Real Estate Potential. Realized.

MORGUARD CORPORATION

JUNE 30, 2024

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

BALANCE SHEETS
In thousands of Canadian dollars

As at	Note	June 30, 2024	December 31, 2023
ASSETS			
Non-current assets			
Real estate properties	4	**$10,654,852**	$10,493,655
Hotel properties	5	**86,430**	87,376
Equity-accounted and other fund investments	6	**53,370**	95,525
Other assets	7	**322,541**	340,275
		11,117,193	11,016,831
Current assets			
Amounts receivable	8	**51,156**	59,861
Prepaid expenses and other		**56,007**	49,844
Cash		**297,487**	116,517
		404,650	226,222
Real estate and hotel properties held for sale		**—**	380,035
		$11,521,843	$11,623,088
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable	9	**$3,818,904**	$3,550,358
Debentures payable	10	**315,168**	314,386
Lease liabilities	12	**168,932**	169,140
Morguard Residential REIT units	11	**405,802**	393,695
Deferred income tax liabilities		**851,596**	835,481
		5,560,402	5,263,060
Current liabilities			
Mortgages payable	9	**865,556**	1,129,734
Debentures payable	10	**224,119**	449,000
Accounts payable and accrued liabilities	13	**284,263**	246,835
Bank indebtedness	14	**14,642**	191,369
		1,388,580	2,016,938
Total liabilities		**6,948,982**	7,279,998
EQUITY			
Shareholders' equity		**4,129,569**	3,887,550
Non-controlling interest		**443,292**	455,540
Total equity		**4,572,861**	4,343,090
		$11,521,843	$11,623,088

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 2024	Three months ended June 30 2023	Six months ended June 30 2024	Six months ended June 30 2023
Revenue from real estate properties	16	**$254,858**	$246,546	**$511,947**	$492,918
Revenue from hotel properties	16	**8,826**	44,149	**19,263**	75,308
Property operating expenses					
Property operating costs		**(62,545)**	(60,176)	**(124,978)**	(118,689)
Utilities		**(14,303)**	(14,370)	**(31,692)**	(33,864)
Realty taxes		**(22,993)**	(22,105)	**(106,315)**	(100,927)
Hotel operating expenses		**(5,964)**	(28,816)	**(15,598)**	(54,399)
Net operating income		**157,879**	165,228	**252,627**	260,347
OTHER REVENUE					
Management and advisory fees	16	**10,522**	10,984	**20,179**	21,134
Interest and other income		**4,325**	4,343	**8,808**	9,439
		14,847	15,327	**28,987**	30,573
EXPENSES					
Interest	17	**63,234**	64,976	**128,116**	127,703
Property management and corporate	15(c)	**21,609**	22,575	**44,940**	44,481
Amortization of hotel properties and other		**2,997**	6,241	**5,664**	13,751
		87,840	93,792	**178,720**	185,935
OTHER INCOME (EXPENSE)					
Fair value gain (loss), net	18	**(11,726)**	31,173	**(55,261)**	6,982
Gain on sale of hotel properties	5	**—**	—	**150,587**	—
Equity income (loss) from investments	6	**459**	(1,346)	**1,491**	(175)
Other income (expense)	19	**191**	703	**(4)**	(138)
		(11,076)	30,530	**96,813**	6,669
Income before income taxes		**73,810**	117,293	**199,707**	111,654
Provision for income taxes	21				
Current		**7,235**	4,122	**23,902**	4,151
Deferred		**11,138**	17,303	**3,599**	42,985
		18,373	21,425	**27,501**	47,136
Net income for the period		**$55,437**	$95,868	**$172,206**	$64,518
Net income (loss) attributable to:					
Common shareholders		**$53,858**	$89,818	**$184,304**	$55,128
Non-controlling interest		**1,579**	6,050	**(12,098)**	9,390
		$55,437	$95,868	**$172,206**	$64,518
Net income per common share attributable to:					
Common shareholders - basic and diluted	22	**$4.98**	$8.19	**$17.04**	$5.01

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	
	2024	2023	**2024**	2023
Net income for the period	**$55,437**	$95,868	**$172,206**	$64,518
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to net income:				
Unrealized foreign currency translation gain (loss)	**24,852**	(52,980)	**78,234**	(54,710)
Deferred income tax recovery (provision)	**(3,815)**	8,152	**(12,048)**	8,435
	21,037	(44,828)	**66,186**	(46,275)
Items that will not be reclassified subsequently to net income:				
Actuarial loss on defined benefit pension plans	**(1,955)**	(1,815)	**(1,133)**	(72)
Deferred income tax recovery	**495**	479	**314**	14
	(1,460)	(1,336)	**(819)**	(58)
Other comprehensive income (loss)	**19,577**	(46,164)	**65,367**	(46,333)
Total comprehensive income for the period	**$75,014**	$49,704	**$237,573**	$18,185
Total comprehensive income (loss) attributable to:				
Common shareholders	**$72,313**	$45,953	**$246,129**	$11,165
Non-controlling interest	**2,701**	3,751	**(8,556)**	7,020
	$75,014	$49,704	**$237,573**	$18,185

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, 2023		$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		(3,275)	—	—	(3,275)	—	(3,275)
Distributions		—	—	—	—	(3,463)	(3,463)
Issuance of common shares		—	—	13	13	—	13
Repurchase of common shares		(19,410)	—	(1,900)	(21,310)	—	(21,310)
Change in ownership of Morguard REIT		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
Changes during the period:							
Net income (loss)		19,048	—	—	19,048	(25,330)	(6,282)
Other comprehensive income (loss)		—	2,146	—	2,146	(31)	2,115
Dividends		(3,243)	—	—	(3,243)	—	(3,243)
Distributions		—	—	—	—	(3,387)	(3,387)
Issuance of common shares		—	—	12	12	—	12
Change in ownership of Morguard REIT		2,831	—	—	2,831	(4,335)	(1,504)
Tax impact of increase in subsidiary ownership interest		(1,890)	—	—	(1,890)	—	(1,890)
Shareholders' equity, December 31, 2023		$3,530,663	$258,523	$98,364	$3,887,550	$455,540	$4,343,090
Changes during the period:							
Net income (loss)		**184,304**	**—**	**—**	**184,304**	**(12,098)**	**172,206**
Other comprehensive income		**—**	**61,825**	**—**	**61,825**	**3,542**	**65,367**
Dividends	15(a)	**(3,244)**	**—**	**—**	**(3,244)**	**—**	**(3,244)**
Distributions		**—**	**—**	**—**	**—**	**(3,692)**	**(3,692)**
Issuance of common shares	15(a)	**—**	**—**	**12**	**12**	**—**	**12**
Tax impact of increase in subsidiary ownership interest		**(878)**	**—**	**—**	**(878)**	**—**	**(878)**
Shareholders' equity, June 30, 2024		**$3,710,845**	**$320,348**	**$98,376**	**$4,129,569**	**$443,292**	**$4,572,861**

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	2024	2023	2024	2023
OPERATING ACTIVITIES					
Net income for the period		**$55,437**	$95,868	**$172,206**	$64,518
Add (deduct) items not affecting cash	23(a)	**8,259**	(22,054)	**(62,730)**	72,899
Distributions from equity-accounted and other fund investments		**333**	582	**654**	1,313
Additions to tenant incentives and leasing commissions	4	**(3,344)**	(3,656)	**(6,288)**	(5,387)
Net change in operating assets and liabilities	23(b)	**17,508**	24,097	**8,005**	8,566
Cash provided by operating activities		**78,193**	94,837	**111,847**	141,909
INVESTING ACTIVITIES					
Additions to real estate properties and tenant improvements	4	**(33,125)**	(26,478)	**(49,497)**	(152,876)
Additions to hotel properties	5	**(489)**	(1,973)	**(1,157)**	(3,504)
Additions to capital and intangible assets		**(1,122)**	(466)	**(1,806)**	(981)
Investment in properties under development	4	**(3,307)**	(3,021)	**(8,066)**	(9,896)
Proceeds from the sale of real estate properties, net	4	**37,050**	—	**162,562**	1,549
Proceeds from the sale of hotel properties, net	5	**—**	—	**405,801**	—
Decrease in mortgages and loans receivable		**360**	317	**878**	132
Investment in marketable securities		**—**	—	**—**	(8,194)
Distribution from (investment in) equity-accounted and other fund investments, net	6	**31,405**	—	**29,702**	(6,317)
Cash provided by (used in) investing activities		**30,772**	(31,621)	**538,417**	(180,087)
FINANCING ACTIVITIES					
Proceeds from new mortgages		**318,132**	166,211	**398,132**	251,571
Financing costs on new mortgages		**(4,582)**	(3,308)	**(6,217)**	(3,598)
Repayment of mortgages					
Principal instalment repayments		**(28,506)**	(29,692)	**(56,579)**	(60,052)
Repayments on maturity		**(105,598)**	(98,191)	**(180,380)**	(181,051)
Repayments due to mortgage extinguishments	4, 5	**(108,441)**	—	**(214,777)**	—
Principal payment of lease liabilities		**(382)**	(414)	**(783)**	(824)
Proceeds from bank indebtedness		**—**	42,543	**50,270**	174,255
Repayment of bank indebtedness		**(10,998)**	(36,968)	**(226,997)**	(94,581)
Proceeds from issuance of debentures payable, net of costs		**—**	—	**—**	48,590
Redemption of debentures payable	10	**—**	—	**(225,000)**	(80,500)
Proceeds from (repayment of) loans payable, net		**—**	(27,092)	**—**	265
Dividends paid		**(1,616)**	(1,615)	**(3,232)**	(3,261)
Distributions to non-controlling interest, net		**(1,841)**	(1,691)	**(3,240)**	(3,017)
Morguard Residential REIT units repurchased for cancellation		**(8,107)**	(7,980)	**(8,316)**	(11,458)
Shares repurchased for cancellation		**—**	(21,310)	**—**	(21,310)
Investment in subsidiaries	15(b)	**—**	(3,936)	**—**	(11,855)
Decrease in restricted cash		**1,549**	1,480	**6,807**	84,930
Cash provided by (used in) financing activities		**49,610**	(21,963)	**(470,312)**	88,104
Net increase in cash during the period		**158,575**	41,253	**179,952**	49,926
Net effect of foreign currency translation on cash balance		**366**	161	**1,018**	218
Cash, beginning of period		**138,546**	120,538	**116,517**	111,808
Cash, end of period		**$297,487**	$161,952	**$297,487**	$161,952

See accompanying notes to the condensed consolidated financial statements.

NOTES

For the three and six months ended June 30, 2024 and 2023

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 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 7, 2024.

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 material accounting policies most affected by estimates and judgments.

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

	2024	2023
Canadian dollar to United States dollar exchange rates:		
- As at June 30	**$0.7306**	$0.7553
- As at December 31	—	0.7561
- Average for the three months ended June 30	**0.7308**	0.7447
- Average for the six months ended June 30	**0.7361**	0.7420
United States dollar to Canadian dollar exchange rates:		
- As at June 30	**1.3687**	1.3240
- As at December 31	—	1.3226
- Average for the three months ended June 30	**1.3683**	1.3428
- Average for the six months ended June 30	**1.3585**	1.3477

Future Material Accounting Policy Changes

IFRS 18 - Presentation and Disclosure in Financial Statements ("IFRS 18")

On April 9, 2024, the IASB issued IFRS 18 that will replace IAS 1 - Presentation of Financial Statements. The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

IFRS 18 introduces the following:

- Defined subtotals and categories in the statement of profit or loss.
- Requirements to improve aggregation and disaggregation.
- Disclosures about management-defined performance measures in the notes to the financial statements.
- Targeted improvements to the statement of cash flows by amending IAS 7 - Statement of Cash Flows.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027. The standard is applied retrospectively, with specific transition provisions, and early adoption is permitted. The Company is currently assessing the impact this new standard will have on its 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 June 30, 2024, the Company owned a 46.5% (December 31, 2023 - 46.1%) 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"). 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, 2024, Morguard Residential REIT recorded distributions of $6,956, or $0.18501 per unit (2023 - $6,983, or $0.18 per unit), of which $1,503 was paid to the Company (2023 - $1,430) and $5,453 was paid to the remaining unitholders (2023 - $5,553). In addition, during the three months ended June 30, 2024, Morguard Residential REIT paid distributions to the Company on the Class B LP units of $3,186 (2023 - $3,100).

During the six months ended June 30, 2024, Morguard Residential REIT recorded distributions of $13,939, or $0.37002 per unit (2023 - $14,019, or $0.36 per unit), of which $3,005 was paid to the Company (2023 - $2,860) and $10,934 was paid to the remaining unitholders (2023 - $11,159). In addition, during the six months ended June 30, 2024, Morguard Residential REIT paid distributions to the Company on the Class B LP units of $6,372 (2023 - $6,200).

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

As at June 30, 2024, and December 31, 2023, the Company owned 41,977,862 units of Morguard REIT, which represents a 65.3% (December 31, 2023 - 65.3%) ownership interest.

During the three months ended June 30, 2024, Morguard REIT recorded distributions of $3,856, or $0.06 per unit (2023 - $3,855, or $0.06 per unit), of which $2,518 (2023 - $2,491) was paid to the Company and $1,338 was paid to the remaining unitholders (2023 - $1,364).

During the six months ended June 30, 2024, Morguard REIT recorded distributions of $7,717, or $0.12 per unit (2023 - $7,704, or $0.12 per unit), of which $5,037 (2023 - $4,900) was paid to the Company and $2,680 was paid to the remaining unitholders (2023 - $2,804).

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, 2024		December 31, 2023	
	MRT	MRG	MRT	MRG
Non-current assets	**$2,179,891**	**$4,230,554**	$2,260,976	$4,052,763
Current assets	**31,402**	**146,946**	17,762	43,168
Total assets	**$2,211,293**	**$4,377,500**	$2,278,738	$4,095,931
Non-current liabilities	**$904,021**	**$2,139,378**	$854,965	$1,913,882
Current liabilities	**394,205**	**183,784**	464,238	222,398
Total liabilities	**$1,298,226**	**$2,323,162**	$1,319,203	$2,136,280
Equity	**$913,067**	**$2,054,338**	$959,535	$1,959,651
Non-controlling interest	**$320,348**	**$1,098,455**	$336,449	$1,056,360

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 three months ended June 30		2024		2023
	MRT	MRG	MRT	MRG
Revenue	**$64,046**	**$85,756**	$61,891	$83,326
Expenses	**(49,937)**	**(62,254)**	(48,118)	(67,839)
Fair value gain (loss) on real estate properties, net	**(16,242)**	**18,974**	(15,297)	62,555
Fair value gain on Class B LP units	**—**	**8,095**	—	9,473
Net income (loss) for the period	**($2,133)**	**$50,571**	($1,524)	$87,515
Non-controlling interest	**($756)**	**$26,936**	($491)	$47,840

For the three months ended June 30		2024		2023
	MRT	MRG	MRT	MRG
Cash provided by operating activities	**$6,962**	**$32,134**	$7,591	$34,433
Cash provided by (used in) investing activities	**25,950**	**(12,088)**	(10,795)	(9,709)
Cash provided by (used in) financing activities	**(31,975)**	**89,200**	5,083	(9,863)
Net increase in cash during the period	**$937**	**$109,246**	$1,879	$14,861

For the six months ended June 30		2024		2023
	MRT	MRG	MRT	MRG
Revenue	**$128,444**	**$170,512**	$126,707	$162,974
Expenses	**(100,788)**	**(154,077)**	(96,186)	(159,258)
Fair value gain (loss) on real estate properties, net	**(66,465)**	**71,140**	(36,838)	129,243
Fair value loss on Class B LP units	**—**	**(12,228)**	—	(11,195)
Net income (loss) for the period	**($38,809)**	**$75,347**	($6,317)	$121,764
Non-controlling interest	**($13,479)**	**$40,288**	($2,043)	$66,739

For the six months ended June 30		2024		2023
	MRT	MRG	MRT	MRG
Cash provided by operating activities	**$13,188**	**$50,646**	$24,161	$52,330
Cash provided by (used in) investing activities	**17,206**	**(17,449)**	(20,478)	(179,389)
Cash provided by (used in) financing activities	**(30,474)**	**76,294**	(2,044)	150,883
Net increase (decrease) in cash during the period	**($80)**	**$109,491**	$1,639	$23,824

NOTE 4
REAL ESTATE PROPERTIES

Real estate properties consist of the following:

As at	June 30, 2024	December 31, 2023
Income producing properties	**$10,507,158**	$10,348,016
Properties under development	**13,068**	12,175
Land held for development	**134,626**	133,464
Real estate properties	**$10,654,852**	$10,493,655
Real estate properties held for sale	**—**	125,307
Total	**$10,654,852**	$10,618,962

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, 2023	**$10,473,323**	**$12,175**	**$133,464**	**$10,618,962**
Additions:				
Acquisitions	**370**	**—**	**—**	**370**
Capital expenditures	**39,160**	**—**	**—**	**39,160**
Development expenditures	**—**	**7,246**	**820**	**8,066**
Tenant improvements, incentives and leasing commissions	**16,255**	**—**	**—**	**16,255**
Transfers	**6,353**	**(6,353)**	**—**	**—**
Dispositions	**(162,562)**	**—**	**—**	**(162,562)**
Fair value gain (loss), net (Note 18)	**1,517**	**—**	**(126)**	**1,391**
Foreign currency translation	**136,023**	**—**	**468**	**136,491**
Other	**(3,281)**	**—**	**—**	**(3,281)**
Balance as at June 30, 2024	**$10,507,158**	**$13,068**	**$134,626**	**$10,654,852**

Transactions completed during the six months ended June 30, 2024

Acquisitions

During the three months ended June 30, 2024, the Company acquired the remaining 5% interest in an office building located in Toronto, Ontario for a purchase price of $370, including closing costs.

Dispositions

During the three months ended June 30, 2024, the Company sold a retail property located in Calgary, Alberta, consisting of 131,000 square feet, for net proceeds of $37,050, including closing costs, and repaid the mortgage payable secured by the property in the amount of $17,030.

During the three months ended March 31, 2024, the Company sold an office property located in Ottawa, Ontario, consisting of 250,500 square feet, for net proceeds of $125,242, including closing costs, and repaid the mortgage payable secured by the property in the amount of $57,695.

During the three months ended March 31, 2024, the Company sold an industrial property consisting of 12,725 square feet, for net proceeds of $270, including closing costs.

Reconciliation of the carrying amounts for real estate properties for the year ended December 31, 2023 is 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	(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

Capitalization Rates

As at June 30, 2024, and December 31, 2023, 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, 2024, 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% (December 31, 2023 - 3.3% to 10.3%), resulting in an overall weighted average capitalization rate of 5.7% (December 31, 2023 - 5.6%).

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

As at	June 30, 2024 Occupancy Rates		June 30, 2024 Capitalization Rates			December 31, 2023 Occupancy Rates		December 31, 2023 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%	6.3%	3.3%	4.4%
Retail	**99.0%**	**85.0%**	**10.3%**	**5.0%**	**7.5%**	99.0%	85.0%	10.3%	5.0%	7.4%
Office[1]	**100.0%**	**85.0%**	**9.0%**	**5.0%**	**7.8%**	100.0%	85.0%	9.0%	4.8%	7.1%

[1] Includes industrial properties comprising approximately 12% 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, 2024			December 31, 2023		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
Retail						
Discount rate	**11.3%**	**5.8%**	**7.7%**	11.3%	5.8%	7.7%
Terminal cap rate	**10.3%**	**5.3%**	**6.7%**	10.3%	5.0%	6.7%
Office						
Discount rate	**9.5%**	**6.0%**	**7.3%**	9.5%	5.8%	7.1%
Terminal cap rate	**8.8%**	**5.3%**	**6.5%**	8.5%	4.8%	6.4%

Fair values are most sensitive to changes in discount rates, capitalization rates and stabilized or forecast net operating income. Generally, an increase in stabilized net operating income will result in an increase in the fair value of the income producing properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in stabilized net operating income, with a lower capitalization rate resulting in a greater impact on the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rates were to increase or decrease by 25 basis points (assuming no change in stabilized net operating income), the value of the income producing properties as at June 30, 2024 would decrease by $459,087 and increase by $507,298, respectively.

The sensitivity of the fair values of the Company's income producing properties as at June 30, 2024, and December 31, 2023, is set out in the table below:

As at	June 30, 2024		December 31, 2023	
Change in capitalization rate:	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Multi-suite residential	**($337,600)**	**$377,485**	($315,323)	$351,896
Retail	**(62,743)**	**67,111**	(63,503)	67,930
Office	**(58,744)**	**62,702**	(70,489)	75,687
	($459,087)	**$507,298**	($449,315)	$495,513

NOTE 5
HOTEL PROPERTIES

Hotel properties consist of the following:

As at June 30, 2024	Cost	Accumulated Amortization	Net Book Value
Land	**$14,577**	**$—**	**$14,577**
Buildings	**84,167**	**(13,067)**	**71,100**
Furniture, fixtures, equipment and other	**12,821**	**(12,068)**	**753**
	$111,565	**($25,135)**	**$86,430**

On January 18, 2024, the Company sold the common shares of its subsidiary, Morguard Hotels Limited, and the beneficial interest in 14 hotels for net proceeds of $405,801, including closing costs. At closing, the Company repaid three first mortgage loans totalling $48,641. On disposition, the net proceeds of the 14 hotels exceeded the carrying value of $255,214, resulting in a gain of $150,587.

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

Changes in the carrying amounts of hotel properties for the six months ended June 30, 2024, are summarized as follows:

As at June 30, 2024	Opening Net Book Value	Additions	Dispositions	Amortization	Closing Net Book Value
Land	**$55,416**	**$—**	**($40,839)**	**$—**	**$14,577**
Buildings	**273,230**	**492**	**(201,339)**	**(1,283)**	**71,100**
Furniture, fixtures, equipment and other	**13,458**	**665**	**(13,036)**	**(334)**	**753**
	$342,104	**$1,157**	**($255,214)**	**($1,617)**	**$86,430**

Changes in the carrying amounts of 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

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, 2024	December 31, 2023
Joint ventures	**$10,870**	$36,037
Associates	**175**	2,964
Equity-accounted investments	**11,045**	39,001
Other real estate fund investments	**42,325**	56,524
Equity-accounted and other fund investments	**$53,370**	$95,525

The following are the Company's significant equity-accounted investments as at June 30, 2024, and December 31, 2023:

				Company's Ownership		Carrying Value	
Property/Investment	Principal Place of Business	Investment Type	Asset Type	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Petroleum Plaza	Edmonton, AB	Joint Venture	Office	**50.0%**	50.0%	**$8,127**	$7,755
Quinte Courthouse	Belleville, ON	Joint Venture	Office	**50.0%**	50.0%	**2,743**	2,757
Courtyard by Marriott	Ottawa, ON	Joint Venture	Hotel	**—%**	50.0%	**—**	16,400
Marriott Residence Inn	London, ON	Joint Venture	Hotel	**—%**	50.0%	**—**	9,125
MIL Industrial Fund II LP [(1)(2)]	Various	Associate	Industrial	**18.8%**	18.8%	**175**	2,964
						$11,045	$39,001

[(1)] The Company accounts for its investment using the equity method since the Company has the ability to exercise significant influence as a result of its role as general partner; however, it does not control the fund.
[(2)] On February 28, 2024, the fund disposed of the remaining two industrial properties and distributed net proceeds in the amount of $2,760.

On April 16, 2024, the Company sold its 50% interest in two joint ventures for net proceeds of $26,033 including working capital adjustments and closing costs.

Equity-accounted investments

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

As at	June 30, 2024	December 31, 2023
Balance, beginning of period	**$39,001**	$46,789
Additions	**—**	7,250
Share of net income	**1,491**	4,334
Distributions received	**(3,414)**	(19,372)
Distributions received - sale of hotel joint ventures	**(26,033)**	—
Balance, end of period	**$11,045**	$39,001

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

As at	June 30, 2024			December 31, 2023		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Non-current assets	**$108,618**	**$—**	**$108,618**	$156,001	$14,647	$170,648
Current assets	**4,061**	**956**	**5,017**	11,642	1,164	12,806
Total assets	**$112,679**	**$956**	**$113,635**	$167,643	$15,811	$183,454
Non-current liabilities	**$38,136**	**$—**	**$38,136**	$38,750	$—	$38,750
Current liabilities	**53,780**	**22**	**53,802**	56,940	257	57,197
Total liabilities	**$91,916**	**$22**	**$91,938**	$95,690	$257	$95,947
Net assets	**$20,763**	**$934**	**$21,697**	$71,953	$15,554	$87,507
Equity-accounted investments	**$10,870**	**$175**	**$11,045**	$36,037	$2,964	$39,001

For the three months ended June 30			2024			2023
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Revenue	**$4,267**	**$—**	**$4,267**	$8,550	$2,033	$10,583
Expenses	**(3,097)**	**—**	**(3,097)**	(6,465)	(1,155)	(7,620)
Fair value loss on real estate properties, net	**(228)**	**—**	**(228)**	(3,064)	(217)	(3,281)
Net income (loss) for the period	**$942**	**$—**	**$942**	($979)	$661	($318)
Income (loss) in equity-accounted investments	**$459**	**$—**	**$459**	($1,470)	$124	($1,346)

For the six months ended June 30			2024			2023
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Revenue	**$12,303**	**$117**	**$12,420**	$16,754	$4,138	$20,892
Expenses	**(9,004)**	**—**	**(9,004)**	(12,565)	(2,088)	(14,653)
Fair value loss on real estate properties, net	**(212)**	**(272)**	**(484)**	(2,898)	(278)	(3,176)
Net income (loss) for the period	**$3,087**	**($155)**	**$2,932**	$1,291	$1,772	$3,063
Income (loss) in equity-accounted investments	**$1,520**	**($29)**	**$1,491**	($507)	$332	($175)

(b) Income Recognized from Other Fund Investments:

Other Real Estate Fund Investments

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Distribution income	**$—**	$91	**$—**	$187
Fair value loss for the period (Note 18)	**(1,058)**	(1,225)	**(15,183)**	(11,148)
Loss from other real estate fund investments	**($1,058)**	($1,134)	**($15,183)**	($10,961)

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.

NOTE 7
OTHER ASSETS

Other assets consist of the following:

As at	June 30, 2024	December 31, 2023
Investment in marketable securities	**$87,349**	$97,881
Accrued pension benefit asset	**75,803**	76,698
Finance lease receivable	**59,109**	58,860
Mortgages receivable	**41,589**	45,331
Goodwill	**24,488**	24,488
Capital assets, net	**17,975**	17,843
Intangible assets, net	**12,467**	14,587
Receivables from related parties (Note 20(c))	**1,514**	1,508
Inventory	**1,699**	2,395
Right-of-use asset - office lease	**530**	665
Other	**18**	19
	$322,541	$340,275

As at June 30, 2024, mortgages receivable amounted to $44,770 (December 31, 2023 - $45,658), of which $3,181 (December 31, 2023 - $327) is due within one year and included in prepaid expenses and other. The mortgages receivable have a weighted average term to maturity of 2.0 years (December 31, 2023 - 2.5 years) and a weighted average effective interest rate of 7.50% (December 31, 2023 - 7.53%).

NOTE 8
AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

As at	June 30, 2024	December 31, 2023
Tenant receivables	**$16,626**	$21,377
Unbilled other tenant receivables	**5,788**	10,300
Other receivables	**34,284**	35,614
Allowance for expected credit loss	**(5,542)**	(7,430)
	$51,156	$59,861

NOTE 9
MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at	June 30, 2024	December 31, 2023
Mortgages payable	**$4,712,423**	$4,704,260
Mark-to-market adjustments, net	**(1,327)**	(1,109)
Deferred financing costs	**(26,636)**	(23,059)
	$4,684,460	$4,680,092
Current	**$865,556**	$1,129,734
Non-current	**3,818,904**	3,550,358
	$4,684,460	$4,680,092
Range of interest rates	**2.03 - 7.92%**	2.03 - 8.75%
Weighted average contractual interest rate	**4.33%**	4.36%
Estimated fair value of mortgages payable	**$4,479,477**	$4,351,345

As at June 30, 2024, 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 June 30, 2024, 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 (remainder of year)	$56,140	$596,649	$652,789	6.20%
2025	103,465	496,812	600,277	3.38%
2026	86,096	486,764	572,860	3.64%
2027	57,965	636,189	694,154	4.58%
2028	47,375	340,771	388,146	4.26%
Thereafter	146,149	1,658,048	1,804,197	4.06%
	$497,190	$4,215,233	$4,712,423	4.33%

The Company's first mortgages are registered against specific real estate assets and hotel properties. As at June 30, 2024, mortgages payable mature between 2024 and 2058 and have a weighted average term to maturity of 4.2 years (December 31, 2023 - 4.1 years). Approximately 92% 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, 2024, and December 31, 2023, 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, 2024	December 31, 2023
Unsecured debentures	**$398,130**	$622,611
Convertible debentures	**141,157**	140,775
	$539,287	$763,386
Current	**$224,119**	$449,000
Non-current	**315,168**	314,386
	$539,287	$763,386

(a) Unsecured Debentures

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

As at	Maturity Date	Coupon Interest Rate	June 30, 2024	December 31, 2023
Series E senior unsecured debentures	January 25, 2024	4.715%	**$—**	$225,000
Series F senior unsecured debentures	November 27, 2024	4.204%	**225,000**	225,000
Series H senior unsecured debentures	September 26, 2026	9.500%	**175,000**	175,000
Unamortized financing costs			**(1,870)**	(2,389)
			$398,130	$622,611
Current			**$224,119**	$449,000
Non-current			**174,011**	173,611
			$398,130	$622,611

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. On January 25, 2024, the Series E senior unsecured debentures were fully repaid on maturity.

As at June 30, 2024, Paros Enterprises Limited ("Paros Enterprises") owns $nil (December 31, 2023 - $20,079) Series E senior unsecured debentures, $7,244 (December 31, 2023 - $7,244) Series F senior unsecured debentures and $25,000 (December 31, 2023 - $25,000) Series H senior unsecured debentures.

For the three and six months ended June 30, 2024, interest on the Unsecured Debentures of $6,503 (2023 - $6,923) and $13,733 (2023 - $13,771), 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, 2024	December 31, 2023
Morguard Residential REIT[1]	March 31, 2028	$24.15	6.00%	$56,000	$5,000	**$46,806**	$47,277
Morguard REIT	December 31, 2026	$7.80	5.25%	$159,000	$60,000	**94,351**	93,498
						$141,157	$140,775
Current						**$—**	$—
Non-current						**141,157**	140,775
						$141,157	$140,775

(1) As at June 30, 2024, the liability includes the fair value of the conversion option of $1,004 (December 31, 2023 - $2,131).

As at March 31, 2024, Paros Enterprises, a related party, owns $2,000 (December 31, 2023 - $2,000) aggregate principal amount of the Morguard Residential REIT debentures.

For the three and six months ended June 30, 2024, interest on convertible debentures net of accretion of $2,507 (2023 - $2,295) and $4,987 (2023 - $4,774), respectively, is included in interest expense (Note 17).

NOTE 11

MORGUARD RESIDENTIAL REIT UNITS

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

As at June 30, 2024, the Company valued the non-controlling interest in the Morguard Residential REIT units at $405,802 (December 31, 2023 - $393,695) 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, 2024 of $6,062 (2023 - $8,961) and a fair value loss for the six months ended June 30, 2024 of $30,873 (2023 - $30,699) 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	
	2024	2023	**2024**	2023
Fair value gain (loss) on Morguard Residential REIT units	**$11,515**	$14,514	**($19,939)**	($19,540)
Distributions to external unitholders (Note 3)	**(5,453)**	(5,553)	**(10,934)**	(11,159)
Fair value gain (loss) on Morguard Residential REIT units	**$6,062**	$8,961	**($30,873)**	($30,699)

NOTE 12

LEASE LIABILITIES

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

As at	June 30, 2024	December 31, 2023
Balance, beginning of period	**$170,753**	$172,517
Interest on lease liabilities (Note 17)	**4,919**	9,899
Payments	**(5,702)**	(11,521)
Additions	**—**	241
Foreign exchange loss (gain)	**557**	(383)
Balance, end of period	**$170,527**	$170,753
Current (Note 13)	**$1,595**	$1,613
Non-current	**168,932**	169,140
	$170,527	$170,753

Future minimum lease payments under lease liabilities are as follows:

As at	June 30, 2024	December 31, 2023
Within 12 months	**$11,481**	$11,445
2 to 5 years	**44,836**	44,785
Over 5 years	**346,814**	351,114
Total minimum lease payments	**403,131**	407,344
Less: future interest costs	**(232,604)**	(236,591)
Present value of minimum lease payments	**$170,527**	$170,753

NOTE 13

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	June 30, 2024	December 31, 2023
Accounts payable and accrued liabilities	**$203,856**	$211,128
Accrued liabilities (IFRIC 21, Levies)	**28,363**	—
Tenant deposits	**26,342**	26,537
Stock Appreciation Rights (“SARs”) liability (Note 15(c))	**4,600**	4,290
Income taxes payable	**16,765**	—
Lease liabilities (Note 12)	**1,595**	1,613
Other	**2,742**	3,267
	$284,263	$246,835

NOTE 14

BANK INDEBTEDNESS

As at June 30, 2024, the Company had borrowed $14,642 (December 31, 2023 - $191,369) on its operating lines of credit and had issued letters of credit in the amount of $2,813 (December 31, 2023 - $3,185). The Company has seven revolving lines of credit of which six are subject to borrowing limitations that are based on performance metrics of the underlying security. As at June 30, 2024, the maximum amount that can be borrowed on the operating lines of credit is $349,889 (December 31, 2023 - $392,735). During three months ended March 31, 2024, the Company’s operating lines of credit were reduced due to the disposition of nine hotel properties (Note 5) that were secured against one of the Company’s lines of credit. As at June 30, 2024, the Company has operating lines of credit totalling $436,350 (December 31, 2023 - $486,000).

The Company’s investments in Morguard REIT and Morguard Residential REIT, marketable securities, amounts receivable, inventory, capital assets and a fixed-charge on twelve properties have been pledged as collateral on these operating lines of credit. As at June 30, 2024, the majority of the Company’s lines of credit can be borrowed in either Canadian or United States dollars and are subject to floating interest rates based on the prime lending rate, Canadian Overnight Repo Rate Average (“CORRA”) for amounts borrowed in Canadian dollars, or the Secured Overnight Financing Rate (“SOFR”) on amounts borrowed in United States dollars.

The bank credit agreements, which renew annually and are due on demand, include certain restrictive undertakings by the Company. As at June 30, 2024, 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, 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
Dividend reinvestment plan	**—**	**12**
Balance, June 30, 2024	**10,813**	**$98,376**

On September 15, 2023, the Company obtained the approval of the TSX under its normal course issuer bid ("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 six months ended June 30, 2024, there were no repurchases of common shares under the Company's NCIB plan.

Total dividends declared during the three and six months ended June 30, 2024, amounted to $1,622, or $0.15 per common share (2023 - $1,622, or $0.15 per common share) and $3,244, or $0.30 per common share (2023 - $3,275, or $0.30 per common share), respectively. On August 7, 2024, the Company declared a common share dividend of $0.15 per common share to be paid in the third quarter of 2024.

(b) Contributed Surplus
During the three months ended June 30, 2024, the Company acquired nil units (2023 - 724,621 units) of Morguard REIT for cash consideration of $nil (2023 - $3,936) and for the six months ended June 30, 2024, the Company acquired nil units (2023 - 2,163,621 units) of Morguard REIT for cash consideration of $nil (2023 - $11,855). The difference between the cash consideration and the carrying value of the non-controlling interest acquired for the three months ended June 30, 2024 amounted to $nil (2023 - $7,675) and for the six months ended June 30, 2024, amounted to $nil (2023 - $23,296) 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, 2024 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	—	(40,000)	85,000
August 8, 2018	$168.00	20,000	—	—	20,000
November 8, 2018	$184.00	10,000	—	—	10,000
Total		**535,000**	**(128,500)**	**(156,500)**	**250,000**

During the three and six months ended June 30, 2024, the Company recorded a fair value adjustment to reduce compensation expense of $547 (2023 - $134) and a fair value adjustment to increase compensation expense of $310 (2023 – reduce compensation expense of $809). 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, 2024: a dividend yield of 0.54% (2023 - 0.59%), expected volatility of approximately 25.11% (2023 - 26.56%) and the 10-year Bank of Canada Bond Yield of 3.68% (2023 - 3.89%).

(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, 2024, the Company has granted nil options.

(e) Accumulated Other Comprehensive Income

As at June 30, 2024, and December 31, 2023, accumulated other comprehensive income consists of the following amounts:

As at	June 30, 2024	December 31, 2023
Actuarial gain on defined benefit pension plans	**$45,016**	$45,835
Unrealized foreign currency translation gain	**275,332**	212,688
	$320,348	$258,523

NOTE 16

REVENUE

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

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Rental income	**$142,288**	$139,246	**$284,166**	$274,506
Realty taxes and insurance	**41,787**	38,838	**84,874**	80,188
Common area maintenance recoveries	**23,602**	24,294	**49,627**	50,569
Property management and ancillary income	**47,181**	44,168	**93,280**	87,655
	$254,858	$246,546	**$511,947**	$492,918

The components of revenue from hotel properties are as follows:

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Room revenue	**$7,542**	$36,963	**$15,968**	$62,673
Other hotel revenue	**1,284**	7,186	**3,295**	12,635
	$8,826	$44,149	**$19,263**	$75,308

The components of management and advisory fees are as follows:

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Property and asset management fees	**$7,893**	$7,532	**$14,738**	$15,363
Other fees	**2,629**	3,452	**5,441**	5,771
	$10,522	$10,984	**$20,179**	$21,134

NOTE 17
INTEREST EXPENSE

The components of interest expense are as follows:

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Interest on mortgages	**$49,354**	$47,388	**$99,010**	$92,993
Interest on debentures payable, net of accretion (Note 10)	**9,010**	9,218	**18,720**	18,545
Interest on bank indebtedness	**403**	4,369	**1,373**	8,028
Interest on loans payable and other	**77**	243	**237**	505
Interest on lease liabilities (Note 12)	**2,458**	2,474	**4,919**	4,958
Amortization of mark-to-market adjustments on mortgages, net	**(87)**	(467)	**(218)**	(963)
Amortization of deferred financing costs	**1,902**	2,100	**4,078**	4,265
Prepayment fee on mortgage extinguishment	**257**	—	**257**	—
	63,374	65,325	**128,376**	128,331
Less: Interest capitalized to properties under development	**(140)**	(349)	**(260)**	(628)
	$63,234	$64,976	**$128,116**	$127,703

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	
	2024	2023	**2024**	2023
Fair value gain (loss) on real estate properties, net (Note 4)	**($12,491)**	$29,837	**$1,391**	$63,593
Financial assets (liabilities):				
Fair value gain on conversion option of MRG convertible debentures	**975**	249	**1,127**	538
Fair value gain (loss) on MRG units (Note 11)	**6,062**	8,961	**(30,873)**	(30,699)
Fair value loss on other real estate fund investments (Note 6(b))	**(1,058)**	(1,225)	**(15,183)**	(11,148)
Fair value loss on investment in marketable securities	**(5,214)**	(6,649)	**(11,723)**	(15,302)
Total fair value gain (loss), net	**($11,726)**	$31,173	**($55,261)**	$6,982

NOTE 19
OTHER INCOME (EXPENSE)

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

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Foreign exchange gain	**$23**	$650	**$76**	$678
Other income (expense)	**168**	53	**(80)**	(816)
	$191	$703	**($4)**	($138)

NOTE 20
RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Notes 6 and 10, 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 June 30, 2024, Paros Holdings owns a 61.9% interest in Morguard through its ownership of 6,691,000 common shares. As at June 30, 2024, and December 31, 2023, the Company has a demand loan agreement with Paros Enterprises that provides for the Company to borrow up to $50,000. As at June 30, 2024, and December 31, 2023, no amounts were drawn and no net interest expense was incurred.

(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 three and six months ended June 30, 2024, the Company received a management fee of $331 (2023 - $328) and $660 (2023 - $657), respectively, and paid rent and operating expenses of $164 (2023 - $200) and $388 (2023 - $359), respectively.

As at June 30, 2024, and December 31, 2023, the Company has a revolving demand loan agreement with TWC that provides for either party to borrow up to $50,000 at floating rates of interest consistent with the entity’s borrowing cost. The total loan payable as at June 30, 2024 was $nil (December 31, 2023 - $nil). During the three and six months ended June 30, 2024, the Company paid net interest of $nil (2023 - $67) and $nil (2023 - $216), respectively.

(c) Share/unit Purchase and Other Loans

As at June 30, 2024, share/unit purchase and other loans to officers and employees of the Company and its subsidiaries of $1,514 (December 31, 2023 - $1,508) 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, 2024, the fair market value of the common shares/units held as collateral is $3,497.

NOTE 21

INCOME TAXES

(a) Unrecognized Deductible Temporary Differences

As at June 30, 2024, the Company’s Canadian subsidiaries have total net operating losses of approximately $nil (December 31, 2023 - $267,907) 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 June 30, 2024, the Company has other Canadian temporary differences of approximately $nil (December 31, 2023 - $9,701) 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.

(b) Recognized Deductible Temporary Differences

As at June 30, 2024, the Company’s U.S. subsidiaries have total net operating losses of approximately US$17,170 (December 31, 2023 - US$29,753) of which deferred income tax assets were recognized as it is probable that taxable income will be available against such losses and can be carried forward indefinitely.

As at June 30, 2024, the Company’s U.S. subsidiaries have a total of US$82,306 (December 31, 2023 - $68,027) of unutilized interest expense deductions of which deferred income tax assets were recognized and can be carried forward indefinitely.

(c) EIFEL Rules

On May 28, 2024, amended Canadian Bill C-59, *Fall Economic Statement Implementation Act, 2023*, became substantively enacted for financial reporting purposes. Bill C-59 implements the majority of the remaining income tax measures from the 2023 federal budget, as well as certain measures from the 2023 fall economic statement. Most notably, Bill C-59 contains the excessive interest and financing expenses limitation rules (“EIFEL Rules”).

The EIFEL Rules, which became effective for the 2024 fiscal year, limit the amount of net interest and financing expenses that a corporation may deduct in computing taxable income to a fixed ratio (currently set at 30% of the EBITDA as calculated for tax purposes) or, where certain conditions are met and a consolidated group elects, a higher group ratio.

Based on an assessment of forecasted EBITDA for the year ended December 31, 2024, the Company’s current income tax expense for the three and six months ended June 30, 2024 increased by $1,303 and $1,303, respectively, from applying the EIFEL Rules which limit the deductibility of certain interest expenses. In addition, a deferred tax asset relating to the unutilized interest expense deductions is included in the Company’s recognized temporary differences. The Company will continue to review the relevant legislation and available guidance to assess ongoing implications of the EIFEL Rules.

(d) International Tax Reform: Pillar Two Model Rules

The Company is within scope of Pillar Two legislation as the parent company of a multinational enterprises ("MNE") group, with revenue that may exceed the EUR 750 million threshold per its consolidated financial statements.

On June 19, 2024, Canadian Bill C-69, *Budget Implementation Act, 2024, No. 1*, became substantively enacted for financial reporting purposes. Among other measures, Bill C-69 includes Canada's Global Minimum Tax Act ("GMTA"). The GMTA implements into Canadian domestic law the global minimum tax under Pillar Two as developed by the Organisation for Economic Co-operation and Development ("OECD") / G20 Inclusive Framework on Base Erosion and Profit Shifting. More specifically, the GMTA implements the top-up tax, income inclusion rule and the domestic minimum top-up tax rules that form part of the Model Rules for the Global Minimum Tax (GloBE Rules) that were released by the OECD on December 20, 2021.

To date, the U.S. has not indicated its commitment to enact Pillar Two legislation. The Company and its subsidiaries continue to review the relevant legislation and available guidance to assess the full implications of the Pillar Two Model Rules. Based on an assessment of historic data and forecasts for the year ended December 31, 2024, the Company does not expect a material exposure to Pillar Two income taxes for the year ended December 31, 2024.

NOTE 22
NET INCOME PER COMMON SHARE

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Net income attributable to common shareholders	**$53,858**	$89,818	**$184,304**	$55,128
Weighted average number of common shares outstanding (000s) - basic and diluted	**10,813**	10,967	**10,813**	10,994
Net income per common share - basic and diluted	**$4.98**	$8.19	**$17.04**	$5.01

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

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Fair value loss (gain) on real estate properties, net	**($3,037)**	($43,877)	**$26,338**	($36,584)
Fair value gain on conversion option of MRG convertible debentures (Note 18)	**(975)**	(249)	**(1,127)**	(538)
Fair value loss (gain) on MRG units (Note 11)	**(11,515)**	(14,514)	**19,939**	19,540
Fair value loss on other real estate investment funds (Note 18)	**1,058**	1,225	**15,183**	11,148
Fair value loss on investment in marketable securities (Note 18)	**5,214**	6,649	**11,723**	15,302
Equity loss (income) from investments	**(459)**	1,346	**(1,491)**	175
Amortization of hotel properties and other	**2,997**	6,241	**5,664**	13,751
Amortization of deferred financing costs (Note 17)	**1,902**	2,100	**4,078**	4,265
Amortization of mark-to-market adjustments on mortgages, net (Note 17)	**(87)**	(467)	**(218)**	(963)
Amortization of tenant incentives	**628**	928	**1,207**	1,570
Stepped rent - adjustment for straight-line method	**950**	1,060	**2,074**	1,847
Deferred income taxes	**11,138**	17,303	**3,599**	42,985
Accretion of convertible debentures	**445**	201	**888**	401
Gain on sale of hotel properties (Note 5)	**—**	—	**(150,587)**	—
	$8,259	($22,054)	**($62,730)**	$72,899

(b) Net Change in Operating Assets and Liabilities

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Amounts receivable	**$2,812**	$5,811	**$9,049**	$15,477
Prepaid expenses and other	**2,513**	11,730	**(7,784)**	(9,617)
Accounts payable and accrued liabilities	**12,183**	6,556	**6,740**	2,706
Net change in operating assets and liabilities	**$17,508**	$24,097	**$8,005**	$8,566

(c) Supplemental Cash Flow Information

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Interest paid	**$51,821**	$57,109	**$120,505**	$115,470
Interest received	**2,161**	2,392	**4,322**	4,096
Income taxes paid (recovered)	**2,343**	1,075	**4,510**	(1,841)

During the three and six months ended June 30, 2024, the Company issued non-cash dividends under the distribution reinvestment plan of $6 (2023 - $6) and $12 (2023 - $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	Bank indebtedness	Total
Balance, beginning of period	**$4,680,092**	**$622,611**	**$140,775**	**$170,753**	**$191,369**	**$5,805,600**
Repayments	**(56,579)**	**—**	**—**	**(783)**	**(226,997)**	**(284,359)**
New financing, net	**391,915**	**—**	**—**	**—**	**50,270**	**442,185**
Lump-sum repayments	**(395,157)**	**(225,000)**	**—**	**—**	**—**	**(620,157)**
Non-cash changes	**2,720**	**519**	**382**	**—**	**—**	**3,621**
Foreign exchange	**61,469**	**—**	**—**	**557**	**—**	**62,026**
Balance, June 30, 2024	**$4,684,460**	**$398,130**	**$141,157**	**$170,527**	**$14,642**	**$5,408,916**

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, 2023 for an explanation of the Company's capital management policy.

The total managed capital for the Company as at June 30, 2024, and December 31, 2023, is summarized below:

As at	June 30, 2024	December 31, 2023
Mortgages payable, principal balance	**$4,712,423**	$4,704,260
Unsecured Debentures, principal balance	**400,000**	625,000
Convertible debentures, principal balance	**150,000**	150,000
Bank indebtedness	**14,642**	191,369
Lease liabilities	**170,527**	170,753
Shareholders' equity	**4,129,569**	3,887,550
	$9,577,161	$9,728,932

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, 2023 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, 2024, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at June 30, 2024, of the mortgages payable before deferred financing costs and mark-to-market adjustments is estimated at $4,479,477 (December 31, 2023 - $4,351,345), compared with the carrying value of $4,712,423 (December 31, 2023 - $4,704,260). 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, 2024, the fair value of the Unsecured Debentures has been estimated at $409,565 (December 31, 2023 - $628,660), compared with the carrying value of $400,000 (December 31, 2023 - $625,000).

The fair value of the convertible debentures liability is based on their market trading prices (Level 1). As at June 30, 2024, the fair value of the convertible debentures before deferred financing costs has been estimated at $143,780 (December 31, 2023 - $141,308), compared with the carrying value of $150,000 (December 31, 2023 - $150,000).

The fair value of the finance lease receivable is determined by discounting the cash flows of the finance lease receivable using June 30, 2024, market rates for debt on similar terms (Level 3). Based on these assumptions, as at June 30, 2024, the fair value of the finance lease receivable has been estimated at $59,109 (December 31, 2023 - $58,860).

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, 2024			December 31, 2023		
As at	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$10,654,852**	$—	$—	$10,618,962
Investments in marketable securities	**87,349**	**—**	**—**	97,881	—	—
Investments in real estate funds		**—**	**42,325**	—	—	56,524
Financial liabilities:						
Morguard Residential REIT units	**—**	**405,802**	**—**	—	393,695	—
Conversion option on MRG convertible debentures	**—**	**1,004**	**—**	—	2,131	—

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 12% 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, 2024	**Multi-suite Residential**	**Retail**	**Office**	**Hotel**	**Total**
Revenue from real estate/hotel properties	**$128,181**	**$63,119**	**$63,558**	**$8,826**	**$263,684**
Property/hotel operating expenses	**(42,473)**	**(28,153)**	**(29,215)**	**(5,964)**	**(105,805)**
Net operating income	**$85,708**	**$34,966**	**$34,343**	**$2,862**	**$157,879**

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 six months ended June 30, 2024	**Multi-suite Residential**	**Retail**	**Office**	**Hotel**	**Total**
Revenue from real estate/hotel properties	**$254,530**	**$127,695**	**$129,722**	**$19,263**	**$531,210**
Property/hotel operating expenses	**(135,604)**	**(66,496)**	**(60,885)**	**(15,598)**	**(278,583)**
Net operating income	**$118,926**	**$61,199**	**$68,837**	**$3,665**	**$252,627**

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

	Multi-suite Residential	Retail	Office	Hotel	Total
As at June 30, 2024					
Real estate/hotel properties	**$6,542,158**	**$2,176,192**	**$1,936,502**	**$86,430**	**$10,741,282**
Mortgages payable	**$2,790,130**	**$883,520**	**$983,168**	**$27,642**	**$4,684,460**
For the six months ended June 30, 2024					
Additions to real estate/hotel properties	**$29,462**	**$13,230**	**$21,159**	**$1,157**	**$65,008**
Fair value gain (loss) on real estate properties	**$87,179**	**($3,765)**	**($82,023)**	**$—**	**$1,391**

	Multi-suite Residential	Retail	Office	Hotel	Total
As at December 31, 2023					
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 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

(b) Regional Segments

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

As at	June 30, 2024	December 31, 2023
Real estate and hotel properties		
Canada	**$6,676,905**	$7,061,612
United States	**4,064,377**	3,899,454
	$10,741,282	$10,961,066

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Revenue from real estate and hotel properties				
Canada	**$168,865**	$198,654	**$342,693**	$388,414
United States	**94,819**	92,041	**188,517**	179,812
	$263,684	$290,695	**$531,210**	$568,226