to lower net rent and operating recovery revenues;
- Hotel increased by \$11,646 mainly due to an increase in RevPar from greater transient and corporate travel relative to 2022; and
- The change in the foreign exchange rate increased Comparative NOI for the U.S. properties by \$9,380.

MANAGEMENT AND ADVISORY FEES

Morguard's management and advisory fees revenue for the year ended December 31, 2023, increased by \$2,233, or 5.4%, to \$43,572, compared to \$41,339 in 2022, primarily due to higher disposition fees earned, partially offset by a decrease in asset management fees earned.

INTEREST AND OTHER INCOME

Interest and other income for the year ended December 31, 2023, increased by \$1,469, or 8.8%, to \$18,119, compared to \$16,650 in 2022. The increase was primarily due to higher interest income on mortgages receivable.

INTEREST EXPENSE

Interest expense consists of the following:

For the years ended December 31	2023	2022
Mortgages payable	\$192,318	\$165,813
Debentures payable, net of accretion	40,112	43,413
Bank indebtedness	15,687	4,420
Loans payable and other	1,077	191
Lease liabilities	9,899	9,626
Amortization of mark-to-market adjustments on mortgages, net	(1,782)	(2,477)
Amortization of deferred financing costs	8,519	8,671
Loss on extinguishment of mortgage payable	—	181
	265,830	229,838
Less: Interest capitalized to properties under development	(1,155)	(503)
	\$264,675	\$229,335

Interest expense for the year ended December 31, 2023, increased by \$35,340, or 15.4%, to \$264,675, compared to \$229,335 in 2022, mainly due to an increase in interest on mortgages payable and bank indebtedness, partially offset by lower interest on the Debentures, primarily due to the repayment of the Series C senior unsecured debentures on September 15, 2022. The increase in interest on mortgages payable is largely attributable to properties financed at higher fixed and floating rates of interest, and a change in foreign exchange rates increasing U.S. mortgage interest by \$5,775.

PROPERTY MANAGEMENT AND CORPORATE

Property management and corporate expenses for the year ended December 31, 2023, increased by \$9,518, or 12.3%, to \$87,131, compared to \$77,613 in 2022, primarily due to inflationary impact on salary costs, an increase in travel expenses and a lower non-cash adjustment to reduce compensation expense related to the Company's SARs plan of \$3,914.

AMORTIZATION OF HOTEL PROPERTIES AND OTHER

Amortization of hotel properties and other for the year ended December 31, 2023, decreased by \$3,438, or 13.0%, to \$23,076, compared to \$26,514 in 2022, primarily due to the classification of 13 hotels as held for sale where amortization is no longer recorded.

RECOVERY OF IMPAIRMENT

During the year ended December 31, 2023, a recoverability analysis was completed in accordance with the procedures specified by IFRS, which indicated that a recovery of impairment of \$11,000 should be recorded.

FAIR VALUE GAIN (LOSS) ON REAL ESTATE PROPERTIES

Fair value adjustments are determined based on the movement of various valuation parameters on a quarterly basis, including changes in projected cash flows as a result of leasing, capitalization rates, discount rates and terminal capitalization rates. During the year ended December 31, 2023, the Company recognized a net fair value loss on real estate properties of \$201,648, compared to \$130,149 in 2022.

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

For the years ended December 31	2023	2022
Multi-suite residential	\$63,290	\$185,119
Retail	(18,023)	(138,185)
Office ⁽¹⁾	(246,915)	(177,083)
	(\$201,648)	(\$130,149)

(1) Includes industrial properties with a fair value gain for the years ended December 31, 2023 of \$24,835 (2022 - \$33,594).

For the year ended December 31, 2023, the Company recognized the following fair value gain (loss):

- A net fair value gain of \$63,290 in the residential portfolio, mainly due to an increase in stabilized NOI across the Company's Canadian and U.S. residential portfolio, partly offset by a 25 basis point increase in valuation parameters across most U.S. properties.
- A net fair value loss of \$18,023 in the retail portfolio, due to a decrease in projected cash flows and a 25 basis point increase in valuation parameters across most of the Company's enclosed malls.
- A net fair value loss of \$246,915 in the office portfolio, primarily due to a decrease in projected cash flows and a 50 basis point increase in valuation parameters across most properties.

FAIR VALUE GAIN ON MORGUARD RESIDENTIAL REIT UNITS

For the year ended December 31, 2023, the Company recorded a fair value gain on the Morguard Residential REIT units of \$13,656, which includes a mark-to-market gain of \$35,731 on the units as a result of a decrease in trading price and the distributions made to external unitholders of \$22,075.

FAIR VALUE LOSS ON INVESTMENT IN MARKETABLE SECURITIES

For the year ended December 31, 2023, the Company recorded a fair value loss on investment in marketable securities of \$13,654 resulting from a decrease in market value of the securities.

EQUITY INCOME FROM INVESTMENTS

Equity income from investments consists of the following:

For the years ended December 31	2023	2022
Joint ventures	\$4,984	(\$212)
Associates	(650)	1,419
	\$4,334	\$1,207

Equity income from investments for the year ended December 31, 2023, increased by \$3,127 to \$4,334, compared to \$1,207 in 2022, primarily due to a deferred income tax recovery and a higher recovery of impairment on the Company's hotel investments, partially offset by a higher fair value loss.

OTHER EXPENSE

Other expense for the year ended December 31, 2023, decreased by \$5,296 to \$710, compared to \$6,006 in 2022, primarily due to a loss on sale of hotel properties of \$8,506 recorded in 2022.

INCOME TAXES

For the year ended December 31, 2023, the Company recorded an income tax expense of \$23,349, compared to \$23,208 in 2022. The increase in income tax expense of \$141 comprises an increase of \$287 in deferred tax expense and a decrease of \$146 in current tax expense.

The decrease in current tax expense for the year ended December 31, 2023 is primarily a result of the utilization of non-capital losses to shelter certain taxable income, partially offset by higher current tax relating to the disposal of properties compared to the prior year.

For the year ended December 31, 2023, the Company recorded deferred income tax expense of \$13,673 (2022 - \$13,386), primarily due to the utilization of net operating losses, partly offset by a fair value loss recorded on the Company's Canadian and U.S. properties.

PENSION PLANS

The Company's accounting policy under IFRS is to recognize actuarial gains/losses in the period in which they occur, and these gains/losses are reflected in the consolidated statements of comprehensive income. During the year ended December 31, 2023, an actuarial gain of \$1,162 was recorded in the consolidated statements of comprehensive income, compared to an actuarial loss of \$7,876 in 2022; the gains/losses are primarily due to a change in the trading price of the pension plan's underlying investments.

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

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

	Three months ended		Year ended	
	December 31		December 31	
	2023	2022	2023	2022
Multi-suite residential	\$75,518	\$70,100	\$279,087	\$245,276
Retail	36,898	34,906	132,563	120,419
Office	35,185	34,726	136,329	136,834
Hotel	7,679	5,684	46,388	34,130
Adjusted NOI⁽¹⁾	155,280	145,416	594,367	536,659
Other Revenue				
Management and advisory fees	12,820	10,898	43,572	41,339
Interest and other income	4,472	5,326	18,119	16,650
Equity-accounted FFO ⁽²⁾	978	1,119	5,496	5,195
	18,270	17,343	67,187	63,184
Expenses and Other				
Interest	(70,142)	(61,457)	(264,675)	(229,335)
Principal repayment of lease liabilities	(393)	(695)	(1,622)	(1,732)
Property management and corporate	(21,877)	(19,994)	(87,131)	(77,613)
Internal leasing costs	1,324	1,162	4,718	4,644
Amortization of capital assets	(356)	(340)	(1,335)	(1,453)
Current income taxes ⁽³⁾	(3,101)	(2,464)	(7,472)	(8,228)
Non-controlling interests' share of FFO ⁽⁴⁾	(15,381)	(17,951)	(59,892)	(62,713)
Unrealized changes in the fair value of financial instruments	2,190	13,226	(29,376)	(13,209)
Other income (expense)	142	621	(647)	1,399
FFO	\$65,956	\$74,867	\$214,122	\$211,603
FFO per common share amounts – basic and diluted	\$6.10	\$6.79	\$19.64	\$19.10
Weighted average number of common shares outstanding (in thousands):				
Basic and diluted	10,813	11,022	10,903	11,079

(1) For the three months and year ended December 31, 2023, an IFRIC 21 adjustment of \$13,997 (2022 - \$11,360) was added and \$1,049 (2022 - \$22 deducted) was added, respectively, to the IFRS presentation of realty tax expense.

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

(3) Current income taxes for the three months and year ended December 31, 2023, excludes \$144 (2022 - \$1,321) and \$2,204 (2022 - \$1,594), respectively, of income tax relating to the disposal of properties.

(4) For the three months and year ended December 31, 2023, non-controlling interests' share of FFO includes Morguard Residential REIT's non-controlling interest share of FFO in the amount of \$8,614 (2022 - \$8,723) and \$32,801 (2022 - \$30,546), respectively.

For the three months ended December 31, 2023, the Company recorded FFO of \$65,956 (\$6.10 per common share), compared to \$74,867 (\$6.79 per common share) in 2022. The decrease in FFO of \$8,911 is mainly due to a decrease in unrealized changes in the fair value of the Company's financial instruments of \$11,036, an increase in interest expense of \$8,685, partially offset by an increase in Adjusted NOI of \$9,864 and a decrease in the non-controlling interests' share of FFO of \$2,570.

The change in foreign exchange rate had a positive impact on FFO of \$844 (\$0.08 per common share).

For the year ended December 31, 2023, the Company recorded FFO of \$214,122 (\$19.64 per common share), compared to \$211,603 (\$19.10 per common share) in 2022. The increase in FFO of \$2,519 is mainly due to an increase in Adjusted NOI of \$57,708, a decrease in the non-controlling interests' share of FFO of \$2,821 and an

increase in management and advisory fees of \$2,233, partially offset by an increase in interest expense of \$35,340, an increase in property management and corporate expenses of \$9,518 and an increase in unrealized changes in the fair value of the Company's financial instruments of \$16,167.

The change in foreign exchange rate had a positive impact on FFO of \$3,152 (\$0.29 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 a substitute 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		Year ended	
	December 31		December 31	
	2023	2022	2023	2022
FFO (from above)	\$65,956	\$74,867	\$214,122	\$211,603
Add/(deduct):				
Unrealized changes in the fair value of financial instruments	(2,190)	(13,226)	29,376	13,209
SARs plan increase (decrease) in compensation expense	203	(1,164)	(663)	(4,577)
Lease cancellation fee and other	(1,390)	(369)	(3,866)	(1,815)
Tax effect of above adjustments	288	52	731	401
Normalized FFO	\$62,867	\$60,160	\$239,700	\$218,821
Per common share amounts – basic and diluted	\$5.81	\$5.46	\$21.98	\$19.75

Normalized FFO for the three months ended December 31, 2023, was \$62,867, or \$5.81 per common share, versus \$60,160, or \$5.46 per common share, for the same period in 2022, which represents an increase of \$2,707, or 4.5%.

Normalized FFO for the year ended December 31, 2023, was \$239,700, or \$21.98 per common share, versus \$218,821, or \$19.75 per common share, for the same period in 2022, which represents an increase of \$20,879, or 9.5%.

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

	Three months ended		Year ended	
	December 31		December 31	
	2023	2022	2023	2022
Net income (loss) attributable to common shareholders	\$13,554	(\$383,030)	\$74,176	\$122,771
Add/(deduct):				
Fair value loss on real estate properties, net ⁽¹⁾	95,644	596,760	207,595	134,877
Non-controlling interests' share of fair value loss on real estate properties, net ⁽¹⁾	(17,844)	(50,599)	(43,031)	(43,109)
Fair value loss (gain) on Morguard Residential REIT units	(1,819)	23,819	(35,731)	(42,414)
Distribution to Morguard Residential REIT's external unitholders	5,451	5,559	22,075	21,895
Non-controlling interest - Morguard Residential REIT	(8,614)	(8,723)	(32,801)	(30,546)
Fair value gain on conversion option of MRG convertible debentures	(24)	(147)	(2,104)	(1,934)
Amortization of intangible asset	1,786	1,750	8,146	6,540
Amortization of hotel properties ⁽²⁾	1,173	4,531	14,425	19,630
Foreign exchange loss (gain)	87	(281)	63	(1)
Deferred income taxes ⁽³⁾	(11,201)	(111,853)	11,053	13,386
Principal repayment of lease liabilities	(393)	(695)	(1,622)	(1,732)
Internal leasing costs	1,324	1,162	4,718	4,644
Realty taxes accounted for under IFRIC 21 ⁽⁴⁾	(13,312)	(10,687)	(1,049)	22
Loss on sale of hotel properties	—	8,506	—	8,506
Proceeds on settlement of land expropriation, net of non-controlling interest	—	(677)	—	(677)
Current tax on disposition of properties	144	1,321	2,204	1,594
Recovery of impairment ⁽⁵⁾	—	(1,849)	(13,995)	(1,849)
FFO	\$65,956	\$74,867	\$214,122	\$211,603
FFO per common share – basic and diluted	\$6.10	\$6.79	\$19.64	\$19.10
Weighted average number of common shares outstanding (in thousands):				
Basic and diluted	10,813	11,022	10,903	11,079

(1) Includes fair value adjustments on real estate properties for equity-accounted investments.

(2) Includes amortization of hotel properties for equity-accounted investments

(3) Includes deferred income taxes for equity-accounted investments.

(4) Realty taxes accounted for under IFRIC 21 exclude non-controlling interests' share.

(5) Includes recovery of impairment for equity-accounted investments.

PART IV

BALANCE SHEET ANALYSIS

REAL ESTATE PROPERTIES

The Company's real estate properties, together with hotel properties and equity-accounted and other real estate fund investments, represent approximately 95% of Morguard's total assets. Real estate properties include multi-suite residential, retail, office and industrial properties held to earn rental income and for capital appreciation. Real estate properties also include properties or land 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	2023	2022
Real estate properties		
Multi-suite residential	\$6,274,851	\$5,998,802
Retail	2,134,485	2,129,696
Office ⁽¹⁾	2,063,987	2,289,519
	10,473,323	10,418,017
Properties under development	12,175	21,604
Land held for development	133,464	111,453
Real estate properties	\$10,618,962	\$10,551,074
Real estate properties	\$10,493,655	\$10,551,074
Real estate properties held for sale	125,307	—
Total	\$10,618,962	\$10,551,074

(1) As at December 31, 2023, includes industrial properties in the amount of \$226,727 (December 31, 2022 - \$205,323).

Real estate properties (including real estate properties held for sale) increased by \$67,888 at December 31, 2023, to \$10,618,962, compared to \$10,551,074 at December 31, 2022. The increase is primarily the result of the following:

- Acquisitions of \$223,758, including the acquisition of "Fifty On The Park", a 232-suite residential property located in Toronto, Ontario, for a purchase price of \$112,375 and the acquisition of "Xavier", a 240-suite residential property located in Chicago, Illinois, for a purchase price of \$112,980 (US\$83,221);
- Capitalization of property enhancements, including capital expenditures and tenant improvements totalling \$131,370;
- Development expenditures of \$15,685;
- A fair value loss on real estate properties of \$200,599;
- A decrease of \$93,706 due to the change in the U.S. dollar exchange rate; and
- Dispositions of real estate properties of \$3,069.

Real estate properties held for sale are assets that the Company intends to sell rather than hold on a long-term basis and meet the criteria established in IFRS 5, Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5") for separate classification. As at December 31, 2023, the Company has a commitment to sell an office property consisting of 250,500 square feet located in Ottawa, Ontario, for gross proceeds of \$125,307, excluding closing costs and will repay the mortgage payable secured by the property in the amount of \$57,694. The transaction is expected to close on February 29, 2024.

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 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 Company's valuation processes and results are reviewed by the Company's senior management at least once every quarter, in line with the Company's quarterly reporting dates.

As at December 31, 2023, and 2022, using the direct capitalization approach, the multi-suite residential, retail and office properties were valued using capitalization rates in the range of 3.3% to 10.3% (2022 - 3.3% to 10.0%), resulting in an overall weighted average capitalization rate of 5.6% (2022 - 5.5%).

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

As at December 31	2023						2022				
	Occupancy Rates		Capitalization Rates			Occupancy Rates		Capitalization Rates			
	Max.	Min.	Max.	Min.	Weighted Average	Max.	Min.	Max.	Min.	Weighted Average	
Multi-suite residential	98.5%	92.0%	6.3%	3.3%	4.4%	98.5%	92.0%	6.0%	3.3%	4.3%	
Retail	99.0%	85.0%	10.3%	5.0%	7.4%	99.0%	85.0%	10.0%	5.0%	7.2%	
Office ⁽¹⁾	100.0%	85.0%	9.0%	4.8%	7.1%	100.0%	90.0%	8.3%	4.3%	6.7%	

(1) Includes industrial properties comprising approximately 11% of the segment's total assets.

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

As at December 31	2023			2022		
	Maximum	Minimum	Weighted Average	Maximum	Minimum	Weighted Average
Retail						
Discount rate	11.3%	5.8%	7.7%	11.0%	5.8%	7.5%
Terminal cap rate	10.3%	5.0%	6.7%	10.0%	5.0%	6.6%
Office						
Discount rate	9.5%	5.8%	7.1%	9.0%	5.3%	6.7%
Terminal cap rate	8.5%	4.8%	6.4%	8.0%	4.3%	5.9%

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.

The sensitivity of the fair values of the Company's income producing properties as at December 31, 2023, and 2022, is set out in the table below:

As at	December 31, 2023		December 31, 2022	
Change in capitalization rate:	0.25%	(0.25%)	0.25%	(0.25%)
Multi-suite residential	(\$315,323)	\$351,896	(\$326,294)	\$366,825
Retail	(63,503)	67,930	(65,790)	70,573
Office ⁽¹⁾	(70,489)	75,687	(83,423)	90,021
	(\$449,315)	\$495,513	(\$475,507)	\$527,419

(1) Includes industrial properties comprising approximately 11% of the segment's total assets.

HOTEL PROPERTIES

Hotel properties consist of the following:

As at December 31	2023	2022
Cost	\$463,986	\$456,526
Accumulated impairment provision	(2,249)	(13,249)
Accumulated amortization	(119,633)	(106,038)
	\$342,104	\$337,239
Hotel properties held for sale	(254,728)	—
Hotel properties	\$87,376	\$337,239

On January 18, 2024, the Company sold the common shares of its subsidiary, Morguard Hotels Limited, and the beneficial interest in 14 hotels for gross proceeds of \$410,000 before working capital adjustments and closing costs. At closing, the Company extinguished mortgages payable secured by three hotel properties in the amount of \$48,750, resulting in net cash proceeds of \$361,250.

During the year ended December 31, 2023, a recovery of previously recorded impairment of \$11,000 was recorded.

EQUITY-ACCOUNTED AND OTHER FUND INVESTMENTS

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

As at December 31	2023	2022
Joint ventures	\$36,037	\$27,284
Associates	2,964	19,505
Equity-accounted investments	39,001	46,789
Other real estate fund investments	56,524	73,558
Equity-accounted and other fund investments	\$95,525	\$120,347

The following are the Company's significant equity-accounted investments as at December 31, 2023, and 2022:

Property/Investment	Principal Place of Business	Investment Type	Asset Type	Company's Ownership		Carrying Value	
				December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Petroleum Plaza	Edmonton, AB	Joint Venture	Office	50.0%	50.0%	\$7,755	\$11,658
Quinte Courthouse	Belleville, ON	Joint Venture	Office	50.0%	50.0%	2,757	2,802
Greypoint Capital L.P. II ⁽¹⁾	Toronto, ON	Joint Venture	Other	—%	15.6%	—	2,097
Courtyard by Marriott	Ottawa, ON	Joint Venture	Hotel	50.0%	50.0%	16,400	5,602
Marriott Residence Inn	London, ON	Joint Venture	Hotel	50.0%	50.0%	9,125	5,125
MIL Industrial Fund II LP ⁽²⁾⁽³⁾	Various	Associate	Industrial	18.8%	18.8%	2,964	19,505
						\$39,001	\$46,789

⁽¹⁾ During the second quarter of 2023, the Company's investment in Greypoint Capital L.P. II returned all invested capital and was dissolved.

⁽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⁾ During the year ended December 31, 2023, the fund disposed of five industrial properties and distributed net disposition proceeds in the amount of \$15,397.

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

As at December 31	2023	2022
Balance, beginning of year	\$46,789	\$62,223
Additions	7,250	774
Share of net income	4,334	1,207
Distributions received	(19,372)	(17,415)
Balance, end of year	\$39,001	\$46,789

MORTGAGES PAYABLE

Mortgages payable totalled \$4,680,092 at December 31, 2023, compared to \$4,642,151 at December 31, 2022, an increase of \$37,941, mainly due to net proceeds from new mortgage financing of \$673,156 and a mortgage assumed on acquisition of \$26,259, partially offset by scheduled principal repayments of \$118,434, repayments on maturity of \$503,847, and a change in foreign exchange of \$43,810.

MORTGAGE CONTINUITY SCHEDULE

As at December 31	2023	2022
Opening mortgage balance	\$4,642,151	\$4,627,968
New mortgage financing	679,085	887,871
New mortgage financing costs	(5,929)	(4,579)
Mortgages assumed on acquisition	26,259	—
Mortgage repayments on maturity	(503,847)	(717,778)
Mortgage repayments on extinguishment	—	(136,829)
Scheduled principal repayments	(118,434)	(131,112)
Change in foreign exchange rate	(43,810)	112,562
Mortgages mark-to-market adjustment, net	(3,379)	(2,477)
Deferred financing costs (including extinguishment)	7,996	6,525
Closing mortgage balance	\$4,680,092	\$4,642,151

The Company's first mortgages are registered against specific real estate assets and hotel properties. As at December 31, 2023, mortgages payable bear interest at rates ranging between 2.03% and 8.75% per annum with a weighted average interest rate of 4.36% (2022 - 3.95%), mature between 2024 and 2058 with a weighted average term to maturity of 4.1 years (2022 - 4.6 years). Approximately 89% of the Company's mortgages have fixed interest rates.

MORTGAGE REPAYMENT SCHEDULE

As at December 31, 2023	Principal Instalment Repayments	Balance Maturing	Total	Weighted Average Contractual Interest Rate
2024	\$108,389	\$996,947	\$1,105,336	6.06%
2025	96,167	480,685	576,852	3.13%
2026	70,866	483,701	554,567	3.64%
2027	50,303	598,415	648,718	4.46%
2028	41,045	261,006	302,051	4.02%
Thereafter	124,429	1,392,307	1,516,736	3.85%
	\$491,199	\$4,213,061	4,704,260	4.36%
Mark-to-market adjustment, net			(1,109)	
Deferred financing costs			(23,059)	
			\$4,680,092	

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, 2023, and 2022, the Company was in compliance with all financial covenants.

The following table details the new and refinancing activities completed during the year ended December 31, 2023:

Date	Asset Type	Location	New Interest Rate	Maturing Interest Rate	Term (years)	Mortgage Proceeds	Mortgage Repayment
January 15, 2023	Hotel	Halifax, NS	8.24%	7.73%	0.7	\$16,087	\$16,087
January 15, 2023	Hotel	Halifax, NS	8.24%	7.73%	0.7	27,587	27,587
January 21, 2023	Retail	Red Deer, AB	5.21%	3.99%	3.0	31,686	39,186
February 1, 2023	Office	Edmonton, AB	5.63%	—%	3.0	10,000	—
April 1, 2023	Retail	Vaughan, ON	4.86%	3.93%	3.0	15,500	12,398
May 1, 2023	Residential	Cary, NC	5.06%	3.45%	10.0	63,579	39,348
May 1, 2023	Residential	Atlanta, GA	5.06%	3.61%	10.0	25,995	21,892
June 1, 2023	Residential	Toronto, ON	4.18%	2.96%	10.0	61,137	24,553
July 1, 2023	Retail	Winnipeg, MB	7.07%	4.15%	1.0	8,531	8,531
July 31, 2023	Residential	Penascola, FL	5.66%	3.39%	7.8	17,894	9,980
July 31, 2023	Residential	Penascola, FL	5.66%	3.39%	7.8	18,705	10,676
August 1, 2023	Office	Ottawa, ON	7.89%	4.35%	1.0	26,000	32,475
September 14, 2023	Retail	Mississauga, ON	5.82%	—%	5.0	16,000	—
September 20, 2023	Office	Ottawa, ON	6.18%	—%	7.0	15,000	—
September 21, 2023	Retail	Winnipeg, MB	5.82%	—%	5.0	20,250	—
November 1, 2023	Office	Calgary, AB	—%	7.55%	—	—	8,000
November 30, 2023	Office	Ottawa, ON	7.60%	7.62%	0.2	28,500	28,500
December 1, 2023	Retail	Toronto, ON	7.07%	5.88%	0.2	36,067	36,067
December 14, 2023	Residential	Toronto, ON	6.98%	—%	2.0	25,000	—
December 14, 2023	Residential	Toronto, ON	6.70%	—%	3.1	18,000	—
December 15, 2023	Retail	Ottawa, ON	6.11%	3.88%	3.0	158,567	188,567
December 29, 2023	Residential	Toronto, ON	6.00%	—%	1.0	39,000	—
Weighted Averages and Total			6.05%	4.56%	4.4	\$679,085	\$503,847

MORTGAGE MATURITY SCHEDULE

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

Asset Type	Number of Properties	Principal Maturing	2024		2025			
			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	7	\$342,126	5.80%	37.0%	3	\$298,102	2.96%	40.4%
Retail	7	289,528	6.29%	55.6%	2	53,416	2.99%	49.7%
Office ⁽¹⁾	5	231,761	5.96%	57.8%	5	129,167	3.56%	45.8%
Hotels ⁽¹⁾	1	27,829	8.25%	63.2%	—	—	—%	—%
	20	\$891,244	6.08%	47.1%	10	\$480,685	3.13%	42.7%

⁽¹⁾ Excludes mortgages payable repaid or intended to be repaid on the disposition of real estate and hotel properties classified as held for sale.

UNSECURED DEBENTURES

The Company's Unsecured Debentures consist of the following:

As at December 31	Maturity Date	Coupon Interest Rate	2023	2022
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
Series H senior unsecured debentures	September 26, 2026	9.500%	175,000	—
Unamortized financing costs			(2,389)	(857)
			\$622,611	\$624,143

On September 15, 2017, the Company issued \$200,000 (net proceeds including issuance costs - \$198,800) of Series C senior unsecured debentures due on September 15, 2022. On September 15, 2022, the Series C senior 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 ("Paros Enterprises"), 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. On September 28, 2023, the Series G senior unsecured debentures were fully repaid on maturity.

On September 26, 2023, the Company issued \$175,000 (net proceeds including issuance costs - \$172,600) of Series H senior unsecured debentures due on September 26, 2026. Interest on the Series H senior unsecured debentures is payable semi-annually, not in advance, on March 26 and September 26 of each year, commencing on March 26, 2024. Paros Enterprises, a related party, acquired \$25,000 aggregate principal amount of the Series H senior unsecured debentures. The Company has the option to redeem the Series H 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 1.235%.

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 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.

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

Non-Consolidated Basis adjustments include the following:

- An adjustment (as defined in the Indenture) to account for the Company's Public Entity Investments using the equity method of accounting ("Equity Adjustment"). The adjustment requires the Public Entity Investments which are consolidated under IFRS to each respective financial statement line presented within the balance sheet and statement of income to be presented on a single line within equity-accounted investments;
- An adjustment (as defined in the Indenture) to the balance sheet to exclude deferred tax assets and liabilities, goodwill and to add back accumulated amortization of hotel properties ("Balance Sheet Indenture Adjustment"); and
- 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, 2023	December 31, 2022
Interest coverage ratio ⁽¹⁾⁽²⁾		1.65	2.25
Indebtedness to aggregate assets ratio ⁽²⁾	Less than or equal to 65%	44.6%	45.0%
Adjusted shareholders' equity ⁽²⁾	Not less than \$300,000	\$3,521,057	\$3,564,355

(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 a substitute 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, 2023, on a Non-Consolidated Basis, the Company's unencumbered assets which include real estate, hotel properties, and other investments amounted to \$807,219 (2022 - \$863,625).

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

MORGUARD NON-CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

As at December 31						2023	2022
	Morguard Consolidated	Morguard REIT	Morguard Residential REIT	Equity Adjustment	Balance Sheet Indenture Adjustment	Morguard Non-Consolidated Basis	Morguard Non-Consolidated Basis
ASSETS							
Real estate properties	\$10,493,655	(\$2,254,642)	(\$3,999,481)	(\$152,704)	\$—	\$4,086,828	\$4,332,675
Real estate / hotel properties held for sale	380,035	—	—	—	—	380,035	—
Hotel properties	87,376	—	—	—	119,633	207,009	443,277
Equity-accounted and other fund investments	95,525	(7,755)	(53,282)	1,401,598	—	1,436,086	1,434,342
Other assets	566,497	(17,845)	(43,168)	9,284	(24,488)	490,280	527,557
Total assets	\$11,623,088	(\$2,280,242)	(\$4,095,931)	\$1,258,178	\$95,145	\$6,600,238	\$6,737,851
LIABILITIES							
Mortgages payable	\$4,680,092	(\$1,014,986)	(\$1,495,362)	(\$105,266)	\$—	\$2,064,478	\$2,053,181
Construction financing, loans and bank indebtedness	191,369	(78,737)	—	2,627	—	115,259	214,379
Class B LP units	—	—	(254,385)	254,385	—	—	—
Unsecured debentures	622,611	—	—	—	—	622,611	624,143
Convertible debentures	140,775	(151,898)	(52,276)	63,399	—	—	—
Lease liabilities	170,753	(16,383)	(16,059)	102	—	138,413	139,986
Morguard Residential REIT units	393,695	—	—	(393,695)	—	—	—
Deferred income tax liabilities	835,481	—	(263,424)	—	(572,057)	—	—
Accounts payable and accrued liabilities	245,222	(57,053)	(54,774)	5,025	—	138,420	141,807
Total liabilities	7,279,998	(1,319,057)	(2,136,280)	(173,423)	(572,057)	3,079,181	3,173,496
Equity / Adjusted shareholders' equity	4,343,090	(961,185)	(1,959,651)	1,431,601	667,202	3,521,057	3,564,355
Total liabilities and equity	\$11,623,088	(\$2,280,242)	(\$4,095,931)	\$1,258,178	\$95,145	\$6,600,238	\$6,737,851

COMPUTATION FOR INTEREST COVERAGE RATIO

Year ended December 31						2023	2022
	Morguard Consolidated	Morguard REIT	Morguard Residential REIT	Equity Adjustment	Income Statement Indenture Adjustment	Morguard Non-Consolidated Basis	Morguard Non-Consolidated Basis
Revenue from real estate properties	\$1,000,726	(\$255,076)	(\$331,620)	(\$15,308)	\$—	\$398,722	\$375,134
Revenue from hotel properties	161,601	—	—	—	—	161,601	162,169
Property operating expenses	(451,698)	129,103	151,380	(10,101)	—	(181,316)	(171,986)
Hotel operating expenses	(115,213)	—	—	—	—	(115,213)	(128,039)
Net operating income	595,416	(125,973)	(180,240)	(25,409)	—	263,794	237,278
Management and advisory fees/distributions	43,572	—	—	46,946	—	90,518	83,748
Interest and other income	18,119	—	—	2,402	—	20,521	19,410
Property management and corporate ⁽¹⁾	(87,131)	3,843	21,977	(24,837)	(663)	(86,811)	(80,937)
Other income (expense) ⁽²⁾	(647)	(11)	(360)	985	—	(33)	1,555
Distributions from Morguard REIT and Morguard Residential REIT	—	—	—	—	28,158	28,158	27,108
EBITDA	\$569,329	(\$122,141)	(\$158,623)	\$87	\$27,495	\$316,147	\$288,162
Interest expense	\$264,675	(\$62,845)	(\$75,189)	\$13,580	\$—	\$140,221	\$127,015
Interest capitalized to development projects	1,155	(1,155)	—	—	—	—	—
Interest expense for interest coverage ratio	\$265,830	(\$64,000)	(\$75,189)	\$13,580	\$—	\$140,221	\$127,015

⁽¹⁾ Morguard consolidated property management and corporate expense for the year ended December 31, 2023, includes a non-cash fair value adjustment relating to the Company's SARs liability and has been adjusted to remove the impact of the decrease in SARs expense of \$663 (2022 - \$4,577).

⁽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 (recovery of) 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	2023	2022
Morguard Residential REIT ⁽¹⁾	March 31, 2028	\$24.15	6.00%	\$56,000	\$5,000	\$47,277	\$—
Morguard Residential REIT	March 31, 2023	\$20.20	4.50%	\$85,500	\$5,000	—	80,126
Morguard REIT	December 31, 2026	\$7.80	5.25%	\$159,000	\$60,000	93,498	91,968
						\$140,775	\$172,094

(1) As at December 31, 2023, the liability includes the fair value of the conversion option of \$2,131 (2022 - \$94).

Morguard Residential REIT

On February 13, 2018, Morguard Residential REIT issued \$75,000 principal amount of 4.50% convertible unsecured subordinated debentures. On February 21, 2018, an additional principal amount of \$10,500 was issued pursuant to the exercise of the over-allotment option. On March 24, 2023, the 4.50% convertible unsecured subordinated debentures were redeemed in advance of their March 31, 2023 maturity date.

On March 9, 2023, Morguard Residential REIT issued \$50,000 principal amount of 6.00% convertible unsecured subordinated debentures maturing on March 31, 2028. On March 17, 2023, an additional principal amount of \$6,000 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, commencing September 30, 2023. The underwriter's commissions, legal and other issue costs attributable to the debentures in the amount of \$2,410 have been capitalized and are being amortized over the term to maturity. Morguard and Paros Enterprises, related parties, own \$5,000 and \$2,000 aggregate principal amount of the debentures, respectively.

Morguard REIT

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

MORGUARD RESIDENTIAL REIT UNITS

As at December 31, 2023, the Company owned a 46.1% (2022 - 44.7%) effective interest in Morguard Residential REIT through its ownership of 8,120,666 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.

During the year ended December 31, 2023, the Company acquired 176,500 units (2022 - nil units) of Morguard Residential REIT for cash consideration of \$2,374 (2022 - \$nil).

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, 2023, the Company valued the non-controlling interest in Morguard Residential REIT units at \$393,695 (2022 - \$454,425) and classified the units as a liability on the consolidated balance sheets. Due to the change in the market value of the units and the distributions paid to external unitholders, the Company recorded a fair value gain for the year ended December 31, 2023 of \$13,656 (2022 - \$20,519) in the consolidated statements of income.

BANK INDEBTEDNESS

As at December 31, 2023, the Company has operating lines of credit totalling \$486,000 (2022 - \$491,500), the majority of which can be borrowed in either Canadian or United States dollars and are subject to floating interest rates based on bankers' acceptance. As at December 31, 2023, the maximum amount that can be borrowed on the operating lines of credit is \$392,735 (2022 - \$384,895), which includes deducting issued letters of credit in the amount of \$3,185 (2022 - \$4,676) 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 17 properties have been pledged as collateral on these operating lines of credit. As at December 31, 2023, the Company had borrowed \$191,369 (2022 - \$184,306) on its operating lines of credit.

The bank credit agreements, which renew annually and are due on demand, include certain restrictive undertakings by the Company. As at December 31, 2023, the Company is in compliance with all undertakings.

Subsequent to December 31, 2023, the Company sold its interest in nine hotel properties that were secured against one of the Company's lines of credit. On disposition, the Company's operating lines of credit were reduced by \$77,000 to \$409,000.

LEASE LIABILITIES

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

As at December 31	2023	2022
Balance, beginning of year	\$172,517	\$168,265
Interest on lease liabilities	9,899	9,626
Payments	(11,521)	(11,358)
Additions	241	6,987
Dispositions	—	(1,562)
Foreign exchange loss (gain)	(383)	559
Balance, end of year	\$170,753	\$172,517

Future minimum lease payments under lease liabilities are as follows:

As at December 31	2023	2022
Within 12 months	\$11,445	\$11,479
2 to 5 years	44,785	45,185
Over 5 years	351,114	362,484
Total minimum lease payments	\$407,344	\$419,148
Less: future interest costs	(236,591)	(246,631)
Present value of minimum lease payments	\$170,753	\$172,517

CONTRACTUAL MATURITIES

The contractual maturities and repayment obligations of the Company's financial liabilities for upcoming periods as at December 31, 2023, are as follows:

As at December 31, 2023	2024	2025	2026	2027	2028	Thereafter	Total
Mortgages payable	\$1,105,336	\$576,852	\$554,567	\$648,718	\$302,051	\$1,516,736	\$4,704,260
Mortgage interest	166,905	128,188	102,460	78,718	64,552	148,954	689,777
Convertible debentures	—	—	99,000	—	51,000	—	150,000
Interest on convertible debentures	11,708	11,708	11,708	3,360	828	—	39,312
Unsecured debentures	450,000	—	175,000	—	—	—	625,000
Interest on Unsecured Debentures	25,930	16,625	12,252	—	—	—	54,807
Bank indebtedness	191,369	—	—	—	—	—	191,369
Accounts payable and accrued liabilities	245,222	—	—	—	—	—	245,222
Lease liability (including interest)	11,445	11,324	11,181	11,180	11,100	351,114	407,344
	\$2,207,915	\$744,697	\$966,168	\$741,976	\$429,531	\$2,016,804	\$7,107,091

EQUITY

Total equity decreased by \$42,381 to \$4,343,090 at December 31, 2023, compared to \$4,385,471 at December 31, 2022.

The decrease in equity was primarily the result of:

- Net income for the year ended December 31, 2023 of \$58,236;
- Non-controlling interest distributions of \$6,850;
- Repurchase of common shares through the Company's NCIB (defined below) amounting to \$21,310;
- Change in ownership of Morguard REIT of \$13,359;
- Tax impact of increase in subsidiary ownership interest of \$8,387;
- Dividends paid of \$6,518; and
- Unrealized foreign currency translation loss of \$53,402.

During the year ended December 31, 2023, 208,927 common shares were repurchased through the Company's normal course issuer bid ("NCIB") for cash consideration of \$21,310 at a weighted average price of \$102.00 per common share.

As at December 31, 2023, and February 22, 2024, 10,813,338 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, 2023, Morguard received \$31,200 in recurring distributions and dividends from subsidiaries and affiliated entities.

The Company has liquidity of approximately \$318,000 comprised of \$116,500 in cash and \$201,500 available under its revolving credit facilities. In addition, the Company has approximately \$1,179,000 of unencumbered income producing and hotel properties, and other investments which could be utilized for financing.

The Company has approximately \$1,478,000 of mortgages payable maturing during 2024 and 2025 having an aggregate loan-to-value ratio of 46% which management expects to be able to refinance at similar or favourable terms. In addition, the Company has \$225,000 and \$225,000 of senior unsecured debentures maturing in January 2024 and November 2024, respectively. The Company expects to be able to issue new debt instruments and use current liquidity to permit the repayment of 2024 and 2025 maturities. Subsequent to December 31, 2023, the Company repaid the Series E senior unsecured debentures on maturity in the amount of \$225,000.

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. Accordingly, the Company does not repay maturing debt from cash flow but rather with proceeds from refinancing such debt or financing unencumbered properties. Material changes in these factors may adversely affect the Company's cash flows provided by operating activities and liquidity.

YEAR ENDED DECEMBER 31, 2023

Cash Provided by Operating Activities

Cash provided by operating activities during the year ended December 31, 2023, was \$297,891, compared to \$252,854 in 2022. 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, 2023, totalled \$332,164, compared to \$84,509 in 2022. The cash used in investing activities reflects:

- Additions to real estate properties and tenant improvements of \$312,775;
- Additions to hotel properties of \$7,460;
- Additions to capital and intangible assets of \$1,906;
- Investment in properties under development of \$15,685;
- Net proceeds from the sale of real estate properties of \$3,069;
- Net decrease in mortgages and loans receivable of \$1,707;
- Investment in marketable securities of \$8,194; and
- Net distributions from equity-accounted and other fund investments of \$9,080.

Cash Provided by (Used in) Financing Activities

Cash provided by financing activities during the year ended December 31, 2023, totalled \$37,652, compared to cash used in financing activities of \$234,489 in 2022. The cash provided by financing activities reflects:

- Proceeds from new mortgages, net of financing cost of \$673,156;
- Mortgage principal repayments of \$118,434;
- Repayment of mortgages on maturity of \$503,847;
- Net proceeds from bank indebtedness of \$7,256;
- Proceeds from issuance of debentures payable, net of costs of \$221,190;
- Redemption of debentures payable of \$255,500;
- Net repayments from loans payable of \$4,555;

- Dividends paid of \$6,493;
- Distributions to non-controlling interest of \$6,850;
- Morguard Residential REIT units repurchased for cancellation of \$23,533;
- Common shares repurchased for cancellation of \$21,310;
- Investment in subsidiaries of \$15,733; and
- Decrease in restricted cash of \$93,927.

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 material are subject to review and approval by a committee of independent Directors.

PAROS HOLDINGS CORPORATION AND PAROS ENTERPRISES LIMITED

Paros Holdings Corporation ("Paros Holdings") and Paros Enterprises are owned by the Company's Chairman and Chief Executive Officer, Mr. K. Rai Sahi. As at December 31, 2023, Paros Holdings owns a 61.9% interest in Morguard through its ownership of 6,691,000 common shares. As at December 31, 2023, Paros Enterprises owns \$20,079 (2022 - \$20,079) Series E senior unsecured debentures, \$7,244 (2022 - \$7,244) Series F senior unsecured debentures, \$25,000 (2022 - \$nil) Series H senior unsecured debentures, and \$2,000 (2022 - \$nil) of Morguard Residential REIT's 6.00% convertible unsecured subordinated debentures. As at December 31, 2023, and 2022, the Company has a demand loan agreement with Paros Enterprises that provides for the Company to borrow up to \$50,000. As at December 31, 2023, and 2022, no amounts were drawn. During the year ended December 31, 2023, the Company incurred net interest expense of \$nil (2022 - \$23).

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. Pursuant to contractual agreements between the Company and TWC, for the year ended December 31, 2023, the Company received a management fee of \$1,315 (2022 - \$1,293), and paid rent and operating expenses of \$735 (2022 - \$658).

As at December 31, 2023, and 2022, the Company has a revolving demand loan agreement with TWC that provides for either party to borrow up to \$50,000 at the lender's short-term bank borrowing rate plus ten basis points. The total loan payable as at December 31, 2023 was \$nil (2022 - \$5,000). During the year ended December 31, 2023, the Company paid net interest of \$612 (2022 - \$112).

SHARE/UNIT PURCHASE AND OTHER LOANS

As at December 31, 2023, share/unit purchase and other loans to officers and employees of the Company and its subsidiaries of \$1,508 (2022 - \$6,007) are outstanding. The loans are collateralized by their common shares and Unsecured Debentures 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, 2023, the fair market value of the common shares/units held as collateral is \$3,354.

PART VII

SUMMARY OF MATERIAL ACCOUNTING POLICIES AND ESTIMATES

The Company's consolidated financial statements for the years ended December 31, 2023 and 2022, have been prepared in accordance with IFRS. A summary of the material accounting policies are described in Note 2 to the audited consolidated financial statements for the year ended December 31, 2023.

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. 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. 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 MATERIAL ACCOUNTING POLICIES AND ESTIMATES

The Company's critical material 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 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 properties appraised by Morguard's appraisal division. Morguard's appraisal division is staffed with accredited members of the AIC who, collectively, in 2023 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.

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 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 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, 2023, market rates for debts of similar terms.

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 fair value through profit and loss ("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, 2023 market rates for debts of similar terms. Based on these assumptions, the fair value as at December 31, 2023 of the mortgages payable before deferred financing costs and mark-to-market adjustments is estimated at \$4,351,345 (2022 - \$4,370,416), compared with the carrying value of \$4,704,260 (2022 - \$4,663,814). 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, 2023, the fair value of the Unsecured Debentures has been estimated at \$628,660 (2022 - \$601,040), compared with the carrying value of \$625,000 (2022 - \$625,000).

The fair value of the convertible debentures liability is based on their market trading prices. As at December 31, 2023, the fair value of the convertible debentures before deferred financing costs has been estimated at \$141,308 (2022 - \$172,176), compared with the carrying value of \$150,000 (2022 - \$179,500).

The fair value of the finance lease receivable is determined by discounting the cash flows of the financial receivable using December 31, 2023 market rates for debt on similar terms. Based on these assumptions, as at December 31, 2023, the fair value of the finance lease receivable has been estimated at \$58,860 (2022 - \$58,331).

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, 2023, dated February 22, 2024, 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.

Pandemic or Epidemic Risks

Pandemic or epidemic risks may at various times lead 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 may lead to a general shutdown of economic activity and may disrupt 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 of pandemic or epidemic closures are unknown, as is the efficacy of any government and central bank interventions. The permanence 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.

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 that 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. 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.

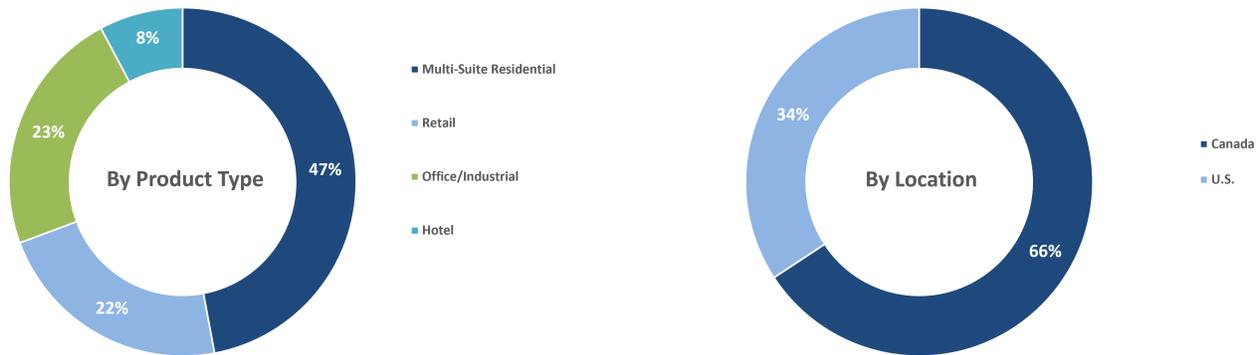
The Company is also subject to utility and property tax risk relating to increased costs that the Company may experience as a result of higher resource prices, as well as its exposure to significant increases in property taxes. There is a risk that property taxes may be raised as a result of revaluations 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, 2023, 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 pandemic or epidemic 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, 2023, the Company's multi-suite residential properties account for 48.9% of the Company's total rental revenue from real estate properties.

As at December 31, 2023, the Company's ten largest tenants account for 16.3% of the Company's total rental revenue from real estate properties as follows:

Tenants as at December 31, 2023	Rental Revenue ⁽¹⁾	GLA Square Feet (000s)	% of Total GLA ⁽²⁾⁽³⁾
Federal and provincial government	7.8%	1,861	11.1%
Bombardier Inc.	1.6%	432	2.6%
TD Canada Trust	1.4%	418	2.5%
Loblaw Companies Ltd.	1.2%	301	1.8%
Obsidian Energy Ltd.	1.1%	132	0.8%
Athabasca Oil Corporation	0.7%	154	0.9%
Canadian Tire Corporation Ltd.	0.7%	384	2.3%
Brookfield BPR Canada Corporation	0.6%	126	0.8%
Wood Group	0.6%	108	0.6%
Canadian Broadcasting Corporation	0.6%	96	0.6%
	16.3%	4,012	24.0%

(1) Rental revenue excludes hotel properties.

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

(3) Retail square feet has been adjusted to exclude development space of 396,525 square feet of GLA.

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. 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.

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

Summary of Lease Expiries as at (000s) As at December 31, 2023	2024			2025		2026	
	Total SF	SF	%	SF	%	SF	%
Retail ⁽¹⁾	7,832	1,169	15%	733	9%	1,258	16%
Office/Industrial ⁽²⁾⁽³⁾	8,856	1,107	12%	1,173	13%	1,950	22%
Total	16,688	2,276	14%	1,906	11%	3,208	19%

(1) Retail square feet has been adjusted to exclude development space of 396,525 square feet of GLA

(2) Office square feet has been adjusted to exclude development space of 48,206 square feet of GLA.

(3) Includes industrial properties with 1,066,000 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 results 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 its policies at levels and with limitations consistent with its current policies, the Company cannot be sure that it 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 and comprehensive income. 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, would have an impact on the fair values reported. 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. To minimize this risk, the Company has structured its debt maturities over a number of years and has negotiated fixed interest rates on approximately 89% of its total indebtedness.

As at December 31, 2023, 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 multi-family 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.

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) actual or anticipated fluctuations in the Company's financial performance and future prospects; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the Company; (iv) addition to or departure of the Company's executive officers; (v) release or expiration of lock-up or other transfer restrictions on outstanding common shares; (vi) sales or perceived sales of additional common shares; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; (viii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets; (ix) liquidity of the Company's securities; (x) prevailing interest rates; (xi) the market price of other Company securities; (xii) a decrease in the amount of dividends declared and paid by the Company; and (xiii) 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, social and governance 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, 2023, the Company owned 41,977,862 units of Morguard REIT and 8,120,666 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 REITs will be able to meet the requirements of the REIT Exception throughout 2023 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 2024 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.

Morguard Corporation Taxation

On November 21, 2023, the Department of Finance (Canada) confirmed the government intends to proceed with the measures announced in its 2023 federal budget and other previously announced measures, as modified to take into account consultations. The proposed rules that may limit the amount of interest that certain taxpayers may be able to deduct for tax purposes (the "Interest Rules") will become effective for the 2024 fiscal year. The Interest Rules are proposed to address base erosion and profit-shifting issues arising from taxpayers deducting interest, principally in the context of multi-national enterprises and cross-border investments. Management assessed the potential impact of the Interest Rules based on the most recent tax filing and financial statements. Based on the assessment, the Interest Rules will limit the deductibility of certain interest expenses of the Company.

In December 2021, the Organisation for Economic Co-operation and Development ("OECD") published the Pillar Two model rules outlining a structure for a new 15% global minimum tax to be implemented by participating countries at an agreed future date, currently expected (for most countries) to be 2024. In its 2023 budget, the Canadian federal government announced its intentions to substantively enact Pillar Two legislation for the fiscal years beginning on or after December 31, 2023. To date, the U.S., in which certain of the Company's subsidiaries operate, has not indicated its commitment to enact Pillar Two legislation. The Company and its subsidiaries are reviewing the relevant legislation and available guidance to assess the full implications of the Pillar Two model rules. The Company and its subsidiaries currently operate in countries with a higher tax rate than the proposed minimum.

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 of 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 or 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 as 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, 2023. 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, 2023.

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 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)

	2023	2022	2021
Revenue from income producing properties	\$1,000,726	\$916,517	\$852,692
Revenue from hotel properties	161,601	162,169	123,916
NOI	595,416	536,637	488,000
NOI per common share			
- basic and diluted	54.61	48.44	43.96
Net income attributable to common shareholders	74,176	122,771	249,760
Net income attributable to common shareholders per common share			
- basic and diluted	6.80	11.08	22.50
Normalized FFO	239,700	218,821	194,077
Normalized FFO per common share			
- basic and diluted	21.98	19.75	17.48
Dividends declared	6,518	6,648	6,660
Dividends per common share	0.60	0.60	0.60
Total assets	11,623,088	11,705,252	11,492,543
Non-current portion of financial liabilities			
Mortgages payable	3,550,358	3,876,135	3,971,697
Debentures payable	314,386	541,283	795,319
Morguard Residential REIT units	393,695	454,425	496,024
Lease Liability	169,140	170,934	166,531

(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, 2023	\$312,858	\$169,277	\$155,280	\$62,867	\$3,162	\$13,554	\$1.25
September 30, 2023	312,361	165,792	151,731	64,394	(9,444)	5,494	0.51
June 30, 2023	306,022	165,228	151,188	62,173	95,868	89,818	8.19
March 31, 2023	292,777	95,119	136,168	50,266	(31,350)	(34,690)	(3.15)
December 31, 2022	289,468	156,776	145,416	60,160	(423,305)	(383,030)	(34.48)
September 30, 2022	299,501	158,034	145,539	63,396	55,755	66,824	6.02
June 30, 2022	282,769	141,736	130,027	52,394	248,091	232,708	20.96
March 31, 2022	264,937	80,091	115,677	42,871	231,711	206,269	18.58

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.

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

Year	Quarter	Asset Class	Transaction	Sq. feet	# of rooms/ suites
2023	Fourth	Residential	Acquisition	—	232
2023	First	Residential	Acquisition	—	240
2023	First	Industrial	Disposition	19,875	—
2022	Fourth	Office ⁽¹⁾	Acquisition	109,208	—
2022	Fourth	Industrial	Disposition	21,536	—
2022	Fourth	Multi-suite residential	Disposition	—	340
2022	Fourth	Hotels	Disposition	—	616
2022	Third	Hotels	Disposition	—	566
2022	Third	Multi-suite residential	Disposition	—	144
2022	Third	Retail	Acquisition	186,712	—
2022	Third	Multi-suite residential	Acquisition	—	350
2022	Second	Office	Acquisition	163,580	—
2022	Second	Multi-suite residential	Disposition	—	292
2022	Second	Hotels	Disposition	—	673
2022	First	Hotels	Disposition	—	184

(1) The Company acquired a 50% interest in the property, total square feet is stated at 100% basis.

Revenue and Net Operating Income

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

The Company has seen steady revenue growth during the last eight quarters. In addition, lower hotel revenue during the first quarter of 2022 and 2023 is seasonally impacted by the colder months. The change in foreign exchange rates and the impact of acquisition net of disposal of properties (described above) also contributed to the fluctuation in revenue during the last eight quarters.

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

Net Income (Loss) Attributable to Common Shareholders

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

- The Company valued the Morguard Residential REIT units (presented as a liability under IFRS) based on the closing price of the TSX-listed units, resulting in a fair value gain/loss on MRG units recorded to net income (loss);
- The Company recorded a fair value loss on real estate properties for the years ended December 31, 2023, and 2022, mainly due to an increase in capitalization rates at the Company's retail and office properties;
- During the years ended December 31, 2023, and 2022, the Company recorded a deferred tax expense primarily as a result of the utilization of non-operating losses, partly offset by fair value losses recorded on the Company's real estate properties; and
- The Company recorded a recovery of impairment of \$11,000 during the third quarter of 2023.

Fourth Quarter Results 2023

For the three months ended December 31 (In thousands of dollars)

	2023	2022
Revenue from real estate properties	\$257,168	\$235,058
Revenue from hotel properties	38,398	38,186
Property operating expenses		
Property operating costs	(62,838)	(58,449)
Utilities	(14,957)	(15,210)
Realty taxes	(17,775)	(10,307)
Hotel operating expenses	(30,719)	(32,502)
Net operating income	169,277	156,776
OTHER REVENUE		
Management and advisory fees	12,820	10,898
Interest and other income	4,472	5,326
	17,292	16,224
EXPENSES		
Interest	70,142	61,457
Property management and corporate	21,877	19,994
Amortization of hotel properties and other	3,241	6,347
	95,260	87,798
OTHER INCOME (EXPENSE)		
Fair value loss, net	(96,370)	(605,245)
Equity income (loss) from investments	2,832	(4,826)
Other income (expense)	55	(6,504)
	(93,483)	(616,575)
Loss before income taxes	(2,174)	(531,373)
Provision for (recovery of) income taxes		
Current	3,245	3,785
Deferred	(8,581)	(111,853)
	(5,336)	(108,068)
Net income (loss) for the period	\$3,162	(\$423,305)
Net income (loss) attributable to:		
Common shareholders	\$13,554	(\$383,030)
Non-controlling interest	(10,392)	(40,275)
	\$3,162	(\$423,305)

The Company's net income for the three months ended December 31, 2023, increased by \$426,467, to a net income of \$3,162, compared to a net loss of \$423,305 in the fourth quarter of 2022. The increase in net income was primarily due to the following:

- An increase in net operating income of \$12,501, primarily due to higher NOI from the residential portfolio from rental rate growth, higher NOI from the retail portfolio due to higher recoveries, and higher NOI from the hotel portfolio due to lower operating expenses;
- An increase in interest expense of \$8,685, mainly due to an increase in interest on mortgages payable and on the Debentures, primarily due to the issuance of the Series senior H unsecured debentures on September 26, 2023;
- A decrease in net fair value loss of \$508,875, primarily due to:
 - A decrease in the fair value loss of \$494,288 on real estate properties primarily due to a lower fair value loss recorded at the Company's residential properties compared to the same period in 2022, as well as lower fair value losses at the Company's office and retail properties compared to the same period in 2022;
 - A decrease in the fair value loss on Morguard Residential REIT units of \$25,746, due to the change in market value of the units; and
 - A decrease of \$8,419 in unrealized changes in the fair value of the Company's financial instruments.
- An increase in equity income from investments of \$7,658, mainly due to a higher deferred income tax recovery and a lower fair value loss compared to 2022;
- An increase in other income of \$6,559, mainly due to loss on sale of hotel properties recorded in 2022; and
- A decrease in current and deferred income tax recovery of \$102,732 primarily a result of a lower fair value loss related to Canadian and U.S. properties compared to the same period in 2022.

SUBSEQUENT EVENT

Subsequent to December 31, 2023, the Company fully repaid the Series E senior unsecured debentures on maturity in the amount of \$225,000 and \$151,025 on the Company's operating lines of credit with net proceeds generated from the disposition of 14 hotel properties.

PART IX

OUTLOOK

The 2024 North American commercial property outlook is moderately positive. The U.S. and Canadian economies will continue to expand despite significant headwinds. Canada's economy is projected to expand by less than 1.0% in 2024, due in large part to the ongoing negative impacts of tighter monetary policy on domestic demand. In the U.S., consumer spending will drive economic growth beyond expectations over the next six to 12 months. Canada's multi-suite residential rental property sector will continue to outperform over the near term, with vacancy holding at the cycle low and rents at the cycle high. Supply constraints will continue to characterize the asset class across the country, as demand outstrips supply. Rents will continue to rise at a modest pace. Conversely, the U.S. market will soften in 2024, as near record-high new supply deliveries push vacancy levels markedly higher in most regions. As vacancy increases, rent growth will slow. North American retail property fundamentals will stabilize in the first half of 2024 and subsequently improve in the second half. Retailers selling necessities and discounters will continue to look for expansion opportunities in new and emerging trade areas. In addition, the most productive centres will attract operators looking to expand or new entries into the market. Office tenants will continue to shed excess space as they transition to various remote or partially remote workplace models. As a result, vacancy will continue to gradually rise. Class A vacancy will remain below the market average while class B and C levels remain at or near the cycle-high in most regions. Office rents will stabilize in the class A market segment and remain below pre-pandemic levels for space in class B and C, and older buildings. Despite ongoing weakness in the office sector, the 2024 North American commercial property outlook is moderately positive.

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

CONDENSED 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, 2023, 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 auditor, 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 the independent auditor, has conducted the audits in accordance with Canadian generally accepted auditing standards and has had full access to the Audit Committee, with and without management being present.

(Signed) "K. Rai Sahi"

K. Rai Sahi
Chief Executive Officer

(Signed) "Paul Miatello"

Paul Miatello
Chief Financial Officer, Senior Vice President

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Morguard Corporation

Opinion

We have audited the consolidated financial statements of Morguard Corporation and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2023 and 2022, and the consolidated statements of income, consolidated statements of comprehensive income, 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 material accounting policy information.

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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

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	
<p>Morguard Corporation's real estate portfolio comprises income producing properties, properties under development, land held for development and real estate properties held for sale with a fair value of \$10.6 billion which represents 91.4% of total assets as at December 31, 2023.</p> <p>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</p>	<p>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:</p> <ul style="list-style-type: none">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.

<p>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.</p> <p>Note 2 of the consolidated financial statements describes the accounting policy for real estate properties, including the valuation method and valuation inputs.</p> <p>Note 4 of the consolidated financial statements discloses the sensitivity of the fair value of income producing properties to a change in capitalization rates.</p> <p>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.</p>	<ul style="list-style-type: none"> • 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.
<p>De Facto Control of Morguard North American Residential Real Estate Investment Trust</p>	
<p>As at December 31, 2023 the Company owns a 46.1% effective interest in Morguard North American Residential Real Estate Investment Trust ("MRG") through its ownership of 8,120,666 Units and 17,233,090 Class B LP Units. The investment is consolidated on the basis of de facto control in accordance with IFRS 10.</p> <p>Note 2 of the consolidated financial statements describes the accounting policy in relation to consolidation and non-controlling interests.</p> <p>Note 3 of the consolidated financial statements details the de facto control considerations.</p> <p>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</p>	<p>In order to assess the Company's ability to direct the relevant activities of MRG, we performed the following audit procedures, among others:</p> <ul style="list-style-type: none"> • 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

<p>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.</p> <p>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.</p>	<p>disclosures appropriately identify relevant judgments and assumptions made by management in concluding that they maintain de facto control over MRG.</p>
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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 IFRSs, 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 Kim Tang.

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 22, 2024

BALANCE SHEETS

In thousands of Canadian dollars

As at December 31	Note	2023	2022
ASSETS			
Non-current assets			
Real estate properties	4	\$10,493,655	\$10,551,074
Hotel properties	5	87,376	337,239
Equity-accounted and other fund investments	7	95,525	120,347
Other assets	8	340,275	357,466
		11,016,831	11,366,126
Current assets			
Amounts receivable	9	59,861	80,159
Prepaid expenses and other		49,844	147,159
Cash		116,517	111,808
		226,222	339,126
Real estate and hotel properties held for sale	4, 5	380,035	—
		\$11,623,088	\$11,705,252
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable	10	\$3,550,358	\$3,876,135
Debentures payable	11	314,386	541,283
Lease liabilities	13	169,140	170,934
Morguard Residential REIT units	12	393,695	454,425
Deferred income tax liabilities	22	835,481	821,443
		5,263,060	5,864,220
Current liabilities			
Mortgages payable	10	1,129,734	766,016
Debentures payable	11	449,000	254,954
Loans payable	21	—	5,000
Accounts payable and accrued liabilities	14	246,835	245,285
Bank indebtedness	15	191,369	184,306
		2,016,938	1,455,561
Total liabilities		7,279,998	7,319,781
EQUITY			
Shareholders' equity		3,887,550	3,865,254
Non-controlling interest		455,540	520,217
Total equity		4,343,090	4,385,471
		\$11,623,088	\$11,705,252

Contingencies

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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

In thousands of Canadian dollars, except per common share amounts

For the years ended December 31	Note	2023	2022
Revenue from real estate properties	17	\$1,000,726	\$916,517
Revenue from hotel properties	17	161,601	162,169
Property operating expenses			
Property operating costs		(242,909)	(221,782)
Utilities		(65,421)	(63,086)
Realty taxes		(143,368)	(129,142)
Hotel operating expenses		(115,213)	(128,039)
Net operating income		595,416	536,637
OTHER REVENUE			
Management and advisory fees	17	43,572	41,339
Interest and other income		18,119	16,650
		61,691	57,989
EXPENSES			
Interest	18	264,675	229,335
Property management and corporate	16(c)	87,131	77,613
Amortization of hotel properties and other		23,076	26,514
Recovery of impairment	5	(11,000)	—
		363,882	333,462
OTHER INCOME (EXPENSE)			
Fair value loss, net	19	(215,264)	(120,905)
Equity income from investments	7	4,334	1,207
Other expense	20	(710)	(6,006)
		(211,640)	(125,704)
Income before income taxes		81,585	135,460
Provision for income taxes	22		
Current		9,676	9,822
Deferred		13,673	13,386
		23,349	23,208
Net income for the year		\$58,236	\$112,252
Net income (loss) attributable to:			
Common shareholders		\$74,176	\$122,771
Non-controlling interest		(15,940)	(10,519)
		\$58,236	\$112,252
Net income per common share attributable to:			
Common shareholders - basic and diluted	23	\$6.80	\$11.08

See accompanying notes to the consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

In thousands of Canadian dollars

For the years ended December 31	Note	2023	2022
Net income for the year		\$58,236	\$112,252
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified subsequently to net income:			
Unrealized foreign currency translation gain (loss)		(53,402)	156,733
Deferred income tax recovery (provision)	22(b)	8,171	(24,309)
		(45,231)	132,424
Items that will not be reclassified subsequently to net income:			
Actuarial gain (loss) on defined benefit pension plans	25	1,162	(7,876)
Deferred income tax recovery (provision)	22(b)	(149)	2,009
		1,013	(5,867)
Other comprehensive income (loss)		(44,218)	126,557
Total comprehensive income for the year		\$14,018	\$238,809
Total comprehensive income (loss) attributable to:			
Common shareholders		\$32,359	\$243,158
Non-controlling interest		(18,341)	(4,349)
		\$14,018	\$238,809

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, 2022		\$3,351,294	\$179,953	\$100,929	\$3,632,176	\$541,571	\$4,173,747
Changes during the year:							
Net income (loss)		122,771	—	—	122,771	(10,519)	112,252
Other comprehensive income		—	120,387	—	120,387	6,170	126,557
Dividends		(6,648)	—	—	(6,648)	—	(6,648)
Distributions		—	—	—	—	(8,470)	(8,470)
Issuance of common shares		—	—	27	27	—	27
Repurchase of common shares		(7,761)	—	(717)	(8,478)	—	(8,478)
Change in ownership of Morguard REIT		6,000	—	—	6,000	(8,535)	(2,535)
Tax impact of increase in subsidiary ownership interest		(981)	—	—	(981)	—	(981)
Shareholders' equity, December 31, 2022		\$3,464,675	\$300,340	\$100,239	\$3,865,254	\$520,217	\$4,385,471
Changes during the year:							
Net income (loss)		74,176	—	—	74,176	(15,940)	58,236
Other comprehensive loss		—	(41,817)	—	(41,817)	(2,401)	(44,218)
Dividends	16(a)	(6,518)	—	—	(6,518)	—	(6,518)
Distributions		—	—	—	—	(6,850)	(6,850)
Issuance of common shares	16(a)	—	—	25	25	—	25
Repurchase of common shares	16(a)	(19,410)	—	(1,900)	(21,310)	—	(21,310)
Change in ownership of Morguard REIT	16(b)	26,127	—	—	26,127	(39,486)	(13,359)
Tax impact of increase in subsidiary ownership interest	22(b)	(8,387)	—	—	(8,387)	—	(8,387)
Shareholders' equity, December 31, 2023		\$3,530,663	\$258,523	\$98,364	\$3,887,550	\$455,540	\$4,343,090

See accompanying notes to the consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

For the years ended December 31	Note	2023	2022
OPERATING ACTIVITIES			
Net income for the year		\$58,236	\$112,252
Add items not affecting cash	24(a)	227,583	160,263
Distributions from equity-accounted and other fund investments	7	3,042	7,908
Additions to tenant incentives and leasing commissions	4	(17,691)	(8,553)
Net change in operating assets and liabilities	24(b)	26,721	(19,016)
Cash provided by operating activities		297,891	252,854
INVESTING ACTIVITIES			
Additions to real estate properties and tenant improvements	4	(312,775)	(407,524)
Additions to hotel properties	5	(7,460)	(6,601)
Additions to capital and intangible assets		(1,906)	(1,664)
Investment in properties under development	4	(15,685)	(16,508)
Proceeds from the sale of real estate properties, net	4	3,069	256,730
Proceeds from the sale of hotel properties, net		—	97,335
Decrease (increase) in mortgages and loans receivable		1,707	(26,977)
Investment in marketable securities		(8,194)	—
Investment in equity-accounted and other fund investments, net	7	9,080	20,700
Cash used in investing activities		(332,164)	(84,509)
FINANCING ACTIVITIES			
Proceeds from new mortgages		679,085	887,871
Financing costs on new mortgages		(5,929)	(4,579)
Repayment of mortgages			
Principal instalment repayments		(118,434)	(131,112)
Repayments on maturity		(503,847)	(717,778)
Repayments due to mortgage extinguishments		—	(136,829)
Principal payment of lease liabilities		(1,622)	(1,732)
Proceeds from bank indebtedness		201,235	327,626
Repayment of bank indebtedness		(193,979)	(151,601)
Proceeds from issuance of debentures payable, net of costs	11	221,190	—
Redemption of debentures payable	11	(255,500)	(200,000)
Proceeds from (repayments of) loans payable, net		(4,555)	5,000
Dividends paid		(6,493)	(6,621)
Distributions to non-controlling interest, net		(6,850)	(8,846)
Morguard Residential REIT units repurchased for cancellation		(23,533)	—
Shares repurchased for cancellation	16(a)	(21,310)	(8,478)
Investment in subsidiaries	12, 16(b)	(15,733)	(2,535)
Decrease (increase) in restricted cash		93,927	(84,875)
Cash provided by (used in) financing activities		37,652	(234,489)
Net increase (decrease) in cash during the year		3,379	(66,144)
Net effect of foreign currency translation on cash balance		1,330	4,296
Cash, beginning of year		111,808	173,656
Cash, end of year		\$116,517	\$111,808

See accompanying notes to the consolidated financial statements.

NOTES

For the years ended December 31, 2023 and 2022

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 MATERIAL 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 22, 2024.

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 upon consolidation.

Non-controlling Interest and MRG Convertible Debentures

Non-controlling interest represents equity interest in subsidiaries that is 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 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 using the Black-Scholes option pricing model, with changes in fair value recognized in the consolidated statements of income. 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 properties that are acquired as an asset purchase and not as a business combination are 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. 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 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.

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. 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 and comprehensive income.

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.

Intangible Assets

The Company's intangible assets comprise 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.

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

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. As 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 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. As at December 31, 2023, 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.

The Company accounts for rental abatements related to past due rents in connection with tenants experiencing financial hardship under the derecognition rules of IFRS 9. 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.

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 includes 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 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 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 income 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. 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 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.

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.

Income Per Common Share

Basic income per common share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding in each respective period. Diluted income per common share is calculated by dividing net income 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 (“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:

	2023	2022
Canadian dollar to United States dollar exchange rates:		
- As at December 31	\$0.7561	\$0.7383
- Average for the year ended December 31	0.7409	0.7686
United States dollar to Canadian dollar exchange rates:		
- As at December 31	1.3226	1.3544
- Average for the year ended December 31	1.3497	1.3011

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 Material Accounting Policies

The following are the critical judgments that have been made in applying the Company's material 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 provide it with joint control, significant influence or no influence and whether the arrangements are joint operations or joint ventures.

Critical Material 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. 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, expect 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 Material Accounting Policy Changes

Amendments to IAS 1, Presentation of Financial Statements ("IAS 1") and IFRS Practice Statement 2, Disclosure of Accounting Policies

On January 1, 2023, the Company adopted the amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments did not have a material impact on the Company's consolidated financial statements.

Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) - Definition of Accounting Estimates

On January 1, 2023, the Company adopted the amendments to IAS 8, which aim to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments did not have a material impact on the Company’s consolidated financial statements.

Amendments to IAS 12 - International Tax Reform: Pillar Two Model Rules

In December 2021, the Organisation for Economic Co-operation and Development (“OECD”) published the Pillar Two model rules outlining a structure for a new 15% global minimum tax to be implemented by participating countries at an agreed future date, currently expected (for most countries) to be 2024. On May 23, 2023, the IASB announced that it had finalized its amendments to IAS 12 as a result of the Pillar Two model rules published by the OECD. The amendments provide temporary relief for companies from having to account for deferred taxes arising from the implementation of the Pillar Two model rules.

The amendments introduce:

- A mandatory temporary exception from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes;
- Targeted disclosure requirements for affected companies to help users of the financial statements better understand a company’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date; and
- The amendments ensure that affected companies apply IAS 12 consistently and that investors are given better information before and after any jurisdictional Pillar Two legislation comes into effect.

The Company has applied the mandatory temporary exception immediately upon issue of the amendments and retrospectively in accordance with IAS 8.

The Company’s entities are operating in jurisdictions in which the Pillar Two legislation has not been enacted or substantively enacted. In its 2023 budget, the Canadian federal government announced its intentions to substantively enact Pillar Two legislation for the fiscal years beginning on or after December 31, 2023. To date, the U.S. has not indicated its commitment to enact Pillar Two legislation. The Company and its subsidiaries are reviewing the relevant legislation and available guidance to assess the full implications of the Pillar Two model rules.

Future Material Accounting Policy Changes**Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current**

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 are effective for reporting periods beginning on or after January 1, 2024 and are not expected to have a material impact on the Company’s consolidated financial statements.

Amendments to IAS 1 - Non-Current Liabilities with Covenants

The amendments aim to improve the information companies provide about long-term debt with covenants. The amendments to IAS 1 specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements.

The amendments to IAS 1 are effective for reporting periods beginning on or after January 1, 2024 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, 2023, the Company owned a 46.1% (2022 - 44.7%) effective interest in Morguard Residential REIT through its ownership of 8,120,666 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, 2023; (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, 2023, Morguard Residential REIT recorded distributions of \$27,843, or \$0.7233 per unit (2022 - \$27,480 or \$0.7030 per unit), of which \$5,768 was paid to the Company (2022 - \$5,585) and \$22,075 was paid to the remaining unitholders (2022 - \$21,895). In addition, during the year ended December 31, 2023, Morguard Residential REIT paid distributions to the Company on the Class B LP units of \$12,458 (2022 - \$12,108).

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

As at December 31, 2023, the Company owned 41,977,862 units (2022 - 39,541,641 units) of Morguard REIT, which represents a 65.3% (2022 - 61.6%) ownership interest.

During the year ended December 31, 2023, Morguard REIT recorded distributions of \$15,420, or \$0.24 per unit (2022 - \$15,406, or \$0.24 per unit), of which \$9,932 (2022 - \$9,415) was paid to the Company and \$5,488 was paid to the remaining unitholders (2022 - \$5,991).

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	2023		2022	
	MRT	MRG	MRT	MRG
Non-current assets	\$2,260,976	\$4,052,763	\$2,348,116	\$3,732,315
Current assets	17,762	43,168	26,566	202,102
Total assets	\$2,278,738	\$4,095,931	\$2,374,682	\$3,934,417
Non-current liabilities	\$854,965	\$1,913,882	\$905,863	\$1,805,364
Current liabilities	464,238	222,398	420,711	273,664
Total liabilities	\$1,319,203	\$2,136,280	\$1,326,574	\$2,079,028
Equity	\$959,535	\$1,959,651	\$1,048,108	\$1,855,389
Non-controlling interest	\$336,449	\$1,056,360	\$406,475	\$1,026,587

The following summarizes the results of the operations and cash flows for the following years 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	2023		2022	
	MRT	MRG	MRT	MRG
Revenue	\$255,076	\$331,620	\$242,629	\$278,491
Expenses	(196,688)	(250,915)	(177,483)	(273,210)
Fair value gain (loss) on real estate properties, net	(131,765)	79,947	(148,977)	208,275
Fair value gain on Class B LP units	—	24,629	—	26,007
Net income (loss) for the year	(\$73,377)	\$185,281	(\$83,831)	\$239,563
Non-controlling interest	(\$25,274)	\$99,848	(\$31,697)	\$132,550

For the years ended December 31	2023		2022	
	MRT	MRG	MRT	MRG
Cash provided by operating activities	\$66,319	\$88,966	\$73,968	\$75,173
Cash used in investing activities	(39,038)	(209,009)	(32,418)	(11,058)
Cash provided by (used in) financing activities	(29,715)	120,837	(43,108)	(78,880)
Net increase (decrease) in cash during the year	(\$2,434)	\$794	(\$1,558)	(\$14,765)

NOTE 4

REAL ESTATE PROPERTIES

Real estate properties consist of the following:

As at December 31	2023	2022
Income producing properties	\$10,348,016	\$10,418,017
Properties under development	12,175	21,604
Land held for development	133,464	111,453
Real estate properties	\$10,493,655	\$10,551,074
Real estate properties held for sale	125,307	—
Total	\$10,618,962	\$10,551,074

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, 2022	\$10,418,017	\$21,604	\$111,453	\$10,551,074
Additions:				
Acquisitions	223,758	—	—	223,758
Capital expenditures	97,785	—	—	97,785
Development expenditures	—	13,901	1,784	15,685
Tenant improvements, incentives and leasing commissions	33,585	—	—	33,585
Transfers	23,330	(23,330)	—	—
Dispositions	(3,069)	—	—	(3,069)
Fair value gain (loss), net (Note 19)	(221,148)	—	20,549	(200,599)
Foreign currency translation	(93,384)	—	(322)	(93,706)
Other	(5,551)	—	—	(5,551)
Balance as at December 31, 2023	10,473,323	12,175	133,464	10,618,962
Real estate properties held for sale				(125,307)
Real estate properties				\$10,493,655

Real estate properties held for sale are assets that the Company intends to sell rather than hold on a long-term basis and meet the criteria established in IFRS 5, Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5") for separate classification. As at December 31, 2023, the Company has a commitment to sell an office property consisting of 250,500 square feet located in Ottawa, Ontario, for gross proceeds of \$125,307, excluding closing costs and will repay the mortgage payable secured by the property in the amount of \$57,694. The transaction is expected to close on February 29, 2024.

Transactions completed during the year ended December 31, 2023

Acquisitions

On December 29, 2023, the Company acquired a multi-suite residential property ("Fifty On The Park") comprising 232 suites located in Toronto, Ontario, for a purchase price of \$112,375, including closing costs, and assumed a mortgage payable of \$26,259 at a contractual interest rate of 2.24%, maturing on September 1, 2026. A mark-to-market adjustment of \$1,597 was recorded to mortgages payable at an effective interest rate of 4.72%. In addition, the acquisition was partially funded by a vendor take-back mortgage of \$39,000 at an interest rate of 6.00%, maturing on December 27, 2024.

On March 29, 2023, the Company acquired a multi-suite residential property (“Xavier”) comprising 240 suites located in Chicago, Illinois, for a purchase price of \$112,980 (US\$83,221), including closing costs.

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

Dispositions

During the year ended December 31, 2023, the Company sold five industrial properties consisting of 32,875 square feet, for net proceeds of \$3,069, including closing costs.

Reconciliation of the carrying amounts for real estate properties for the year ended December 31, 2022 is set out below:

	Income Producing Properties	Properties Under Development	Land Held for Development	Total
Balance as at December 31, 2021	\$10,139,816	\$12,360	\$92,699	\$10,244,875
Additions:				
Acquisitions	314,999	—	2,909	317,908
Capital expenditures	83,995	—	—	83,995
Development expenditures	—	15,269	1,239	16,508
Tenant improvements, incentives and leasing commissions	14,174	—	—	14,174
Right-of-use assets	6,643	—	—	6,643
Transfers	6,025	(6,025)	—	—
Dispositions	(255,432)	—	(1,298)	(256,730)
Fair value gain (loss), net	(145,160)	—	14,989	(130,171)
Foreign currency translation	259,638	—	915	260,553
Other	(6,681)	—	—	(6,681)
Balance as at December 31, 2022	\$10,418,017	\$21,604	\$111,453	\$10,551,074

Transactions completed during the year ended December 31, 2022

Acquisitions

On December 22, 2022, the Company acquired a 50% interest in an office property (“215 Slater Street”) comprising 109,208 square feet located in Ottawa, Ontario, for a purchase price of \$28,813, including closing costs.

On September 26, 2022, the Company acquired a retail property (“Rockville Town Square”) comprising 186,712 square feet of commercial area located in Rockville, Maryland, for a purchase price of \$46,452 (US\$33,867), including closing costs. Rockville Town Square is part of a mixed-use complex that includes a 492-suite residential property, which the Company has owned since 2017.

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

On June 30, 2022, the Company acquired an office property (“3199 Palladium Drive”) consisting of 163,580 square feet located in Ottawa, Ontario, for a purchase price of \$65,886, including closing costs, and was partially funded by a mortgage in the amount of \$35,000 at an interest rate of 4.49% for a term of five years.

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

Dispositions

On October 6, 2022, the Company sold a multi-suite residential property located in Coconut Creek, Florida, comprising 340 suites, for net proceeds of \$124,914 (US\$91,052), including closing costs, and repaid the mortgage payable secured by the property in the amount of \$28,055 (US\$20,450).

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

On June 30, 2022, the Company sold an office property consisting of 37,310 square feet located in Regina, Saskatchewan, for net proceeds of \$2,783, including closing costs.

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

During the year ended December 31, 2022, the Company sold two industrial properties consisting of 21,536 square feet, for net proceeds of \$1,792, including closing costs.

Capitalization Rates

As at December 31, 2023, and 2022, 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, 2023, and 2022, using the direct capitalization approach, the multi-suite residential, retail and office properties were valued using capitalization rates in the range of 3.3% to 10.3% (2022 - 3.3% to 10.0%), resulting in an overall weighted average capitalization rate of 5.6% (2022 - 5.5%).

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

As at December 31	2023					2022				
	Occupancy Rates		Capitalization Rates			Occupancy Rates		Capitalization Rates		
	Max.	Min.	Max.	Min.	Weighted Average	Max.	Min.	Max.	Min.	Weighted Average
Multi-suite residential	98.5%	92.0%	6.3%	3.3%	4.4%	98.5%	92.0%	6.0%	3.3%	4.3%
Retail	99.0%	85.0%	10.3%	5.0%	7.4%	99.0%	85.0%	10.0%	5.0%	7.2%
Office ⁽¹⁾	100.0%	85.0%	9.0%	4.8%	7.1%	100.0%	90.0%	8.3%	4.3%	6.7%

⁽¹⁾ Includes industrial properties comprising approximately 11% of the segment's total assets.

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

As at December 31	2023			2022		
	Maximum	Minimum	Weighted Average	Maximum	Minimum	Weighted Average
Retail						
Discount rate	11.3%	5.8%	7.7%	11.0%	5.8%	7.5%
Terminal cap rate	10.3%	5.0%	6.7%	10.0%	5.0%	6.6%
Office						
Discount rate	9.5%	5.8%	7.1%	9.0%	5.3%	6.7%
Terminal cap rate	8.5%	4.8%	6.4%	8.0%	4.3%	5.9%

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, 2023 would decrease by \$449,315 and increase by \$495,513, respectively.

The sensitivity of the fair values of the Company's income producing properties as at December 31, 2023, and 2022, is set out in the table below:

As at	December 31, 2023		December 31, 2022	
Change in capitalization rate:	0.25%	(0.25%)	0.25%	(0.25%)
Multi-suite residential	(\$315,323)	\$351,896	(\$326,294)	\$366,825
Retail	(63,503)	67,930	(65,790)	70,573
Office	(70,489)	75,687	(83,423)	90,021
	(\$449,315)	\$495,513	(\$475,507)	\$527,419

NOTE 5

HOTEL PROPERTIES

Hotel properties consist of the following:

As at December 31, 2023	Cost	Accumulated Impairment Provision	Accumulated Amortization	Net Book Value
Land	\$55,416	\$—	\$—	\$55,416
Buildings	334,302	(2,165)	(58,907)	273,230
Furniture, fixtures, equipment and other	74,268	(84)	(60,726)	13,458
	\$463,986	(\$2,249)	(\$119,633)	\$342,104
Hotel properties held for sale				(254,728)
				\$87,376

Hotel properties held for sale are assets that the Company intends to sell rather than hold on a long-term basis and meet the criteria established in IFRS 5 for separate classification. As at December 31, 2023, 14 hotel assets were classified as held for sale.

On January 18, 2024, the Company sold the common shares of its subsidiary, Morguard Hotels Limited, and the beneficial interest in 14 hotels for gross proceeds of \$410,000 before working capital adjustments and closing costs. At closing, the Company extinguished mortgages payable secured by three hotel properties in the amount of \$48,750, resulting in net cash proceeds of \$361,250.

During the year ended December 31, 2023, a recovery of previously recorded impairment of \$11,000 was recorded.

As at December 31, 2022	Cost	Accumulated Impairment Provision	Accumulated Amortization	Net Book Value
Land	\$55,416	\$—	\$—	\$55,416
Buildings	331,572	(12,206)	(52,318)	267,048
Furniture, fixtures, equipment and other	69,538	(1,043)	(53,720)	14,775
	\$456,526	(\$13,249)	(\$106,038)	\$337,239

Transactions in hotel properties for the year ended December 31, 2023, are summarized as follows:

As at December 31, 2023	Opening Net Book Value	Additions	Recovery of Impairment	Amortization	Closing Net Book Value
Land	\$55,416	\$—	\$—	\$—	\$55,416
Buildings	267,048	2,730	10,041	(6,589)	273,230
Furniture, fixtures, equipment and other	14,775	4,730	959	(7,006)	13,458
	\$337,239	\$7,460	\$11,000	(\$13,595)	\$342,104

Transactions in hotel properties for the year ended December 31, 2022, are summarized as follows:

As at December 31, 2022	Opening Net Book Value	Additions	Dispositions	Amortization	Closing Net Book Value
Land	\$82,125	\$—	(\$26,709)	\$—	\$55,416
Buildings	347,708	4,007	(76,090)	(8,577)	267,048
Furniture, fixtures, equipment and other	25,898	2,594	(3,773)	(9,944)	14,775
Right-of-use asset - land lease	1,422	—	(1,422)	—	—
	\$457,153	\$6,601	(\$107,994)	(\$18,521)	\$337,239

Transactions completed during the year ended December 31, 2022

Dispositions

During the year ended December 31, 2022, the Company sold 14 hotel properties for gross proceeds of \$98,066. The purchase price was satisfied with cash proceeds of \$56,391 (after deducting working capital adjustments and closing costs) and promissory notes receivable of \$40,944. At closing, the Company repaid eight first mortgage loans totalling \$71,754 that were secured by the hotels. During the year ended December 31, 2022, mark-to-market adjustments pertaining to mortgages receivable on the disposal of seven hotel properties resulted in a decrease to mortgages receivable of \$8,506 and a corresponding loss on sale of hotel properties of \$8,506 (Note 20) as the carrying value of the properties exceeded the recoverable amount.

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, 2023, and 2022:

Jointly Controlled Asset	Location	Asset Type	Company's Ownership	
			December 31, 2023	December 31, 2022
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%
215 Slater Street	Ottawa, ON	Office	50.0%	50.0%
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, 2023, and 2022, and the results of operations for the years ended December 31, 2023, and 2022:

As at December 31	2023	2022
Assets	\$738,112	\$809,226
Liabilities	\$355,253	\$365,426
<hr/>		
For the years ended December 31	2023	2022
Revenue	\$103,581	\$94,506
Expenses	(71,026)	(64,803)
Income before fair value adjustments	32,555	29,703
Fair value loss on real estate properties	(62,349)	(83,080)
Net loss	(\$29,794)	(\$53,377)

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	2023	2022
Joint ventures	\$36,037	\$27,284
Associates	2,964	19,505
Equity-accounted investments	39,001	46,789
Other real estate fund investments	56,524	73,558
Equity-accounted and other fund investments	\$95,525	\$120,347

The following are the Company's significant equity-accounted investments as at December 31, 2023, and 2022:

Property/Investment	Principal Place of Business	Investment Type	Asset Type	Company's Ownership		Carrying Value	
				December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Petroleum Plaza	Edmonton, AB	Joint Venture	Office	50.0%	50.0%	\$7,755	\$11,658
Quinte Courthouse	Belleville, ON	Joint Venture	Office	50.0%	50.0%	2,757	2,802
Greypoint Capital L.P. II ⁽¹⁾	Toronto, ON	Joint Venture	Other	—%	15.6%	—	2,097
Courtyard by Marriott	Ottawa, ON	Joint Venture	Hotel	50.0%	50.0%	16,400	5,602
Marriott Residence Inn	London, ON	Joint Venture	Hotel	50.0%	50.0%	9,125	5,125
MIL Industrial Fund II LP ⁽²⁾⁽³⁾	Various	Associate	Industrial	18.8%	18.8%	2,964	19,505
						\$39,001	\$46,789

⁽¹⁾ During the second quarter of 2023, the Company's investment in Greypoint Capital L.P. II returned all invested capital and was dissolved.

⁽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⁾ During the year ended December 31, 2023, the fund disposed of five industrial properties and distributed net disposition proceeds in the amount of \$15,397.

Equity-accounted investments

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

As at December 31	2023	2022
Balance, beginning of year	\$46,789	\$62,223
Additions	7,250	774
Share of net income	4,334	1,207
Distributions received	(19,372)	(17,415)
Balance, end of year	\$39,001	\$46,789

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

As at December 31	2023			2022		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Non-current assets	\$156,001	\$14,647	\$170,648	\$156,192	\$133,887	\$290,079
Current assets	11,642	1,164	12,806	17,831	2,318	20,149
Total assets	\$167,643	\$15,811	\$183,454	\$174,023	\$136,205	\$310,228
Non-current liabilities	\$38,750	\$—	\$38,750	\$59,143	\$6,157	\$65,300
Current liabilities	56,940	257	57,197	56,005	25,711	81,716
Total liabilities	\$95,690	\$257	\$95,947	\$115,148	\$31,868	\$147,016
Net assets	\$71,953	\$15,554	\$87,507	\$58,875	\$104,337	\$163,212
Equity-accounted investments	\$36,037	\$2,964	\$39,001	\$27,284	\$19,505	\$46,789

For the years ended December 31	2023			2022		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Revenue	\$34,553	\$5,760	\$40,313	\$30,875	\$10,278	\$41,153
Expenses	(14,885)	(3,219)	(18,104)	(19,463)	(4,835)	(24,298)
Fair value gain (loss) on real estate properties, net	(7,336)	(6,014)	(13,350)	(10,254)	2,129	(8,125)
Net income (loss) for the year	\$12,332	(\$3,473)	\$8,859	\$1,158	\$7,572	\$8,730
Income (loss) in equity-accounted investments	\$4,984	(\$650)	\$4,334	(\$212)	\$1,419	\$1,207

**(b) Income Recognized from Other Fund Investments:
Other Real Estate Fund Investments**

For the years ended December 31	2023	2022
Distribution income	\$256	\$1,132
Fair value loss for the year (Note 19)	(15,722)	(1,542)
Loss from other real estate fund investments	(\$15,466)	(\$410)

The Company's two fund investments hold multi-suite residential, retail and office investment properties located in the United States. 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 expense on the consolidated statements of income.

During the year ended December 31, 2022, the Company received a distribution in the amount of \$11,967 (US\$9,197) in connection with the disposal of five properties 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 5.0% to 5.8% (2022 - 4.8% to 5.5%), resulting in an overall weighted average capitalization rate of 5.6% (2022 - 5.1%). Under the discounted cash flow method, fund properties were valued using discount rates in the range of 6.6% to 8.8% (2022 - 6.0% to 7.6%), resulting in an overall weighted average discount rate of 7.6% (2022 - 6.8%) and terminal cap rates in the range of 4.6% to 6.7% (2022 - 4.4% to 5.6%), resulting in an overall weighted average terminal cap rate of 5.8% (2022 - 5.2%).

NOTE 8**OTHER ASSETS**

Other assets consist of the following:

As at December 31	2023	2022
Investment in marketable securities	\$97,881	\$104,190
Accrued pension benefit asset (Note 25)	76,698	74,659
Finance lease receivable	58,860	58,331
Mortgages receivable	45,331	46,628
Goodwill	24,488	24,488
Intangible assets, net	14,587	21,104
Capital assets, net	17,843	18,496
Receivables from related parties (Note 21(c))	1,508	6,007
Inventory	2,395	2,372
Right-of-use asset - office lease	665	1,070
Other	19	121
	\$340,275	\$357,466

As at December 31, 2023, mortgages receivable amounted to \$45,658 (2022 - \$46,867), of which \$327 (2022 - \$239) is due within one year and included in prepaid expenses and other. The mortgages receivable have a weighted average term to maturity of 2.5 years (2022 - 3.5 years) and a weighted average effective interest rate of 7.53% (2022 - 7.51%).

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	2023	2022
Within 12 months	\$3,525	\$3,456
2 to 5 years	18,710	18,343
Over 5 years	152,817	156,708
Total minimum lease payments	175,052	178,507
Less: Future finance income	(116,192)	(120,176)
Present value of minimum lease payments	\$58,860	\$58,331

NOTE 9**AMOUNTS RECEIVABLE**

Amounts receivable consist of the following:

As at December 31	2023	2022
Tenant receivables	\$21,377	\$28,923
Unbilled other tenant receivables	10,300	8,773
Other receivables	34,923	53,226
Allowance for expected credit loss	(7,430)	(11,487)
	59,170	79,435
Government subsidy	691	724
	\$59,861	\$80,159

NOTE 10
MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at December 31	2023	2022
Mortgages payable	\$4,704,260	\$4,663,814
Mark-to-market adjustments, net	(1,109)	2,270
Deferred financing costs	(23,059)	(23,933)
	\$4,680,092	\$4,642,151
Current	\$1,129,734	\$766,016
Non-current	3,550,358	3,876,135
	\$4,680,092	\$4,642,151
Range of interest rates	2.03 - 8.75%	2.03 - 7.73%
Weighted average contractual interest rate	4.36%	3.95%
Estimated fair value of mortgages payable	\$4,351,345	\$4,370,416

As at December 31, 2023, 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, 2023, 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
2024	\$108,389	\$996,947	\$1,105,336	6.06%
2025	96,167	480,685	576,852	3.13%
2026	70,866	483,701	554,567	3.64%
2027	50,303	598,415	648,718	4.46%
2028	41,045	261,006	302,051	4.02%
Thereafter	124,429	1,392,307	1,516,736	3.85%
	\$491,199	\$4,213,061	\$4,704,260	4.36%

The Company's first mortgages are registered against specific real estate assets and hotel properties. As at December 31, 2023, mortgages payable mature between 2024 and 2058 and have a weighted average term to maturity of 4.1 years (2022 - 4.6 years). Approximately 89% 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, 2023, and 2022, the Company was in compliance with all financial covenants.

NOTE 11

DEBENTURES PAYABLE

The Company's debentures payable consist of the following:

As at December 31	2023	2022
Unsecured debentures	\$622,611	\$624,143
Convertible debentures	140,775	172,094
	\$763,386	\$796,237
Current	\$449,000	\$254,954
Non-current	314,386	541,283
	\$763,386	\$796,237

(a) Unsecured Debentures

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

As at December 31	Maturity Date	Coupon Interest Rate	2023	2022
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
Series H senior unsecured debentures	September 26, 2026	9.500%	175,000	—
Unamortized financing costs			(2,389)	(857)
			\$622,611	\$624,143
Current			\$449,000	\$174,828
Non-current			173,611	449,315
			\$622,611	\$624,143

On September 15, 2017, the Company issued \$200,000 (net proceeds including issuance costs - \$198,800) of Series C senior unsecured debentures due on September 15, 2022. On September 15, 2022, the Series C senior 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 ("Paros Enterprises"), 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. On September 28, 2023, the Series G senior unsecured debentures were fully repaid on maturity.

On September 26, 2023, the Company issued \$175,000 (net proceeds including issuance costs - \$172,600) of Series H senior unsecured debentures due on September 26, 2026. Interest on the Series H senior unsecured debentures is payable semi-annually, not in advance, on March 26 and September 26 of each year, commencing on March 26, 2024. Paros Enterprises, a related party, acquired \$25,000 aggregate principal amount of the Series H

senior unsecured debentures. The Company has the option to redeem the Series H 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 1.235%.

As at December 31, 2023, Paros Enterprises owns \$20,079 (2022 - \$20,079) Series E senior unsecured debentures, \$7,244 (2022 - \$7,244) Series F senior unsecured debentures and \$25,000 Series H senior unsecured debentures.

For the year ended December 31, 2023, interest on the Unsecured Debentures of \$30,160 (2022 - \$33,897), 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	2023	2022
Morguard Residential REIT ⁽¹⁾	March 31, 2028	\$24.15	6.00%	\$56,000	\$5,000	\$47,277	\$—
Morguard Residential REIT	March 31, 2023	\$20.20	4.50%	\$85,500	\$5,000	—	80,126
Morguard REIT	December 31, 2026	\$7.80	5.25%	\$159,000	\$60,000	93,498	91,968
						\$140,775	\$172,094
Current						\$—	\$80,126
Non-current						140,775	91,968
						\$140,775	\$172,094

⁽¹⁾ As at December 31, 2023, the liability includes the fair value of the conversion option of \$2,131 (2022 - \$94).

Morguard REIT

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

Morguard Residential REIT

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

On March 24, 2023, the REIT redeemed the 2018 Debentures in advance of their March 31, 2023 maturity date.

On March 9, 2023, Morguard Residential REIT issued \$50,000 principal amount of 6.00% convertible unsecured subordinated debentures maturing on March 31, 2028. On March 17, 2023, an additional principal amount of \$6,000 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, commencing on September 30, 2023. The underwriters' commissions, legal and other issue costs attributable to the 2023 Debentures in the amount of \$2,410 have been capitalized and are being amortized over their term to maturity. Morguard and Paros Enterprises, related parties, own \$5,000 and \$2,000 aggregate principal amount of the 2023 Debentures, respectively.

For the year ended December 31, 2023, interest on convertible debentures net of accretion of \$9,952 (2022 - \$9,516), 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.

During the year ended December 31, 2023, the Company acquired 176,500 units (2022 - nil units) of Morguard Residential REIT for cash consideration of \$2,374 (2022 - \$nil).

As at December 31, 2023, the Company valued the non-controlling interest in the Morguard Residential REIT units at \$393,695 (2022 - \$454,425) and classified the units as a liability on the consolidated balance sheets. Due to the change in the market value of the units and the distributions paid to external unitholders, the Company recorded a fair value gain for the year ended December 31, 2023 of \$13,656 (2022 - \$20,519), in the consolidated statements of income (Note 19).

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

For the years ended December 31	2023	2022
Fair value gain on Morguard Residential REIT units	\$35,731	\$42,414
Distributions to external unitholders (Note 3)	(22,075)	(21,895)
Fair value gain on Morguard Residential REIT units	\$13,656	\$20,519

NOTE 13

LEASE LIABILITIES

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

As at December 31	2023	2022
Balance, beginning of year	\$172,517	\$168,265
Interest on lease liabilities (Note 18)	9,899	9,626
Payments	(11,521)	(11,358)
Additions	241	6,987
Dispositions	—	(1,562)
Foreign exchange loss (gain)	(383)	559
Balance, end of year	\$170,753	\$172,517
Current (Note 14)	\$1,613	\$1,583
Non-current	169,140	170,934
	\$170,753	\$172,517

Future minimum lease payments under lease liabilities are as follows:

As at December 31	2023	2022
Within 12 months	\$11,445	\$11,479
2 to 5 years	44,785	45,185
Over 5 years	351,114	362,484
Total minimum lease payments	407,344	419,148
Less: future interest costs	(236,591)	(246,631)
Present value of minimum lease payments	\$170,753	\$172,517

NOTE 14

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at December 31	2023	2022
Accounts payable and accrued liabilities	\$211,128	\$208,406
Tenant deposits	26,537	25,142
SARs liability (Note 16(c))	4,290	5,790
Lease liabilities (Note 13)	1,613	1,583
Other	3,267	4,364
	\$246,835	\$245,285

NOTE 15

BANK INDEBTEDNESS

As at December 31, 2023, the Company has operating lines of credit totalling \$486,000 (2022 - \$491,500), the majority of which can be borrowed in either Canadian or United States dollars and are subject to floating interest rates based on bankers' acceptance. As at December 31, 2023, the maximum amount that can be borrowed on the operating lines of credit is \$392,735 (2022 - \$384,895), which includes deducting issued letters of credit in the amount of \$3,185 (2022 - \$4,676) 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 17 properties have been pledged as collateral on these operating lines of credit. As at December 31, 2023, the Company had borrowed \$191,369 (2022 - \$184,306) on its operating lines of credit.

The bank credit agreements, which renew annually and are due on demand, include certain restrictive undertakings by the Company. As at December 31, 2023, the Company is in compliance with all undertakings.

Subsequent to December 31, 2023, the Company sold its interest in nine hotel properties (Note 5) that were secured against one of the Company's lines of credit. On disposition, the Company's operating lines of credit were reduced by \$77,000 to \$409,000.

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, 2021	11,101	\$100,929
Common shares repurchased through the Company's NCIB	(79)	(717)
Dividend reinvestment plan	—	27
Balance, December 31, 2022	11,022	\$100,239
Common shares repurchased through the Company's NCIB	(209)	(1,900)
Dividend reinvestment plan	—	25
Balance, December 31, 2023	10,813	\$98,364

The Company had the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 554,788 common shares. The program expired on September 21, 2023. On September 15, 2023, the Company obtained the approval of the TSX under its NCIB to purchase up to 540,661 common shares, being approximately 5% of the issued and outstanding common shares, and the program expires on September 21, 2024. The daily repurchase restriction for the common shares is 1,000. During the year ended December 31, 2023, 208,927 common shares were repurchased for cash consideration of \$21,310 at a weighted average price of \$102.00 per common share.

Total dividends declared during the year ended December 31, 2023, amounted to \$6,518, or \$0.60 per common share (2022 - \$6,648, or \$0.60 per common share). On February 22, 2024, the Company declared a common share dividend of \$0.15 per common share to be paid in the first quarter of 2024.

(b) Contributed Surplus

During the year ended December 31, 2023, the Company acquired 2,436,221 units (2022 - 501,000 units) of Morguard REIT for cash consideration of \$13,359 (2022 - \$2,535). The difference between the cash consideration and the carrying value of the non-controlling interest acquired for the year ended December 31, 2023, amounted to \$26,127 (2022 - \$6,000) and the amounts have been recorded within retained earnings.

(c) Stock Appreciation Rights Plan

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

As at December 31, 2023

Date of Grant	Exercise Price	Issued	Redeemed	Cancelled	Outstanding
March 20, 2008	\$30.74	200,000	(113,500)	(61,500)	25,000
November 2, 2010	\$43.39	55,000	(11,500)	(8,500)	35,000
May 13, 2014	\$137.90	25,000	(2,000)	(23,000)	—
May 13, 2015	\$153.82	10,000	—	—	10,000
January 11, 2017	\$179.95	90,000	(1,500)	(23,500)	65,000
May 18, 2018	\$163.59	125,000	—	(20,000)	105,000
August 8, 2018	\$168.00	20,000	—	—	20,000
November 8, 2018	\$184.00	10,000	—	—	10,000
Total		535,000	(128,500)	(136,500)	270,000

During the year ended December 31, 2023, the Company recorded a fair value adjustment to reduce compensation expense of \$663 (2022 - \$4,577). The fair value adjustment is included in property management and corporate expenses in the consolidated statements of income, and the liability is classified as accounts payable and accrued liabilities (Note 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, 2023: a dividend yield of 0.57% (2022 - 0.53%), expected volatility of approximately 25.51% (2022 - 27.49%) and the 10-year Bank of Canada Bond Yield of 3.45% (2022 - 3.84%).

(d) Stock Option Plan

The Company established a stock option plan (“SOP”) during 2022. The SOP entitles specified officers to receive common share options of the Company. Under the SOP, the Company may grant up to a maximum of 1,000,000 options. As at December 31, 2023, the Company has granted nil options.

(e) Accumulated Other Comprehensive Income

As at December 31, 2023, and 2022, accumulated other comprehensive income consists of the following amounts:

As at December 31	2023	2022
Actuarial gain on defined benefit pension plans	\$45,835	\$44,822
Unrealized foreign currency translation gain	212,688	255,518
	\$258,523	\$300,340

NOTE 17

REVENUE

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

For the years ended December 31	2023	2022
Rental income	\$559,631	\$524,311
Realty taxes and insurance	158,263	134,403
Common area maintenance recoveries	101,811	98,174
Property management and ancillary income	181,021	159,629
	\$1,000,726	\$916,517

The components of revenue from hotel properties are as follows:

For the years ended December 31	2023	2022
Room revenue	\$134,595	\$132,865
Other hotel revenue	27,006	29,304
	\$161,601	\$162,169

The components of management and advisory fees are as follows:

For the years ended December 31	2023	2022
Property and asset management fees	\$31,265	\$32,553
Other fees	12,307	8,786
	\$43,572	\$41,339

During the year ended December 31, 2023, property management and corporate expenses include services provided under third-party managed contracts, which are recoverable, amounting to \$20,401 (2022 - \$20,152).

NOTE 18

INTEREST EXPENSE

The components of interest expense are as follows:

For the years ended December 31	2023	2022
Interest on mortgages	\$192,318	\$165,813
Interest on debentures payable, net of accretion (Note 11)	40,112	43,413
Interest on bank indebtedness	15,687	4,420
Interest on loans payable and other	1,077	191
Interest on lease liabilities (Note 13)	9,899	9,626
Amortization of mark-to-market adjustments on mortgages, net	(1,782)	(2,477)
Amortization of deferred financing costs	8,519	8,671
Loss on extinguishment of mortgages payable	—	181
	265,830	229,838
Less: Interest capitalized to properties under development	(1,155)	(503)
	\$264,675	\$229,335

NOTE 19

FAIR VALUE LOSS, NET

The components of fair value loss are as follows:

For the years ended December 31	2023	2022
Fair value loss on real estate properties, net	(\$201,648)	(\$130,149)
Financial assets (liabilities):		
Fair value gain on conversion option of MRG convertible debentures	2,104	1,934
Fair value gain on MRG units (Note 12)	13,656	20,519
Fair value loss on other real estate fund investments (Note 7(b))	(15,722)	(1,542)
Fair value loss on investment in marketable securities	(13,654)	(11,667)
Total fair value loss, net	(\$215,264)	(\$120,905)

NOTE 20**OTHER EXPENSE**

The components of other expense are as follows:

For the years ended December 31	2023	2022
Foreign exchange gain (loss)	(\$63)	\$1
Loss on sale of hotel properties (Note 5)	—	(8,506)
Other income (expense)	(647)	2,499
	(\$710)	(\$6,006)

NOTE 21**RELATED PARTY TRANSACTIONS**

In addition to the related party transactions disclosed in Notes 7 and 11, related party transactions also include the following:

(a) Paros Holdings Corporation and Paros Enterprises Limited

Paros Holdings Corporation (“Paros Holdings”) and Paros Enterprises are owned by the Company’s Chairman and Chief Executive Officer, Mr. K. Rai Sahi. As at December 31, 2023, Paros Holdings owns a 61.9% interest in Morguard through its ownership of 6,691,000 common shares. As at December 31, 2023, and 2022, the Company has a demand loan agreement with Paros Enterprises that provides for the Company to borrow up to \$50,000. As at December 31, 2023, and 2022, no amounts were drawn. During the year ended December 31, 2023, the Company incurred net interest expense of \$nil (2022 - \$23).

(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. Pursuant to contractual agreements between the Company and TWC, for the year ended December 31, 2023, the Company received a management fee of \$1,315 (2022 - \$1,293), and paid rent and operating expenses of \$735 (2022 - \$658).

As at December 31, 2023, and 2022, the Company has a revolving demand loan agreement with TWC that provides for either party to borrow up to \$50,000 at the lender’s short-term bank borrowing rate plus ten basis points. The total loan payable as at December 31, 2023 was \$nil (2022 - \$5,000). During the year ended December 31, 2023, the Company paid net interest of \$612 (2022 - \$112).

(c) Share/unit Purchase and Other Loans

As at December 31, 2023, share/unit purchase and other loans to officers and employees of the Company and its subsidiaries of \$1,508 (2022 - \$6,007) are outstanding. The loans are collateralized by their common shares and Unsecured Debentures 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, 2023, the fair market value of the common shares/units held as collateral is \$3,354.

(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	2023	2022
Salaries and other short-term employee benefits	\$4,298	\$4,048
SARs	1,443	1,048
	\$5,741	\$5,096

NOTE 22

INCOME TAXES

(a) Provision for Income Taxes

For the years ended December 31	2023	2022
Income before income taxes	\$81,585	\$135,460
Statutory rate	26.5%	26.5%
Income taxes at the Canadian and provincial income tax rate	\$21,620	\$35,897
Increase (decrease) in income taxes due to:		
Non-deductible items	7,373	15,107
Non-taxable loss (income) of Morguard Residential REIT and Morguard REIT	(13,843)	16,213
Impact of subsidiary tax rate differential	3,639	(7,543)
Impact of change in tax rates	(370)	(660)
Recognition of previously unrecognized benefit of tax losses	(4,867)	(37,825)
Adjustments to income tax estimates	7,510	99
Other	2,287	1,920
Income tax expense	\$23,349	\$23,208

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

	December 31, 2022	Net income (loss)	Recognized in OCI	Equity and other	December 31, 2023
Real estate properties	\$851,807	\$4,738	(\$8,175)	\$—	\$848,370
Investments	(3,973)	(5,576)	—	8,387	(1,162)
Pension assets	22,023	970	149	—	23,142
Other	(48,414)	13,541	4	—	(34,869)
Total net deferred tax liabilities	\$821,443	\$13,673	(\$8,022)	\$8,387	\$835,481

	December 31, 2021	Net income (loss)	Recognized in OCI	Equity and other	December 31, 2022
Real estate properties	\$773,711	\$53,800	\$24,296	\$—	\$851,807
Investments	(1,080)	(3,874)	—	981	(3,973)
Pension assets	22,990	1,042	(2,009)	—	22,023
Other	(10,845)	(37,582)	13	—	(48,414)
Total net deferred tax liabilities	\$784,776	\$13,386	\$22,300	\$981	\$821,443

(c) The Company's Tax Losses

As at December 31, 2023, the Company's U.S. subsidiaries have total net operating losses of approximately US\$29,753 (2022 - US\$68,358) of which deferred income tax assets were recognized as it is probable that taxable profit will be available against such losses. The total net operating losses comprise US\$nil (2022 - US\$16,996) that will expire in various years commencing in 2032 and US\$29,753 (2022 - US\$51,362) that can be carried forward indefinitely.

As at December 31, 2023, the Company's U.S. subsidiaries have a total of US\$68,027 (2022 - US\$40,475) of unutilized interest expense deductions of which deferred income tax assets were recognized.

As at December 31, 2023, the Company's Canadian subsidiaries have total net operating losses of approximately \$267,907 (2022 - \$252,494) of which no deferred income tax assets were recognized as it is not probable that taxable income will be available against which they can be utilized. As at December 31, 2023, the Company's Canadian subsidiaries have total net operating losses of approximately \$nil (2022 - \$42,774) of which deferred income tax assets were recognized as it is probable that taxable income will be available against which they can be utilized. These losses expire in various years commencing 2034. As at December 31, 2023, the Company has other Canadian temporary differences of approximately \$9,701 (2022 - \$31,667) of which no deferred income tax asset was recognized as it is not probable that taxable income will be available against which they can be utilized. These other temporary differences have no expiration date.

(d) Other Temporary Differences

As at December 31, 2023, temporary differences associated with investments in subsidiaries and joint ventures, for which no deferred income tax liability has been recognized, amounts to \$144,840 (2022 - \$191,345).

NOTE 23

NET INCOME PER COMMON SHARE

For the years ended December 31	2023	2022
Net income attributable to common shareholders	\$74,176	\$122,771
Weighted average number of common shares outstanding (000s) - basic and diluted	10,903	11,079
Net income per common share - basic and diluted	\$6.80	\$11.08

NOTE 24

CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Items Not Affecting Cash

For the years ended December 31	2023	2022
Fair value loss on real estate properties, net	\$200,599	\$130,171
Fair value gain on conversion option of MRG convertible debentures (Note 19)	(2,104)	(1,934)
Fair value gain on MRG units (Note 12)	(35,731)	(42,414)
Fair value loss on other real estate investment funds (Note 19)	15,722	1,542
Fair value loss on investment in marketable securities (Note 19)	13,654	11,667
Equity income from investments	(4,334)	(1,207)
Amortization of hotel properties and other	23,076	26,514
Amortization of deferred financing costs (Note 18)	8,519	8,671
Amortization of mark-to-market adjustments on mortgages, net (Note 18)	(1,782)	(2,477)
Loss on extinguishment of mortgages payable (Note 18)	—	181
Amortization of tenant incentives	2,583	3,292
Stepped rent - adjustment for straight-line method	3,265	3,670
Deferred income taxes	13,673	13,386
Accretion of convertible debentures	1,443	695
Loss on sale of hotel properties (Note 20)	—	8,506
Recovery of impairment (Note 5)	(11,000)	—
	\$227,583	\$160,263

(b) Net Change in Operating Assets and Liabilities

For the years ended December 31	2023	2022
Amounts receivable	\$20,370	(\$9,128)
Prepaid expenses and other	1,990	(13,037)
Accounts payable and accrued liabilities	4,361	3,149
Net change in operating assets and liabilities	\$26,721	(\$19,016)

(c) Supplemental Cash Flow Information

For the years ended December 31	2023	2022
Interest paid	\$238,159	\$215,466
Interest received	7,893	1,329
Income taxes paid	8,802	11,029

During the year ended December 31, 2023, the Company issued non-cash dividends under the distribution reinvestment plan of \$25 (2022 - \$27).

(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	\$4,642,151	\$624,143	\$172,094	\$172,517	\$5,000	\$184,306	\$5,800,211
Repayments	(118,434)	—	—	(1,622)	(45,403)	(193,979)	(359,438)
New financing, net	673,156	172,600	48,590	—	40,848	201,235	1,136,429
Lump-sum repayments	(503,847)	(175,000)	(80,500)	—	—	—	(759,347)
Non-cash changes	30,876	868	591	241	—	—	32,576
Foreign exchange	(43,810)	—	—	(383)	(445)	(193)	(44,831)
Balance, December 31, 2023	\$4,680,092	\$622,611	\$140,775	\$170,753	\$—	\$191,369	\$5,805,600

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, 2022.

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 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, 2022.

The significant actuarial assumptions adopted in measuring the Company's defined benefit pension plans for the years ended December 31, 2023, and 2022, are as follows:

For the years ended December 31	2023		2022	
	Morguard	MIL	Morguard	MIL
Assumptions for defined benefit pension obligation				
Discount rate	4.65%	4.65%	5.25%	5.25%
Rate of price inflation	1.60%	1.60%	2.10%	2.10%
Rate of pension increases - pre-retirement	—	1.30%	—	1.55%
Rate of pension increases - post-retirement	—	1.30%	—	1.55%
Assumptions for defined benefit expense				
Discount rate	5.25%	5.25%	3.05%	3.05%
Rate of price inflation	2.10%	2.10%	1.82%	1.82%
Rate of pension increases - pre-retirement	—	1.55%	—	0.75%
Rate of pension increases - post-retirement	—	1.55%	—	0.75%

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

As at December 31	2023			2022		
	Morguard	MIL	Total	Morguard	MIL	Total
Accrued benefit obligations						
Balance, beginning of year	(\$32,487)	(\$29,216)	(\$61,703)	(\$42,307)	(\$34,462)	(\$76,769)
Current service cost	(5)	—	(5)	(6)	—	(6)
Interest cost	(1,613)	(1,490)	(3,103)	(1,236)	(1,026)	(2,262)
Benefits paid	3,523	2,110	5,633	4,380	1,828	6,208
Changes in:						
Financial assumptions	(1,327)	(1,136)	(2,463)	6,670	4,441	11,111
Experience adjustments	(1,017)	(744)	(1,761)	12	3	15
Balance, end of year	(\$32,926)	(\$30,476)	(\$63,402)	(\$32,487)	(\$29,216)	(\$61,703)
Plan assets						
Fair value, beginning of year	\$102,059	\$36,364	\$138,423	\$118,219	\$41,593	\$159,812
Expected return on plan assets	5,184	1,860	7,044	3,505	1,241	4,746
Administration expenses	(395)	(346)	(741)	(292)	(187)	(479)
Return on plan assets	2,905	998	3,903	(12,557)	(4,455)	(17,012)
Employer contributions	(2,402)	—	(2,402)	(2,436)	—	(2,436)
Benefits paid	(3,523)	(2,110)	(5,633)	(4,380)	(1,828)	(6,208)
	\$103,828	\$36,766	\$140,594	\$102,059	\$36,364	\$138,423
Change in asset ceiling	—	(494)	(494)	—	(2,061)	(2,061)
Balance, end of year	\$103,828	\$36,272	\$140,100	\$102,059	\$34,303	\$136,362
Net assets	\$70,902	\$5,796	\$76,698	\$69,572	\$5,087	\$74,659

In 2023, the Morguard Plan contributed \$2,402 to the defined contribution plan (2022 - \$2,436).

Details of the defined benefit income recorded in the consolidated statements of comprehensive income for the years ended December 31, 2023, and 2022, are provided below:

For the years ended December 31	2023			2022		
	Morguard	MIL	Total	Morguard	MIL	Total
Components of defined benefit cost						
Current service cost	\$5	\$—	\$5	\$6	\$—	\$6
Interest cost	1,613	1,490	3,103	1,236	1,026	2,262
Expected return on plan assets	(5,184)	(1,860)	(7,044)	(3,505)	(1,241)	(4,746)
Administrative expenses and taxes	374	175	549	375	175	550
Interest expense on effect of asset ceiling	—	108	108	—	—	—
Net benefit plan income	(\$3,192)	(\$87)	(\$3,279)	(\$1,888)	(\$40)	(\$1,928)

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

For the years ended December 31	2023			2022		
	Morguard	MIL	Total	Morguard	MIL	Total
Changes in:						
Financial assumptions	\$1,327	\$1,136	\$2,463	(\$6,670)	(\$4,441)	(\$11,111)
Experience adjustments	1,017	744	1,761	(12)	(3)	(15)
Return on plan assets	(2,884)	(827)	(3,711)	12,474	4,467	16,941
Change in asset ceiling (before interest income)	—	(1,675)	(1,675)	—	2,061	2,061
Net actuarial loss (gain) on defined benefit pension plans	(\$540)	(\$622)	(\$1,162)	\$5,792	\$2,084	\$7,876

Reconciliation of net accrued pension assets for the years ended December 31, 2023, and 2022, is as follows:

For the years ended December 31	2023			2022		
	Morguard	MIL	Total	Morguard	MIL	Total
Net defined benefit asset, beginning of year	\$69,572	\$5,087	\$74,659	\$75,912	\$7,131	\$83,043
Net benefit plan income	3,192	87	3,279	1,888	40	1,928
Net actuarial gain (loss)	540	622	1,162	(5,792)	(2,084)	(7,876)
Employer contribution	(2,402)	—	(2,402)	(2,436)	—	(2,436)
Net defined benefit asset, end of year	\$70,902	\$5,796	\$76,698	\$69,572	\$5,087	\$74,659

Details of the defined benefit obligation by participant status as at December 31, 2023, and 2022, are as follows:

For the years ended December 31	2023			2022		
	Morguard	MIL	Total	Morguard	MIL	Total
Actives, suspended and long-term disability	\$1,249	\$10,511	\$11,760	\$2,241	\$16,060	\$18,301
Vested deferred	2,398	1,774	4,172	3,021	2,968	5,989
Retirees	29,279	18,191	47,470	27,225	10,188	37,413
Total	\$32,926	\$30,476	\$63,402	\$32,487	\$29,216	\$61,703

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	2023		2022	
Cash and cash equivalents	\$3,754		\$4,203	
Fixed-income securities	29,760		28,600	
Foreign equities	10,849		11,093	
Canadian equities	75,710		74,939	
Canadian pooled funds	20,521		19,588	
Total investments	\$140,594		\$138,423	

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:

Year ended December 31, 2023	Increase (Decrease) in Pension Benefit Obligation		Total
	Morguard	MIL	
Discount rate			
Discount rate -100 basis points	\$2,486	\$3,644	\$6,130
Discount rate +100 basis points	(2,150)	(3,041)	(5,191)
Pension increase rate			
Pension increase rate -50 basis points	—	(1,567)	(1,567)
Pension increase rate +50 basis points	—	1,702	1,702
Mortality			
Mortality - life expectancy for member age 65 -1 year	(1,469)	(1,088)	(2,557)
Mortality - life expectancy for member age 65 +1 year	1,446	1,065	2,511

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

Year ended December 31, 2023	Morguard	MIL	Total
Year 1	\$3,325	\$1,755	\$5,080
Year 2	3,213	1,789	5,002
Year 3	3,076	1,886	4,962
Year 4	2,941	1,907	4,848
Year 5	2,808	2,036	4,844
Next 5 years	11,981	10,614	22,595

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:

2024	\$12,297
2025	11,980
2026	11,450
2027	11,352
2028	11,191
Thereafter	455,971

The Company is a lessee under six 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 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.

Ground Lease #4	Annual Rental Expense
From September 1, 2023 to August 31, 2024	US\$389
Every year thereafter to September 1, 2061	Consumer Price Index Adjustment

The Company has two other ground leases that expire between October 1, 2058 and July 21, 2069. The Company is required to pay an annual base rent totalling \$214.

The Company has entered into various leasing agreements and contracts for the development of properties. As at December 31, 2023, committed leasing costs, capital and development expenditures are estimated to be \$22,047.

(b) Contingencies

As at December 31, 2023, the Company has issued irrevocable letters of credit relating to normal course development activity amounting to \$8,364 (2022 - \$9,855).

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 August 1, 2038, annual payments for franchise fees are payable for 13 hotel properties owned by the Company. The franchise fees paid are based on a percentage of revenue and fixed annual fees. The Company disposed of 14 hotels (Note 5) subsequent to December 31, 2023, at which point the Company has one franchise agreement expiring on August 1, 2038.

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, 2023, and 2022, is summarized below:

As at December 31	2023	2022
Mortgages payable, principal balance	\$4,704,260	\$4,663,814
Unsecured Debentures, principal balance	625,000	625,000
Convertible debentures, principal balance	150,000	179,500
Loans payable	—	5,000
Bank indebtedness	191,369	184,306
Lease liabilities	170,753	172,517
Shareholders' equity	3,887,550	3,865,254
	\$9,728,932	\$9,695,391

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

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

NOTE 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, 2023, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at December 31, 2023, of the mortgages payable before deferred financing costs and mark-to-market adjustments is estimated at \$4,351,345 (2022 - \$4,370,416), compared with the carrying value of \$4,704,260 (2022 - \$4,663,814). 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, 2023, the fair value of the Unsecured Debentures has been estimated at \$628,660 (2022 - \$601,040) compared with the carrying value of \$625,000 (2022 - \$625,000).

The fair value of the convertible debentures liability is based on their market trading prices (Level 1). As at December 31, 2023, the fair value of the convertible debentures before deferred financing costs has been estimated at \$141,308 (2022 - \$172,176), compared with the carrying value of \$150,000 (2022 - \$179,500).

The fair value of the finance lease receivable is determined by discounting the cash flows of the finance lease receivable using December 31, 2023, market rates for debt on similar terms (Level 3). Based on these assumptions, as at December 31, 2023, the fair value of the finance lease receivable has been estimated at \$58,860 (2022 - \$58,331).

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

As at	December 31, 2023			December 31, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Real estate properties	\$—	\$—	\$10,618,962	\$—	\$—	\$10,551,074
Investments in marketable securities	97,881	—	—	104,190	—	—
Investments in real estate funds	—	—	56,524	—	—	73,558
Financial liabilities:						
Morguard Residential REIT units	—	393,695	—	—	454,425	—
Conversion option on MRG convertible debentures	—	2,131	—	—	94	—

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, 2023, the increase or decrease in annual net income for each 1% change in interest rates on floating-rate debt would amount to \$7,254.

The Company's objective in managing interest rate risk is to minimize the volatility of the Company's income. As at December 31, 2023, 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 \$507,960 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 OCI. For the year ended December 31, 2023, a \$0.05 change in the United States to Canadian dollar exchange rate would have resulted in a \$2,380 change to net income or loss and a \$79,316 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	2023	2022
Not later than one year	\$274,241	\$267,944
Later than one year and not longer than five years	701,927	733,618
Later than five years	352,226	366,552
	\$1,328,394	\$1,368,114

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 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.

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

As at December 31	2023	2022
Tenant receivables	\$31,677	\$37,696
Less: Allowance for doubtful accounts	(7,430)	(11,487)
Trade receivables, net	\$24,247	\$26,209

(c) Liquidity Risk

Liquidity risk is the risk that 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, 2023, the Company was holding cash of \$116,517 and had undrawn lines of credit available to it of \$291,446.

NOTE 29

SEGMENTED INFORMATION

(a) Operating Segments

The Company has the following four reportable segments after aggregation: (i) multi-suite residential, (ii) retail, (iii) office, and (iv) hotel. The office segment includes industrial properties comprising approximately 11% of the segment's total assets. 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, 2023	Multi-suite Residential	Retail	Office	Hotel	Total
Revenue from real estate/hotel properties	\$489,707	\$253,320	\$257,699	\$161,601	\$1,162,327
Property/hotel operating expenses	(209,571)	(120,757)	(121,370)	(115,213)	(566,911)
Net operating income	\$280,136	\$132,563	\$136,329	\$46,388	\$595,416

For the year ended December 31, 2022	Multi-suite Residential	Retail	Office	Hotel	Total
Revenue from real estate/hotel properties	\$435,836	\$227,774	\$252,907	\$162,169	\$1,078,686
Property/hotel operating expenses	(190,675)	(107,262)	(116,073)	(128,039)	(542,049)
Net operating income	\$245,161	\$120,512	\$136,834	\$34,130	\$536,637

As at December 31, 2023	Multi-suite Residential	Retail	Office	Hotel	Total
Real estate/hotel properties	\$6,302,723	\$2,190,586	\$2,125,653	\$342,104	\$10,961,066
Mortgages payable	\$2,645,154	\$893,085	\$1,065,202	\$76,651	\$4,680,092
For the year ended December 31, 2023					
Additions to real estate/hotel properties	\$292,786	\$39,302	\$38,725	\$7,460	\$378,273
Fair value gain (loss) on real estate properties	\$63,290	(\$18,023)	(\$246,915)	\$—	(\$201,648)

As at December 31, 2022	Multi-suite Residential	Retail	Office	Hotel	Total
Real estate/hotel properties	\$6,030,382	\$2,179,624	\$2,341,068	\$337,239	\$10,888,313
Mortgages payable	\$2,550,499	\$920,820	\$1,091,670	\$79,162	\$4,642,151
For the year ended December 31, 2022					
Additions to real estate/hotel properties	\$284,910	\$35,159	\$112,516	\$6,601	\$439,186
Fair value gain (loss) on real estate properties	\$185,119	(\$138,185)	(\$177,083)	\$—	(\$130,149)

(b) Regional Segments

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

As at December 31	2023	2022
Real estate and hotel properties		
Canada	\$7,061,612	\$6,951,370
United States	3,899,454	3,936,943
	\$10,961,066	\$10,888,313
For the years ended December 31	2023	2022
Revenue from real estate and hotel properties		
Canada	\$794,691	\$761,565
United States	367,636	317,121
	\$1,162,327	\$1,078,686

NOTE 30

COMPARATIVE AMOUNTS

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

NOTE 31

SUBSEQUENT EVENT

Subsequent to December 31, 2023, the Company fully repaid the Series E senior unsecured debentures on maturity in the amount of \$225,000 and \$151,025 on the Company's operating lines of credit with net proceeds generated from the disposition of 14 hotel properties (Note 5).