Real Estate Potential. Realized.

MORGUARD CORPORATION

JUNE 30, 2023

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	June 30, 2023	December 31, 2022
ASSETS			
Non-current assets			
Real estate properties	4	**$10,684,836**	$10,551,074
Hotel properties	5	**332,291**	337,239
Equity-accounted and other fund investments	6	**112,703**	120,347
Other assets	7	**341,169**	357,466
		11,470,999	11,366,126
Current assets			
Amounts receivable	8	**65,623**	80,159
Prepaid expenses and other		**73,983**	147,159
Cash		**161,952**	111,808
		301,558	339,126
		$11,772,557	$11,705,252
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable	9	**$3,830,288**	$3,876,135
Debentures payable	10	**365,639**	541,283
Lease liabilities	12	**169,732**	170,934
Morguard Residential REIT units	11	**462,960**	454,425
Deferred income tax liabilities		**862,482**	821,443
		5,691,101	5,864,220
Current liabilities			
Mortgages payable	9	**780,250**	766,016
Debentures payable	10	**399,582**	254,954
Loans payable	20	**5,000**	5,000
Accounts payable and accrued liabilities	13	**276,105**	245,285
Bank indebtedness	14	**263,250**	184,306
		1,724,187	1,455,561
Total liabilities		**7,415,288**	7,319,781
EQUITY			
Shareholders’ equity		**3,868,646**	3,865,254
Non-controlling interest		**488,623**	520,217
Total equity		**4,357,269**	4,385,471
		$11,772,557	$11,705,252

Contingencies 24

See accompanying notes to the condensed consolidated financial statements.

On behalf of the Board:

(Signed) “K. Rai Sahi” *(Signed) “Bruce K. Robertson”*

K. Rai Sahi,
Director

Bruce K. Robertson,
Director

STATEMENTS OF INCOME

In thousands of Canadian dollars, except per common share amounts

	Note	Three months ended June 30 2023	Three months ended June 30 2022	Six months ended June 30 2023	Six months ended June 30 2022
Revenue from real estate properties	16	**$246,546**	$224,003	**$492,918**	$446,596
Revenue from hotel properties	16	**44,149**	45,516	**75,308**	73,567
Property operating expenses					
Property operating costs		**(60,176)**	(53,715)	**(118,689)**	(108,556)
Utilities		**(14,370)**	(14,260)	**(33,864)**	(31,258)
Realty taxes		**(22,105)**	(24,544)	**(100,927)**	(95,455)
Hotel operating expenses		**(28,816)**	(35,264)	**(54,399)**	(63,067)
Net operating income		**165,228**	141,736	**260,347**	221,827
OTHER REVENUE					
Management and advisory fees	16	**10,984**	10,161	**21,134**	20,423
Interest and other income		**4,343**	3,089	**9,439**	7,120
		15,327	13,250	**30,573**	27,543
EXPENSES					
Interest	17	**64,976**	55,302	**127,703**	110,186
Property management and corporate	15(c)	**22,575**	16,789	**44,481**	37,303
Amortization of hotel properties and other		**6,241**	6,740	**13,751**	13,485
		93,792	78,831	**185,935**	160,974
OTHER INCOME (EXPENSE)					
Fair value gain, net	18	**31,173**	213,977	**6,982**	493,989
Equity income (loss) from investments	6	**(1,346)**	5,607	**(175)**	6,409
Other income (expense)	19	**703**	(760)	**(138)**	1,346
		30,530	218,824	**6,669**	501,744
Income before income taxes		**117,293**	294,979	**111,654**	590,140
Provision for income taxes	21				
Current		**4,122**	1,266	**4,151**	1,817
Deferred		**17,303**	45,622	**42,985**	108,521
		21,425	46,888	**47,136**	110,338
Net income for the period		**$95,868**	$248,091	**$64,518**	$479,802
Net income attributable to:					
Common shareholders		**$89,818**	$232,708	**$55,128**	$438,977
Non-controlling interest		**6,050**	15,383	**9,390**	40,825
		$95,868	$248,091	**$64,518**	$479,802
Net income per common share attributable to:					
Common shareholders - basic and diluted	22	**$8.19**	$20.96	**$5.01**	$39.55

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

In thousands of Canadian dollars

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Net income for the period	**$95,868**	$248,091	**$64,518**	$479,802
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to net income:				
Unrealized foreign currency translation gain (loss)	**(52,980)**	62,023	**(54,710)**	31,540
Deferred income tax recovery (provision)	**8,152**	(4,331)	**8,435**	(6)
	(44,828)	57,692	**(46,275)**	31,534
Items that will not be reclassified subsequently to net income:				
Actuarial loss on defined benefit pension plans	**(1,815)**	(9,696)	**(72)**	(5,813)
Deferred income tax recovery	**479**	2,573	**14**	1,544
	(1,336)	(7,123)	**(58)**	(4,269)
Other comprehensive income (loss)	**(46,164)**	50,569	**(46,333)**	27,265
Total comprehensive income for the period	**$49,704**	$298,660	**$18,185**	$507,067
Total comprehensive income attributable to:				
Common shareholders	**$45,953**	$280,748	**$11,165**	$464,866
Non-controlling interest	**3,751**	17,912	**7,020**	42,201
	$49,704	$298,660	**$18,185**	$507,067

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Canadian dollars

	Note	Retained Earnings	Accumulated Other Comprehensive Income	Share Capital	Total Shareholders' Equity	Non-controlling Interest	Total
Shareholders' equity, January 1, 2022		$3,351,294	$179,953	$100,929	$3,632,176	$541,571	$4,173,747
Changes during the period:							
Net income		438,977	—	—	438,977	40,825	479,802
Other comprehensive income		—	25,889	—	25,889	1,376	27,265
Dividends		(3,330)	—	—	(3,330)	—	(3,330)
Distributions		—	—	—	—	(4,093)	(4,093)
Issuance of common shares		—	—	13	13	—	13
Repurchase of common shares		(566)	—	(45)	(611)	—	(611)
Shareholders' equity, June 30, 2022		$3,786,375	$205,842	$100,897	$4,093,114	$579,679	$4,672,793
Changes during the period:							
Net loss		(316,206)	—	—	(316,206)	(51,344)	(367,550)
Other comprehensive income		—	94,498	—	94,498	4,794	99,292
Dividends		(3,318)	—	—	(3,318)	—	(3,318)
Distributions		—	—	—	—	(4,377)	(4,377)
Issuance of common shares		—	—	14	14	—	14
Repurchase of common shares		(7,195)	—	(672)	(7,867)	—	(7,867)
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 period:							
Net income		**55,128**	**—**	**—**	**55,128**	**9,390**	**64,518**
Other comprehensive loss		**—**	**(43,963)**	**—**	**(43,963)**	**(2,370)**	**(46,333)**
Dividends	15(a)	**(3,275)**	**—**	**—**	**(3,275)**	**—**	**(3,275)**
Distributions		**—**	**—**	**—**	**—**	**(3,463)**	**(3,463)**
Issuance of common shares	15(a)	**—**	**—**	**13**	**13**	**—**	**13**
Repurchase of common shares	15(a)	**(19,410)**	**—**	**(1,900)**	**(21,310)**	**—**	**(21,310)**
Change in ownership of Morguard REIT	15(b)	**23,296**	**—**	**—**	**23,296**	**(35,151)**	**(11,855)**
Tax impact of increase in subsidiary ownership interest		**(6,497)**	**—**	**—**	**(6,497)**	**—**	**(6,497)**
Shareholders' equity, June 30, 2023		**$3,513,917**	**$256,377**	**$98,352**	**$3,868,646**	**$488,623**	**$4,357,269**

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

		Three months ended June 30		Six months ended June 30	
	Note	2023	2022	2023	2022
OPERATING ACTIVITIES					
Net income for the period		**$95,868**	$248,091	**$64,518**	$479,802
Add (deduct) items not affecting cash	23(a)	**(22,054)**	(180,483)	**72,899**	(357,214)
Distributions from equity-accounted and other fund investments	6	**582**	14,283	**1,313**	16,474
Additions to tenant incentives and leasing commissions	4	**(3,656)**	(1,802)	**(5,387)**	(3,618)
Net change in operating assets and liabilities	23(b)	**24,097**	14,387	**8,566**	(31,505)
Cash provided by operating activities		**94,837**	94,476	**141,909**	103,939
INVESTING ACTIVITIES					
Additions to real estate properties and tenant improvements	4	**(26,478)**	(81,306)	**(152,876)**	(92,733)
Additions to hotel properties	5	**(1,973)**	(1,047)	**(3,504)**	(1,736)
Additions to capital and intangible assets		**(466)**	(121)	**(981)**	(353)
Investment in properties under development	4	**(3,021)**	(3,832)	**(9,896)**	(6,016)
Proceeds from the sale of real estate properties, net	4	**—**	96,065	**1,549**	96,065
Proceeds from the sale of hotel properties, net		**—**	39,704	**—**	57,727
Decrease (increase) in mortgages and loans receivable		**317**	(10,212)	**132**	(10,046)
Investment in marketable securities		**—**	—	**(8,194)**	—
Investment in equity-accounted and other fund investments, net	6	**—**	(463)	**(6,317)**	(774)
Cash provided by (used in) investing activities		**(31,621)**	38,788	**(180,087)**	42,134
FINANCING ACTIVITIES					
Proceeds from new mortgages		**166,211**	20,481	**251,571**	116,182
Financing costs on new mortgages		**(3,308)**	(414)	**(3,598)**	(710)
Repayment of mortgages					
Principal instalment repayments		**(29,692)**	(33,138)	**(60,052)**	(66,518)
Repayments on maturity		**(98,191)**	(11,687)	**(181,051)**	(77,924)
Repayments due to mortgage extinguishments		**—**	(53,124)	**—**	(66,258)
Principal payment of lease liabilities		**(414)**	(345)	**(824)**	(721)
Proceeds from bank indebtedness		**42,543**	31,601	**174,255**	37,852
Repayment of bank indebtedness		**(36,968)**	(693)	**(94,581)**	(5,076)
Proceeds from issuance of debentures payable, net of costs	10(b)	**—**	—	**48,590**	—
Redemption of debentures payable	10(b)	**—**	—	**(80,500)**	—
Proceeds from (repayments of) loans payable, net		**(27,092)**	15,000	**265**	15,000
Dividends paid		**(1,615)**	(1,659)	**(3,261)**	(3,317)
Distributions to non-controlling interest, net		**(1,691)**	(1,421)	**(3,017)**	(3,969)
Morguard Residential REIT units repurchased for cancellation		**(7,980)**	—	**(11,458)**	—
Shares repurchased for cancellation	15(a)	**(21,310)**	(611)	**(21,310)**	(611)
Investment in subsidiaries	15(b)	**(3,936)**	—	**(11,855)**	—
Decrease (increase) in restricted cash		**1,480**	(69,575)	**84,930**	(68,671)
Cash provided by (used in) financing activities		**(21,963)**	(105,585)	**88,104**	(124,741)
Net increase in cash during the period		**41,253**	27,679	**49,926**	21,332
Net effect of foreign currency translation on cash balance		**161**	5,195	**218**	3,422
Cash, beginning of period		**120,538**	165,536	**111,808**	173,656
Cash, end of period		**$161,952**	$198,410	**$161,952**	$198,410

See accompanying notes to the condensed consolidated financial statements.

NOTES

For the three and six months ended June 30, 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 SIGNIFICANT ACCOUNTING POLICIES

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

The condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on August 2, 2023.

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

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

	2023	2022
Canadian dollar to United States dollar exchange rates:		
- As at June 30	**$0.7553**	$0.7760
- As at December 31	—	0.7383
- Average for the three months ended June 30	**0.7447**	0.7832
- Average for the six months ended June 30	**0.7420**	0.7865
United States dollar to Canadian dollar exchange rates:		
- As at June 30	**1.3240**	1.2886
- As at December 31	—	1.3544
- Average for the three months ended June 30	**1.3428**	1.2768
- Average for the six months ended June 30	**1.3477**	1.2715

NOTE 3

SUBSIDIARIES WITH NON-CONTROLLING INTEREST

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

As at June 30, 2023, the Company owned a 45.2% (December 31, 2022 - 44.7%) effective interest in Morguard Residential REIT through its ownership of 7,944,166 units and 17,223,090 Class B LP units. The Company continues to consolidate its investment in Morguard Residential REIT on the basis of *de facto* control in accordance with IFRS 10, Consolidated Financial Statements ("IFRS 10"). Refer to the Company's most recent annual audited consolidated financial statements for the factors that continue to support the conclusion that the Company has *de facto* control of Morguard Residential REIT.

During the three months ended June 30, 2023, Morguard Residential REIT recorded distributions of $6,983, or $0.18 per unit (2022 - $6,835, or $0.1749 per unit), of which $1,430 was paid to the Company (2022 - $1,390) and $5,553 was paid to the remaining unitholders (2022 - $5,445). In addition, during the three months ended June 30, 2023, Morguard Residential REIT paid distributions to the Company on the Class B LP units of $3,100 (2022 - $3,013).

During the six months ended June 30, 2023, Morguard Residential REIT recorded distributions of $14,019, or $0.36 per unit (2022 - $13,669, or $0.3498 per unit), of which $2,860 was paid to the Company (2022 - $2,779) and $11,159 was paid to the remaining unitholders (2022 - $10,890). In addition, during the six months ended June 30, 2023, Morguard Residential REIT paid distributions to the Company on the Class B LP units of $6,200 (2022 - $6,025).

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

As at June 30, 2023, the Company owned 41,705,262 units (December 31, 2022 - 39,541,641 units) of Morguard REIT, which represents a 64.9% (December 31, 2022 - 61.6%) ownership interest.

During the three months ended June 30, 2023, Morguard REIT recorded distributions of $3,855, or $0.06 per unit (2022 - $3,851, or $0.06 per unit), of which $2,491 (2022 - $2,343) was paid to the Company and $1,364 was paid to the remaining unitholders (2022 - $1,508).

During the six months ended June 30, 2023, Morguard REIT recorded distributions of $7,704, or $0.12 per unit (2022 - $7,697, or $0.12 per unit), of which $4,900 (2022 - $4,685) was paid to the Company and $2,804 was paid to the remaining unitholders (2022 - $3,012).

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

As at	June 30, 2023		December 31, 2022	
	MRT	MRG	MRT	MRG
Non-current assets	**$2,332,932**	**$4,071,649**	$2,348,116	$3,732,315
Current assets	**39,183**	**57,251**	26,566	202,102
Total assets	**$2,372,115**	**$4,128,900**	$2,374,682	$3,934,417
Non-current liabilities	**$797,708**	**$2,087,402**	$905,863	$1,805,364
Current liabilities	**540,183**	**119,940**	420,711	273,664
Total liabilities	**$1,337,891**	**$2,207,342**	$1,326,574	$2,079,028
Equity	**$1,034,224**	**$1,921,558**	$1,048,108	$1,855,389
Non-controlling interest	**$366,611**	**$1,053,206**	$406,475	$1,026,587

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

For the three months ended June 30	2023		2022	
	MRT	MRG	MRT	MRG
Revenue	**$61,891**	**$83,326**	$60,512	$67,392
Expenses	**(48,118)**	**(67,839)**	(44,602)	(65,550)
Fair value gain (loss) on real estate properties, net	**(15,297)**	**62,555**	12,325	109,077
Fair value gain on Class B LP units	**—**	**9,473**	—	55,631
Net income (loss) for the period	**($1,524)**	**$87,515**	$28,235	$166,550
Non-controlling interest	**($491)**	**$47,840**	$11,059	$92,119

For the three months ended June 30		2023		2022
	MRT	MRG	MRT	MRG
Cash provided by operating activities	**$7,591**	**$34,433**	$17,278	$22,082
Cash provided by (used in) investing activities	**(10,795)**	**(9,709)**	(6,257)	86,259
Cash provided by (used in) financing activities	**5,083**	**(9,863)**	(10,637)	(100,909)
Net increase in cash during the period	**$1,879**	**$14,861**	$384	$7,432

For the six months ended June 30		2023		2022
	MRT	MRG	MRT	MRG
Revenue	**$126,707**	**$162,974**	$121,838	$132,649
Expenses	**(96,186)**	**(159,258)**	(90,386)	(173,670)
Fair value gain (loss) on real estate properties, net	**(36,838)**	**129,243**	37,290	355,806
Fair value gain (loss) on Class B LP units	**—**	**(11,195)**	—	22,907
Net income (loss) for the period	**($6,317)**	**$121,764**	$68,742	$337,692
Non-controlling interest	**($2,043)**	**$66,739**	$26,949	$186,777

For the six months ended June 30		2023		2022
	MRT	MRG	MRT	MRG
Cash provided by operating activities	**$24,161**	**$52,330**	$31,585	$34,607
Cash provided by (used in) investing activities	**(20,478)**	**(179,389)**	(10,029)	82,380
Cash provided by (used in) financing activities	**(2,044)**	**150,883**	(20,992)	(104,722)
Net increase in cash during the period	**$1,639**	**$23,824**	$564	$12,265

NOTE 4
REAL ESTATE PROPERTIES

Real estate properties consist of the following:

As at	June 30, 2023	December 31, 2022
Income producing properties	**$10,531,157**	$10,418,017
Properties under development	**27,999**	21,604
Land held for development	**125,680**	111,453
	$10,684,836	$10,551,074

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

	Income Producing Properties	Properties Under Development	Land Held for Development	Total
Balance as at December 31, 2022	**$10,418,017**	**$21,604**	**$111,453**	**$10,551,074**
Additions:				
Acquisitions	**112,980**	**—**	**—**	**112,980**
Capital expenditures	**34,248**	**—**	**—**	**34,248**
Development expenditures	**—**	**9,408**	**488**	**9,896**
Tenant improvements, incentives and leasing commissions	**11,035**	**—**	**—**	**11,035**
Transfers	**3,013**	**(3,013)**	**—**	**—**
Dispositions	**(1,549)**	**—**	**—**	**(1,549)**
Fair value gain, net (Note 18)	**50,018**	**—**	**14,047**	**64,065**
Foreign currency translation	**(93,193)**	**—**	**(308)**	**(93,501)**
Other	**(3,412)**	**—**	**—**	**(3,412)**
Balance as at June 30, 2023	**$10,531,157**	**$27,999**	**$125,680**	**$10,684,836**

Transactions completed during the six months ended June 30, 2023

Acquisitions

On March 29, 2023, the Company acquired a multi-suite residential property 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 six months ended June 30, 2023, the Company sold three industrial properties consisting of 19,875 square feet, for net proceeds of $1,549, 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

Capitalization Rates

As at June 30, 2023, and December 31, 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 June 30, 2023, 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 10.0% (December 31, 2022 - 3.3% to 10.0%), resulting in an overall weighted average capitalization rate of 5.5% (December 31, 2022 - 5.5%).

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

As at	June 30, 2023 Occupancy Rates		June 30, 2023 Capitalization Rates			December 31, 2022 Occupancy Rates		December 31, 2022 Capitalization Rates		
	Max.	Min.	Max.	Min.	Weighted Average	Max.	Min.	Max.	Min.	Weighted Average
Multi-suite residential	**98.5%**	**92.0%**	**6.0%**	**3.3%**	**4.3%**	98.5%	92.0%	6.0%	3.3%	4.3%
Retail	**99.0%**	**85.0%**	**10.0%**	**5.0%**	**7.3%**	99.0%	85.0%	10.0%	5.0%	7.2%
Office[1]	**100.0%**	**85.0%**	**8.5%**	**4.0%**	**6.6%**	100.0%	90.0%	8.3%	4.3%	6.7%

[1] Includes industrial properties comprising approximately 10% 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	June 30, 2023 Maximum	June 30, 2023 Minimum	June 30, 2023 Weighted Average	December 31, 2022 Maximum	December 31, 2022 Minimum	December 31, 2022 Weighted Average
Retail						
Discount rate	**11.0%**	**5.8%**	**7.6%**	11.0%	5.8%	7.5%
Terminal cap rate	**10.0%**	**5.0%**	**6.6%**	10.0%	5.0%	6.6%
Office						
Discount rate	**9.0%**	**5.3%**	**6.6%**	9.0%	5.3%	6.7%
Terminal cap rate	**8.0%**	**4.3%**	**5.9%**	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 June 30, 2023 would decrease by $467,439 and increase by $516,930, respectively.

The sensitivity of the fair values of the Company's income producing properties as at June 30, 2023, and December 31, 2022, is set out in the table below:

As at	June 30, 2023		December 31, 2022	
Change in capitalization rate:	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Multi-suite residential	**($321,885)**	**$360,334**	($326,294)	$366,825
Retail	**(64,330)**	**68,902**	(65,790)	70,573
Office	**(81,224)**	**87,694**	(83,423)	90,021
	($467,439)	**$516,930**	($475,507)	$527,419

NOTE 5

HOTEL PROPERTIES

Hotel properties consist of the following:

As at June 30, 2023	Cost	Accumulated Impairment Provision	Accumulated Amortization	Net Book Value
Land	**$55,416**	**$—**	**$—**	**$55,416**
Buildings	**333,186**	**(12,206)**	**(56,400)**	**264,580**
Furniture, fixtures, equipment and other	**71,428**	**(1,043)**	**(58,090)**	**12,295**
	$460,030	**($13,249)**	**($114,490)**	**$332,291**

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 six months ended June 30, 2023, are summarized as follows:

As at June 30, 2023	**Opening Net Book Value**	**Additions**	**Amortization**	**Closing Net Book Value**
Land	**$55,416**	**$—**	**$—**	**$55,416**
Buildings	**267,048**	**1,614**	**(4,082)**	**264,580**
Furniture, fixtures, equipment and other	**14,775**	**1,890**	**(4,370)**	**12,295**
	$337,239	**$3,504**	**($8,452)**	**$332,291**

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

NOTE 6

EQUITY-ACCOUNTED AND OTHER FUND INVESTMENTS

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

As at	**June 30, 2023**	December 31, 2022
Joint ventures	**$32,217**	$27,284
Associates	**19,401**	19,505
Equity-accounted investments	**51,618**	46,789
Other real estate fund investments	**61,085**	73,558
Equity-accounted and other fund investments	**$112,703**	$120,347

The following are the Company's significant equity-accounted investments as at June 30, 2023, and December 31, 2022:

				Company's Ownership		**Carrying Value**	
Property/Investment	**Principal Place of Business**	**Investment Type**	**Asset Type**	**June 30, 2023**	December 31, 2022	**June 30, 2023**	December 31, 2022
Petroleum Plaza	Edmonton, AB	Joint Venture	Office	**50.0%**	50.0%	**$10,631**	$11,658
Quinte Courthouse	Belleville, ON	Joint Venture	Office	**50.0%**	50.0%	**2,795**	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%	**11,128**	5,602
Marriott Residence Inn	London, ON	Joint Venture	Hotel	**50.0%**	50.0%	**7,663**	5,125
MIL Industrial Fund II LP[2][3]	Various	Associate	Industrial	**18.8%**	18.8%	**19,401**	19,505
						$51,618	$46,789

(1) During the second quarter of 2023, 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) On June 30, 2023, the fund disposed of three industrial properties, and subsequent to June 30, 2023, the fund distributed net disposition proceeds in the amount of $14,991.

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

As at	June 30, 2023	December 31, 2022
Balance, beginning of period	**$46,789**	$62,223
Additions	**7,250**	774
Share of net income	**(175)**	1,207
Distributions received	**(2,246)**	(17,415)
Balance, end of period	**$51,618**	$46,789

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

As at	June 30, 2023			December 31, 2022		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Non-current assets	**$152,633**	**$37,047**	**$189,680**	$156,192	$133,887	$290,079
Current assets	**9,929**	**83,047**	**92,976**	17,831	2,318	20,149
Total assets	**$162,562**	**$120,094**	**$282,656**	$174,023	$136,205	$310,228
Non-current liabilities	**$44,468**	**$—**	**$44,468**	$59,143	$6,157	$65,300
Current liabilities	**54,492**	**16,804**	**71,296**	56,005	25,711	81,716
Total liabilities	**$98,960**	**$16,804**	**$115,764**	$115,148	$31,868	$147,016
Net assets	**$63,602**	**$103,290**	**$166,892**	$58,875	$104,337	$163,212
Equity-accounted investments	**$32,217**	**$19,401**	**$51,618**	$27,284	$19,505	$46,789

For the three months ended June 30	2023			2022		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Revenue	**$8,550**	**$2,033**	**$10,583**	$7,742	$2,669	$10,411
Expenses	**(6,465)**	**(1,155)**	**(7,620)**	(5,756)	(1,201)	(6,957)
Fair value gain (loss) on real estate properties, net	**(3,064)**	**(217)**	**(3,281)**	(1,848)	29,293	27,445
Net income (loss) for the period	**($979)**	**$661**	**($318)**	$138	$30,761	$30,899
Income (loss) in equity-accounted investments	**($1,470)**	**$124**	**($1,346)**	($162)	$5,769	$5,607

For the six months ended June 30	2023			2022		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Revenue	**$16,754**	**$4,138**	**$20,892**	$14,394	$5,222	$19,616
Expenses	**(12,565)**	**(2,088)**	**(14,653)**	(10,415)	(2,449)	(12,864)
Fair value gain (loss) on real estate properties, net	**(2,898)**	**(278)**	**(3,176)**	(1,920)	28,982	27,062
Net income for the period	**$1,291**	**$1,772**	**$3,063**	$2,059	$31,755	$33,814
Income (loss) in equity-accounted investments	**($507)**	**$332**	**($175)**	$455	$5,954	$6,409

(b) Income Recognized from Other Fund Investments:

Other Real Estate Fund Investments

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Distribution income	**$91**	$300	**$187**	$641
Fair value gain (loss) for the period (Note 18)	**(1,225)**	1,740	**(11,148)**	(538)
Gain (loss) from other real estate fund investments	**($1,134)**	$2,040	**($10,961)**	$103

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

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

NOTE 7

OTHER ASSETS

Other assets consist of the following:

As at	June 30, 2023	December 31, 2022
Investment in marketable securities	**$96,375**	$104,190
Accrued pension benefit asset	**75,026**	74,659
Finance lease receivable	**58,597**	58,331
Mortgages receivable	**46,539**	46,628
Goodwill	**24,488**	24,488
Intangible assets, net	**17,309**	21,104
Capital assets, net	**18,137**	18,496
Receivables from related parties (Note 20(c))	**1,501**	6,007
Inventory	**2,260**	2,372
Right-of-use asset - office lease	**853**	1,070
Other	**84**	121
	$341,169	$357,466

As at June 30, 2023, mortgages receivable amounted to $47,233 (December 31, 2022 - $46,867), of which $694 (December 31, 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 3.0 years (December 31, 2022 - 3.5 years) and a weighted average interest rate of 7.51% (December 31, 2022 - 7.51%).

NOTE 8

AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

As at	June 30, 2023	December 31, 2022
Tenant receivables	**$26,772**	$28,923
Unbilled other tenant receivables	**5,071**	8,773
Other receivables	**41,330**	53,226
Allowance for expected credit loss	**(8,274)**	(11,487)
	64,899	79,435
Government subsidy	**724**	724
	$65,623	$80,159

NOTE 9
MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at	June 30, 2023	December 31, 2022
Mortgages payable	**$4,633,271**	$4,663,814
Mark-to-market adjustments, net	**1,307**	2,270
Deferred financing costs	**(24,040)**	(23,933)
	$4,610,538	$4,642,151
Current	**$780,250**	$766,016
Non-current	**3,830,288**	3,876,135
	$4,610,538	$4,642,151
Range of interest rates	**2.03 - 8.31%**	2.03 - 7.73%
Weighted average contractual interest rate	**4.09%**	3.95%
Estimated fair value of mortgages payable	**$4,337,935**	$4,370,416

As at June 30, 2023, approximately 92% 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 June 30, 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
2023 (remainder of the year)	$65,293	$508,540	$573,833	5.45%
2024	107,151	667,160	774,311	5.10%
2025	85,864	480,843	566,707	3.13%
2026	65,792	434,459	500,251	3.52%
2027	48,902	437,025	485,927	3.76%
Thereafter	159,787	1,572,455	1,732,242	3.78%
	$532,789	$4,100,482	$4,633,271	4.09%

The Company's first mortgages are registered against specific real estate assets and hotel properties. As at June 30, 2023, mortgages payable mature between 2023 and 2058 and have a weighted average term to maturity of 4.4 years (December 31, 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 June 30, 2023, and December 31, 2022, the Company was in compliance with all financial covenants.

NOTE 10
DEBENTURES PAYABLE

The Company's debentures payable consist of the following:

As at	June 30, 2023	December 31, 2022
Unsecured debentures	**$624,501**	$624,143
Convertible debentures	**140,720**	172,094
	$765,221	$796,237
Current	**$399,582**	$254,954
Non-current	**365,639**	541,283
	$765,221	$796,237

(a) Unsecured Debentures

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

As at	Maturity Date	Coupon Interest Rate	June 30, 2023	December 31, 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**	175,000
Unamortized financing costs			**(499)**	(857)
			$624,501	$624,143
Current			**$399,582**	$174,828
Non-current			**224,919**	449,315
			$624,501	$624,143

For the three and six months ended June 30, 2023, interest on the Unsecured Debentures of $6,923 (2022 - $9,084) and $13,771 (2022 - $18,069), respectively, is included in interest expense (Note 17).

(b) Convertible Debentures

Convertible debentures consist of the following:

As at	Maturity Date	Conversion Price	Coupon Interest Rate	Principal Balance	Principal Owned by the Company	June 30, 2023	December 31, 2022
Morguard Residential REIT[(1)]	March 31, 2028	$24.15	6.00%	$56,000	$5,000	**$47,969**	$—
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	**92,751**	91,968
						$140,720	$172,094
Current						**$—**	$80,126
Non-current						**140,720**	91,968
						$140,720	$172,094

(1) As at June 30, 2023, the liability includes the fair value of the conversion option of $3,697 (December 31, 2022 - $94).

For the three and six months ended June 30, 2023, interest on convertible debentures net of accretion of $2,295 (2022 - $2,413) and $4,774 (2022 - $4,760), respectively, is included in interest expense (Note 17).

NOTE 11

MORGUARD RESIDENTIAL REIT UNITS

As at June 30, 2023, the Company valued the non-controlling interest in the Morguard Residential REIT units at $462,960 (December 31, 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 three months ended June 30, 2023 of $8,961 (2022 - $85,088) and a fair value loss for the six months ended June 30, 2023 of $30,699 (2022 - gain of $26,439), in the consolidated statements of income (Note 18).

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

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Fair value gain (loss) on Morguard Residential REIT units	**$14,514**	$90,533	**($19,540)**	$37,329
Distributions to external unitholders (Note 3)	**(5,553)**	(5,445)	**(11,159)**	(10,890)
Fair value gain (loss) on Morguard Residential REIT units	**$8,961**	$85,088	**($30,699)**	$26,439

NOTE 12
LEASE LIABILITIES

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

As at	June 30, 2023	December 31, 2022
Balance, beginning of period	**$172,517**	$168,265
Interest on lease liabilities (Note 17)	**4,958**	9,626
Payments	**(5,782)**	(11,358)
Additions	**—**	6,987
Dispositions	**—**	(1,562)
Foreign exchange loss (gain)	**(364)**	559
Balance, end of period	**$171,329**	$172,517
Current (Note 13)	**$1,597**	$1,583
Non-current	**169,732**	170,934
	$171,329	$172,517

Future minimum lease payments under lease liabilities are as follows:

As at	June 30, 2023	December 31, 2022
Within 12 months	**$11,454**	$11,479
2 to 5 years	**44,950**	45,185
Over 5 years	**356,444**	362,484
Total minimum lease payments	**412,848**	419,148
Less: future interest costs	**(241,519)**	(246,631)
Present value of minimum lease payments	**$171,329**	$172,517

NOTE 13
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	June 30, 2023	December 31, 2022
Accounts payable and accrued liabilities	**$239,697**	$208,406
Tenant deposits	**25,715**	25,142
Stock Appreciation Rights (”SARs”) liability (Note 15(c))	**4,144**	5,790
Lease liabilities (Note 12)	**1,597**	1,583
Other	**4,952**	4,364
	$276,105	$245,285

NOTE 14
BANK INDEBTEDNESS

As at June 30, 2023, the Company has operating lines of credit totalling $486,000 (December 31, 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 June 30, 2023, the maximum amount that can be borrowed on the operating lines of credit is $388,184 (December 31, 2022 - $384,895), which includes deducting issued letters of credit in the amount of $5,308 (December 31, 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 June 30, 2023, the Company had borrowed $263,250 (December 31, 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 June 30, 2023, the Company is in compliance with all undertakings.

NOTE 15
SHAREHOLDERS' EQUITY
(a) Share Capital Authorized
Unlimited common shares, no par value.
Unlimited preference shares, no par value, issuable in series.

Issued and Fully Paid Common Shares	Number (000s)	Amount
Balance, December 31, 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	**—**	**13**
Balance, June 30, 2023	**10,813**	**$98,352**

On September 16, 2022, the Company obtained the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 554,788 common shares, being approximately 5% of the issued and outstanding common shares, and the program expires on September 21, 2023. The daily repurchase restriction for the common shares is 1,000. During the six months ended June 30, 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 three and six months ended June 30, 2023 amounted to $1,622, or $0.15 per common share (2022 - $1,665 or $0.15 per common share) and $3,275, or $0.30 per common share (2022 - $3,330 or $0.30 per common share), respectively. On August 2, 2023, the Company declared a common share dividend of $0.15 per common share to be paid in the third quarter of 2023.

(b) Contributed Surplus
For the three months ended June 30, 2023, the Company acquired 724,621 units (2022 - nil units) of Morguard REIT for cash consideration of $3,936 (2022 - $nil) and for the six months ended June 30, 2023, the Company acquired 2,163,621 units (2022 - nil units) of Morguard REIT for cash consideration of $11,855 (2022 - $nil). The difference between the cash consideration and the carrying value of the non-controlling interest acquired for the three months ended June 30, 2023 amounted to $7,675 (2022 - $nil) and for the six months ended June 30, 2023 amounted to $23,296 (2022 - $nil) 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 June 30, 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 three and six months ended June 30, 2023, the Company recorded a fair value adjustment to reduce compensation expense of $134 (2022 - $3,850) and $809 (2022 - $3,400), respectively. The fair value adjustment is included in property management and corporate expenses in the consolidated statements of income, and the liability is classified as accounts payable and accrued liabilities (Note 13).

The fair value for the SARs was calculated using the Black-Scholes option pricing model. In determining the fair value of the SARs, management is required to make assumptions that could have a material impact on the valuation. The following are the assumptions that were used in determining the fair value as at June 30, 2023: a dividend yield of 0.59% (2022 - 0.55%), expected volatility of approximately 26.56% (2022 - 30.91%) and the 10-year Bank of Canada Bond Yield of 3.89% (2022 - 3.29%).

(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 June 30, 2023, the Company has granted nil options.

(e) Accumulated Other Comprehensive Income

As at June 30, 2023, and December 31, 2022, accumulated other comprehensive income consists of the following amounts:

As at	June 30, 2023	December 31, 2022
Actuarial gain on defined benefit pension plans	**$44,764**	$44,822
Unrealized foreign currency translation gain	**211,613**	255,518
	$256,377	$300,340

NOTE 16

REVENUE

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

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Rental income	**$139,246**	$127,248	**$274,506**	$251,906
Realty taxes and insurance	**38,838**	35,060	**80,188**	70,770
Common area maintenance recoveries	**24,294**	22,922	**50,569**	47,739
Property management and ancillary income	**44,168**	38,773	**87,655**	76,181
	$246,546	$224,003	**$492,918**	$446,596

The components of revenue from hotel properties are as follows:

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Room revenue	**$36,963**	$35,899	**$62,673**	$58,242
Other hotel revenue	**7,186**	9,617	**12,635**	15,325
	$44,149	$45,516	**$75,308**	$73,567

The components of management and advisory fees are as follows:

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Property and asset management fees	**$7,532**	$7,936	**$15,363**	$16,493
Other fees	**3,452**	2,225	**5,771**	3,930
	$10,984	$10,161	**$21,134**	$20,423

NOTE 17
INTEREST EXPENSE

The components of interest expense are as follows:

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Interest on mortgages	**$47,388**	$39,580	**$92,993**	$78,980
Interest on debentures payable, net of accretion (Note 10)	**9,218**	11,497	**18,545**	22,829
Interest on bank indebtedness	**4,369**	212	**8,028**	394
Interest on loans payable and other	**243**	33	**505**	42
Interest on lease liabilities (Note 12)	**2,474**	2,369	**4,958**	4,774
Amortization of mark-to-market adjustments on mortgages, net	**(467)**	(691)	**(963)**	(1,186)
Amortization of deferred financing costs	**2,100**	2,219	**4,265**	4,344
Loss on extinguishment of mortgages payable	**—**	181	**—**	181
	65,325	55,400	**128,331**	110,358
Less: Interest capitalized to properties under development	**(349)**	(98)	**(628)**	(172)
	$64,976	$55,302	**$127,703**	$110,186

NOTE 18
FAIR VALUE GAIN (LOSS), NET

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

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Fair value gain on real estate properties, net (Note 4)	**$29,837**	$140,787	**$63,593**	$482,956
Financial assets (liabilities):				
Fair value gain on conversion option of MRG convertible debentures	**249**	3,297	**538**	1,147
Fair value gain (loss) on MRG units (Note 11)	**8,961**	85,088	**(30,699)**	26,439
Fair value gain (loss) on other real estate fund investments (Note 6(b))	**(1,225)**	1,740	**(11,148)**	(538)
Fair value loss on investment in marketable securities	**(6,649)**	(16,935)	**(15,302)**	(16,015)
Total fair value gain (loss), net	**$31,173**	$213,977	**$6,982**	$493,989

NOTE 19
OTHER INCOME (EXPENSE)

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

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Foreign exchange gain	**$650**	$62	**$678**	$33
Other income (expense)	**53**	(822)	**(816)**	1,313
	$703	($760)	**($138)**	$1,346

NOTE 20
RELATED PARTY TRANSACTIONS

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

(a) Paros Enterprises Limited ("Paros")

Paros is the majority shareholder and ultimate parent of the Company. Paros is owned by the Company's Chairman and Chief Executive Officer, Mr. K. Rai Sahi. As at June 30, 2023, and December 31, 2022, the Company has a demand loan agreement with Paros that provides for the Company to borrow up to $50,000. As at June 30, 2023, and

December 31, 2022, no amounts were drawn. During the three and six months ended June 30, 2023, the Company incurred net interest expense of $nil (2022 - $5) and $nil (2022 - $5), respectively.

(b) TWC Enterprises Limited (“TWC”)

The Company provides TWC with managerial and consulting services for its business and the business of its subsidiaries. Mr. K. Rai Sahi is Chairman and Chief Executive Officer and the majority shareholder of TWC through his personal holding companies, which include Paros. Pursuant to contractual agreements between the Company and TWC, for the three and six months ended June 30, 2023, the Company received a management fee of $328 (2022 - $321) and $657 (2022 - $640), respectively, and paid rent and operating expenses of $200 (2022 - $156) and $359 (2022 - $314), respectively.

As at June 30, 2023, and December 31, 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 June 30, 2023, and December 31, 2022 was $5,000. During the three and six months ended June 30, 2023, the Company paid net interest of $67 (2022 - $nil) and $216 (2022 - $nil), respectively.

(c) Share/unit Purchase and Other Loans

As at June 30, 2023, share/unit purchase and other loans to officers and employees of the Company and its subsidiaries of $1,501 (December 31, 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 June 30, 2023, the fair market value of the common shares/units held as collateral is $3,418.

NOTE 21
INCOME TAXES

(a) Unrecognized Deductible Temporary Differences

As at June 30, 2023, the Company’s Canadian subsidiaries have total net operating losses of approximately $254,335 (December 31, 2022 - $252,494) of which no deferred tax assets were recognized as it is not probable that taxable income will be available against which they can be utilized. These losses expire in various years commencing 2023.

The Company has other Canadian temporary differences for which no deferred tax asset was recognized for approximately $23,878 (December 31, 2022 - $31,667). These other temporary differences have no expiration date.

(b) Recognized Deductible Temporary Differences

As at June 30, 2023, the Company’s U.S. subsidiaries have total net operating losses of US$41,122 (December 31, 2022 - US$68,358) of which deferred tax assets were recognized, comprising US$6,789 (December 31, 2022 - US$16,996) that will expire in various years commencing in 2032 and US$34,333 (December 31, 2022 - US$51,362) that can be carried forward indefinitely.

As at June 30, 2023, the Company’s U.S. subsidiaries have total unutilized interest expense deductions of US$47,304 (December 31, 2022 - US$40,475) of which deferred tax assets were recognized.

NOTE 22
NET INCOME PER COMMON SHARE

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Net income attributable to common shareholders	**$89,818**	$232,708	**$55,128**	$438,977
Weighted average number of common shares outstanding (000s) - basic and diluted	**10,967**	11,100	**10,994**	11,100
Net income per common share - basic and diluted	**$8.19**	$20.96	**$5.01**	$39.55

NOTE 23

CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Items Not Affecting Cash

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Fair value gain on real estate properties, net	**($43,877)**	($152,496)	**($36,584)**	($459,079)
Fair value gain on conversion option of MRG convertible debentures (Note 18)	**(249)**	(3,297)	**(538)**	(1,147)
Fair value loss (gain) on MRG units (Note 11)	**(14,514)**	(90,533)	**19,540**	(37,329)
Fair value loss (gain) on other real estate investment funds (Note 18)	**1,225**	(1,740)	**11,148**	538
Fair value loss on investment in marketable securities (Note 18)	**6,649**	16,935	**15,302**	16,015
Equity loss (income) from investments	**1,346**	(5,607)	**175**	(6,409)
Amortization of hotel properties and other	**6,241**	6,740	**13,751**	13,485
Amortization of deferred financing costs (Note 17)	**2,100**	2,219	**4,265**	4,344
Amortization of mark-to-market adjustments on mortgages, net (Note 17)	**(467)**	(691)	**(963)**	(1,186)
Loss on extinguishment of mortgages payable (Note 17)	**—**	181	**—**	181
Amortization of tenant incentives	**928**	612	**1,570**	1,891
Stepped rent - adjustment for straight-line method	**1,060**	1,392	**1,847**	2,603
Deferred income taxes	**17,303**	45,622	**42,985**	108,521
Accretion of convertible debentures	**201**	180	**401**	358
	($22,054)	($180,483)	**$72,899**	($357,214)

(b) Net Change in Operating Assets and Liabilities

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Amounts receivable	**$5,811**	$7,338	**$15,477**	$3,798
Prepaid expenses and other	**11,730**	4,638	**(9,617)**	(27,380)
Accounts payable and accrued liabilities	**6,556**	2,411	**2,706**	(7,923)
Net change in operating assets and liabilities	**$24,097**	$14,387	**$8,566**	($31,505)

(c) Supplemental Cash Flow Information

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Interest paid	**$57,109**	$41,828	**$115,470**	$100,641
Interest received	**2,392**	636	**4,096**	1,150
Income taxes paid (recovered)	**1,075**	(145)	**(1,841)**	8,940

During the three and six months ended June 30, 2023, the Company issued non-cash dividends under the distribution reinvestment plan of $6 (2022 - $6) and $13 (2022 - $13), respectively.

(d) Reconciliation of Liabilities Arising from Financing Activities

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

	Mortgages payable	Unsecured debentures	Convertible debentures	Lease liabilities	Loans payable	Bank indebtedness	Total
Balance, beginning of period	**$4,642,151**	**$624,143**	**$172,094**	**$172,517**	**$5,000**	**$184,306**	**$5,800,211**
Repayments	**(60,052)**	**—**	**—**	**(824)**	**(27,092)**	**(94,581)**	**(182,549)**
New financing, net	**247,973**	**—**	**48,590**	**—**	**27,357**	**174,255**	**498,175**
Lump-sum repayments	**(181,051)**	**—**	**(80,500)**	**—**	**—**	**—**	**(261,551)**
Non-cash changes	**2,271**	**358**	**536**	**—**	**—**	**—**	**3,165**
Foreign exchange	**(40,754)**	**—**	**—**	**(364)**	**(265)**	**(730)**	**(42,113)**
Balance, June 30, 2023	**$4,610,538**	**$624,501**	**$140,720**	**$171,329**	**$5,000**	**$263,250**	**$5,815,338**

NOTE 24

CONTINGENCIES

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

NOTE 25

MANAGEMENT OF CAPITAL

Refer to the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2022 for an explanation of the Company's capital management policy.

The total managed capital for the Company as at June 30, 2023, and December 31, 2022, is summarized below:

As at	June 30, 2023	December 31, 2022
Mortgages payable, principal balance	**$4,633,271**	$4,663,814
Unsecured Debentures, principal balance	**625,000**	625,000
Convertible debentures, principal balance	**150,000**	179,500
Loans payable	**5,000**	5,000
Bank indebtedness	**263,250**	184,306
Lease liabilities	**171,329**	172,517
Shareholders' equity	**3,868,646**	3,865,254
	$9,716,496	$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 26

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer to the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2022 for an explanation of the Company's risk management policy as it relates to financial instruments.

Fair Value of Financial Assets and Financial Liabilities

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

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

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using June 30, 2023 market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at June 30, 2023 of the mortgages payable before deferred financing costs and mark-to-market adjustments is estimated at $4,337,935 (December 31, 2022 - $4,370,416), compared with the carrying value of $4,633,271 (December 31, 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 June 30, 2023, the fair value of the Unsecured Debentures has been estimated at $605,837 (December 31, 2022 - $601,040), compared with the carrying value of $625,000 (December 31, 2022 - $625,000).

The fair value of the convertible debentures liability is based on their market trading prices (Level 1). As at June 30, 2023, the fair value of the convertible debentures before deferred financing costs has been estimated at $141,174 (December 31, 2022 - $172,176), compared with the carrying value of $150,000 (December 31, 2022 - $179,500).

The fair value of the finance lease receivable is determined by discounting the cash flows of the finance lease receivable using June 30, 2023 market rates for debt on similar terms (Level 3). Based on these assumptions, as at June 30, 2023, the fair value of the finance lease receivable has been estimated at $58,597 (December 31, 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:

	June 30, 2023			December 31, 2022		
As at	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$10,684,836**	$—	$—	$10,551,074
Investments in marketable securities	**96,375**	**—**	**—**	104,190	—	—
Investments in real estate funds	**—**	**—**	**61,085**	—	—	73,558
Financial liabilities:						
Morguard Residential REIT units	**—**	**462,960**	**—**	—	454,425	—
Conversion option on MRG convertible debentures	**—**	**3,697**	**—**	—	94	—

NOTE 27
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 10% 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 three months ended June 30, 2023	**Multi-suite Residential**	**Retail**	**Office**	**Hotel**	**Total**
Revenue from real estate/hotel properties	**$122,457**	**$60,146**	**$63,943**	**$44,149**	**$290,695**
Property/hotel operating expenses	**($39,859)**	**($26,481)**	**($30,311)**	**($28,816)**	**($125,467)**
Net operating income	**$82,598**	**$33,665**	**$33,632**	**$15,333**	**$165,228**

For the three months ended June 30, 2022	Multi-suite Residential	Retail	Office	Hotel	Total
Revenue from real estate/hotel properties	$105,424	$56,741	$61,838	$45,516	$269,519
Property/hotel operating expenses	(37,146)	(26,608)	(28,765)	(35,264)	(127,783)
Net operating income	$68,278	$30,133	$33,073	$10,252	$141,736

For the six months ended June 30, 2023	Multi-suite Residential	Retail	Office	Hotel	Total
Revenue from real estate/hotel properties	**$240,527**	**$124,441**	**$127,950**	**$75,308**	**$568,226**
Property/hotel operating expenses	**($129,076)**	**($63,079)**	**($61,325)**	**($54,399)**	**(307,879)**
Net operating income	**$111,451**	**$61,362**	**$66,625**	**$20,909**	**$260,347**

For the six months ended June 30, 2022	Multi-suite Residential	Retail	Office	Hotel	Total
Revenue from real estate/hotel properties	$206,986	$114,779	$124,831	$73,567	$520,163
Property/hotel operating expenses	(115,661)	(61,102)	(58,506)	(63,067)	(298,336)
Net operating income	$91,325	$53,677	$66,325	$10,500	$221,827

	Multi-suite Residential	Retail	Office	Hotel	Total
As at June 30, 2023					
Real estate/hotel properties	**$6,241,697**	**$2,184,535**	**$2,258,604**	**$332,291**	**$11,017,127**
Mortgages payable	**$2,549,238**	**$900,142**	**$1,083,211**	**$77,947**	**$4,610,538**
For the six months ended June 30, 2023					
Additions to real estate/hotel properties	**$138,062**	**$19,797**	**$10,300**	**$3,504**	**$171,663**
Fair value gain (loss) on real estate properties	**$158,357**	**($6,037)**	**($88,727)**	**$—**	**$63,593**

	Multi-suite Residential	Retail	Office	Hotel	Total
As at December 31, 2022					
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 six months ended June 30, 2022					
Additions to real estate/hotel properties	$17,011	$12,931	$72,425	$1,736	$104,103
Fair value gain on real estate properties	$450,543	$12,408	$20,005	$—	$482,956

(b) Regional Segments

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

As at	June 30, 2023	December 31, 2022
Real estate and hotel properties		
Canada	**$6,935,069**	$6,951,370
United States	**4,082,058**	3,936,943
	$11,017,127	$10,888,313

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Revenue from real estate and hotel properties				
Canada	**$198,654**	$193,460	**$388,414**	$371,663
United States	**92,041**	76,059	**179,812**	148,500
	$290,695	$269,519	**$568,226**	$520,163

NOTE 28

COMPARATIVE AMOUNTS

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