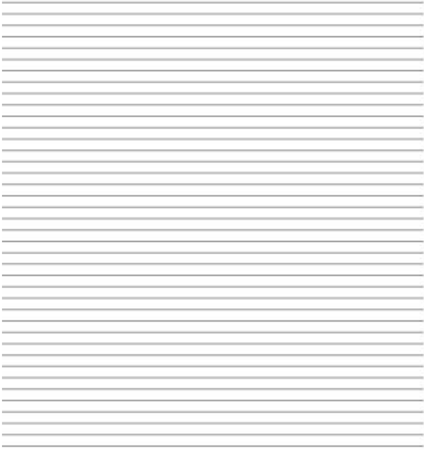
MORGUARD CORPORATION

DECEMBER 31, 2020

CONSOLIDATED FINANCIAL STATEMENTS



MANAGEMENT'S REPORT TO SHAREHOLDERS

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

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

As at December 31, 2020, the Chief Executive Officer and Chief Financial Officer evaluated, or caused the evaluation of under their direct supervision, the disclosure controls and procedures and the internal controls over financial reporting (as defined in Multilateral Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings)* and, based on that assessment, determined that the disclosure controls and procedures were designed and operating effectively and the internal controls over financial reporting were designed and operating effectively.

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

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

(Signed) "K. Rai Sahi"

K. Rai Sahi
Chief Executive Officer

(Signed) "Paul Miatello"

Paul Miatello
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Morguard Corporation

Opinion

We have audited the consolidated financial statements of Morguard Corporation (the "Company"), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of income/(loss), consolidated statements of comprehensive income/(loss), consolidated statements of shareholder's equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key Audit Matter	How our audit addressed the key audit matter
Valuation of real estate properties Morguard Corporation's investment property portfolio comprises income producing properties, properties under development and land held for development with a fair value of $9.7 billion which represents 88% of total assets at December 31, 2020. Fair value of real estate properties is based on external and internal valuations, carried out by third party and certified staff appraisers respectively, using recognized valuation techniques. The valuation methodology for these investment properties is primarily based on an income approach, utilizing the direct capitalization method and the discounted cash flow method. Recent real estate transactions with characteristics and locations similar to the Company's assets are also considered when developing the valuations. Note 2 of the consolidated financial statements describes the accounting policy for investment properties, including the valuation method and valuation inputs. Note 4 of the consolidated financial statements discloses the sensitivity of the fair value of investment properties to a change in capitalization rates. The valuation of the Company's investment property portfolio is a key audit matter given the inherently subjective nature of significant assumptions including discount rates, capitalization rates, terminal capitalization rates, and stabilized cash flows or stabilized net operating income, as applicable, which are based on vacancy and leasing assumptions. These assumptions are influenced by property-specific characteristics including location, type and quality of the properties and tenancy agreements.	With the assistance of our real estate valuation specialists, we evaluated the appropriateness of the underlying valuation methodology, and performed the following audit procedures, among others: • We assessed the competence and objectivity of management's valuation team, and any third-party appraisers engaged, by reviewing the qualifications and expertise of the individuals involved in the preparation and review of the valuations. • We selected a sample of properties where either the fair value change from prior year or significant assumptions fell outside our expectations, based on our understanding of the geographical real estate market for the specific asset type. For this sample of investment properties, we evaluated the significant assumptions, including discount rates, capitalization rates, terminal capitalization rates, and stabilized cash flows or stabilized net operating income, as applicable, which are based on vacancy and leasing assumptions, by comparison to the expected real estate market benchmark range for similar assets and tenancies, in similar locations. We also considered whether there were any additional asset-specific characteristics that may impact the significant assumptions utilized and that these were appropriately considered in the overall assessment of fair value. • We assessed the accuracy of management's historical fair value estimates through comparison to transactions to acquire and dispose of interests in investment properties completed by the Company during the year. • We evaluated the Company's critical accounting policies and related disclosures in the consolidated financial statements to assess appropriateness and conformity with IFRS.

Key Audit Matter	How our audit addressed the key audit matter
***De facto* Control of Morguard North American Residential Real Estate Investment Trust** As at December 31, 2020 the Company owns a 44.7% effective interest in Morguard North American Residential Real Estate Investment Trust (“MRG”) through its ownership of 7,944,166 Units and 17,223,090 Class B LP Units. The investment is consolidated on the basis of *de facto* control in accordance with IFRS 10. Note 2 of the consolidated financial statements describes the accounting policy in relation to consolidation and non-controlling interests. Note 3 of the consolidated financial statements details the *de facto* control considerations. The consolidation of the Company’s investment in MRG on the basis of *de facto* control is a key audit matter given the materiality of the investment and the judgment involved in the assessment of the *de facto* control conclusion. Management’s key considerations for concluding that the Company controls MRG include the significant interest the Company has in MRG’s voting rights, the wide ownership dispersion of the remaining units of MRG, the Company’s ability to nominate a minimum number of MRG’s trustees, the overlap in executive management of the Company and MRG, and that MRG is significantly dependent on the Company as a result of existing service agreements. Due to the judgement and subjectivity involved in this assessment, changes in the facts and circumstances could lead to the potential risk that the Company does not control MRG and, as a result, the financial statement presentation and disclosure of the Company’s investment in MRG would be materially impacted.	In order to assess the Company’s ability to direct the relevant activities of MRG, we performed the following audit procedures, among others: • We assessed the Company’s ownership and voting rights of MRG. • We assessed the Company’s ability to appoint or approve a minimum number of MRG’s trustees. • We considered MRG’s key management roles, including evaluating related party transactions. • We assessed existing service agreements for property management, asset management, debt financing and acquisitions to assess the significance of MRG’s dependency on the Company. • We reviewed the relevant notes to the year-end consolidated financial statements to assess whether the disclosures appropriately identify relevant judgments and assumptions made by management in concluding that they maintain *de facto* control over MRG.

Key Audit Matter	How our audit addressed the key audit matter
Impairment – Hotel Properties The carrying value of the Company's hotel properties is $545.0 million as at December 31, 2020. For the period ended December 31, 2020, the Company recorded an impairment charge of $37.0 million with respect to the hotel properties. Note 2 of the consolidated financial statements describes the Company's impairment of non-financial assets accounting policy. Note 5 of the consolidated financial statements details the Company's disclosure of hotel properties and associated impairment provisions and significant assumptions. The Company defines each hotel property as a Cash-generating unit ("CGU"). CGUs are assessed by management for indicators of impairment, or impairment reversal, at each reporting date. Impairment is determined by estimating a CGU's respective recoverable amount. The recoverable amount of a CGU is the greater of its value-in-use or fair value less costs of disposal. The impairment of hotel properties is a key audit matter as auditing the Company's estimated recoverable amounts was complex and involves a significant degree of management judgement in determining the key assumptions. Management considers both qualitative and quantitative factors when performing their assessment. The key inputs when determining the recoverable amount of each CGU were the discount rates, terminal capitalization rates, and future operating cash flows which includes average daily rates, growth rates, management fees, replacement reserve, capital expenditures and occupancy rates.	With the assistance of our valuation specialists, we evaluated the appropriateness of the underlying valuation methodology, and performed the following audit procedures, among others: • We understood management's application of key assumptions and assessed the underlying average daily rates and occupancy assumptions that management used in their impairment model by comparison to the expected real estate market benchmark range for hotel assets. Additionally, our valuation specialists utilized the direct comparison approach to assess the reasonableness of management's final value conclusions derived from their income approach. • We assessed the historical accuracy of management's estimates and projections by comparing them to actual and historical performance, investigated significant variances identified and considered the impact on the current year's impairment assessments, if any. • We assessed the related disclosures in the year-end consolidated financial statements for impairment to assess whether they are appropriate under IFRS.

Other information

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

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

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

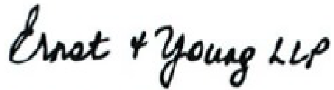
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of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

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

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

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

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



Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
February 25, 2021

BALANCE SHEETS

In thousands of Canadian dollars

As at December 31	Note	2020	2019
ASSETS			
Non-current assets			
Real estate properties	4	**$9,680,408**	$10,201,283
Hotel properties	5	**545,041**	628,783
Equity-accounted and other fund investments	7	**216,278**	248,665
Other assets	8	**338,126**	404,018
		10,779,853	11,482,749
Current assets			
Amounts receivable	9	**92,923**	78,071
Prepaid expenses and other		**37,824**	19,096
Cash		**142,088**	123,168
		272,835	220,335
		$11,052,688	$11,703,084
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable	10	**$3,789,034**	$3,781,668
Debentures payable	11	**902,464**	1,040,169
Lease liabilities	13	**162,456**	164,441
Morguard Residential REIT Units	12	**446,091**	516,462
Deferred income tax liabilities	22	**648,225**	733,786
		5,948,270	6,236,526
Current liabilities			
Mortgages payable	10	**480,340**	583,611
Debentures payable	11	**314,010**	199,778
Loans payable	21	**20,000**	33,679
Accounts payable and accrued liabilities	14	**220,568**	242,673
Bank indebtedness	15	**156,802**	101,100
		1,191,720	1,160,841
Total liabilities		**7,139,990**	7,397,367
EQUITY			
Shareholders' equity		**3,372,352**	3,548,906
Non-controlling interest		**540,346**	756,811
Total equity		**3,912,698**	4,305,717
		$11,052,688	$11,703,084

Contingencies 26

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

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

K. Rai Sahi,
Director

Bruce K. Robertson,
Director

STATEMENTS OF INCOME (LOSS)

In thousands of Canadian dollars, except per common share amounts

For the years ended December 31	Note	2020	2019
Revenue from real estate properties	17	**$888,324**	$872,223
Revenue from hotel properties	17	**98,046**	245,282
Property operating expenses			
Property operating costs	9(a), 9(b)	**(212,299)**	(186,656)
Utilities		**(56,603)**	(58,167)
Realty taxes		**(136,556)**	(126,773)
Hotel operating expenses	9(a)	**(89,669)**	(189,728)
Net operating income		**491,243**	556,181
OTHER REVENUE			
Management and advisory fees	17	**42,080**	52,401
Interest and other income		**15,739**	19,267
		57,819	71,668
EXPENSES			
Interest	18	**236,721**	230,895
Property management and corporate	16(c), 9(a)	**59,607**	94,129
Amortization of hotel properties and other		**35,295**	36,152
Provision for impairment	5	**37,041**	22,923
		368,664	384,099
OTHER INCOME (EXPENSE)			
Fair value gain (loss), net	19	**(493,945)**	7,731
Equity loss from investments	7	**(7,470)**	(28,825)
Other income	20	**1,233**	2,835
		(500,182)	(18,259)
Income (loss) before income taxes		**(319,784)**	225,491
Provision for (recovery of) income taxes	22		
Current		**8,260**	11,422
Deferred		**(77,994)**	25,273
		(69,734)	36,695
Net income (loss) for the year		**($250,050)**	$188,796
Net income (loss) attributable to:			
Common shareholders		**($98,918)**	$186,939
Non-controlling interest		**(151,132)**	1,857
		($250,050)	$188,796
Net income (loss) per common share attributable to:			
Common shareholders - basic and diluted	23	**($8.83)**	$16.57

See accompanying notes to the consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

In thousands of Canadian dollars

For the years ended December 31	Note	2020	2019
Net income (loss) for the year		**($250,050)**	$188,796
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified subsequently to net income (loss):			
Unrealized foreign currency translation loss		**(26,453)**	(77,743)
Deferred income tax recovery	22(b)	**75**	643
		(26,378)	(77,100)
Items that will not be reclassified subsequently to net income (loss):			
Actuarial gain (loss) on defined benefit pension plans	25	**(27,897)**	9,825
Deferred income tax recovery (provision)	22(b)	**7,369**	(2,472)
		(20,528)	7,353
Other comprehensive loss		**(46,906)**	(69,747)
Total comprehensive income (loss) for the year		**($296,956)**	$119,049
Total comprehensive income (loss) attributable to:			
Common shareholders		**($144,504)**	$121,489
Non-controlling interest		**(152,452)**	(2,440)
		($296,956)	$119,049

See accompanying notes to the consolidated financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Canadian dollars

	Note	Retained Earnings	Accumulated Other Comprehensive Income	Share Capital	Total Shareholders' Equity	Non-controlling Interest	Total
Shareholders' equity, January 1, 2019		$3,055,576	$273,354	$102,436	$3,431,366	$797,432	$4,228,798
Changes during the year:							
Net income		186,939	—	—	186,939	1,857	188,796
Other comprehensive loss		—	(65,450)	—	(65,450)	(4,297)	(69,747)
Dividends		(6,770)	—	—	(6,770)	—	(6,770)
Distributions		—	—	—	—	(28,029)	(28,029)
Issuance of common shares		—	—	90	90	—	90
Repurchase of common shares		(1,993)	—	(100)	(2,093)	—	(2,093)
Contribution from non-controlling interest		—	—	—	—	15,930	15,930
Increase in subsidiary ownership interest		—	—	—	—	(15,497)	(15,497)
Change in ownership of Temple Hotels Inc.		(2,498)	—	—	(2,498)	2,449	(49)
Change in ownership of Morguard REIT		6,418	—	—	6,418	(13,034)	(6,616)
Tax impact of increase in subsidiary ownership interest		904	—	—	904	—	904
Shareholders' equity, December 31, 2019		$3,238,576	$207,904	$102,426	$3,548,906	$756,811	$4,305,717
Changes during the year:							
Net loss		**(98,918)**	**—**	**—**	**(98,918)**	**(151,132)**	**(250,050)**
Other comprehensive loss		**—**	**(45,586)**	**—**	**(45,586)**	**(1,320)**	**(46,906)**
Dividends	16(a)	**(6,714)**	**—**	**—**	**(6,714)**	**—**	**(6,714)**
Distributions		**—**	**—**	**—**	**—**	**(18,102)**	**(18,102)**
Issuance of common shares	16(a)	**—**	**—**	**99**	**99**	**—**	**99**
Repurchase of common shares	16(a)	**(20,966)**	**—**	**(1,583)**	**(22,549)**	**—**	**(22,549)**
Change in ownership of Temple Hotels Inc.	16(b)	**(23,235)**	**—**	**—**	**(23,235)**	**(20,914)**	**(44,149)**
Change in ownership of Morguard REIT	16(b)	**24,044**	**—**	**—**	**24,044**	**(24,997)**	**(953)**
Tax impact of increase in subsidiary ownership interest	22(b)	**(3,695)**	**—**	**—**	**(3,695)**	**—**	**(3,695)**
Shareholders' equity, December 31, 2020		**$3,109,092**	**$162,318**	**$100,942**	**$3,372,352**	**$540,346**	**$3,912,698**

See accompanying notes to the consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

For the years ended December 31	Note	2020	2019
OPERATING ACTIVITIES			
Net income (loss) for the year		**($250,050)**	$188,796
Add items not affecting cash	24(a)	**478,413**	93,192
Distributions from equity-accounted and other fund investments	7	**34,364**	6,778
Additions to tenant incentives and leasing commissions	4	**(7,776)**	(7,521)
Net change in operating assets and liabilities	24(b)	**(43,014)**	1,169
Cash provided by operating activities		**211,937**	282,414
INVESTING ACTIVITIES			
Additions to real estate properties and tenant improvements	4	**(52,635)**	(391,302)
Additions to hotel properties	5	**(7,142)**	(17,876)
Additions to capital and intangible assets		**(2,141)**	(12,659)
Proceeds from the sale of real estate properties, net	4	**34,879**	64,653
Proceeds from the sale of hotel properties, net	5	**6,911**	1,849
Investment in properties under development	4	**(29,656)**	(50,045)
Investment in equity-accounted and other fund investments, net		**(18,308)**	(68,708)
Investment in marketable securities		**—**	(87,668)
Cash used in investing activities		**(68,092)**	(561,756)
FINANCING ACTIVITIES			
Proceeds from new mortgages		**446,157**	475,981
Financing costs on new mortgages		**(2,997)**	(3,275)
Repayment of mortgages			
Repayments on maturity		**(268,524)**	(308,293)
Repayments due to mortgage extinguishments		**(111,774)**	(62,967)
Principal instalment repayments		**(111,140)**	(110,771)
Principal payment of lease liabilities		**(1,722)**	(2,099)
Proceeds from bank indebtedness		**477,789**	380,344
Repayment of bank indebtedness		**(422,087)**	(504,404)
Proceeds from issuance of Morguard Residential REIT Units, net of cost	12	**—**	74,528
Proceeds from issuance of debentures payable, net of costs	11(a)	**174,303**	447,575
Redemption of debentures payable	11(a)	**(200,000)**	(39,636)
Repayment of loans payable, net		**(15,234)**	(22,784)
Dividends paid		**(6,615)**	(6,680)
Distributions to non-controlling interest, net		**(17,475)**	(11,170)
Common shares repurchased for cancellation	16(a)	**(22,549)**	(2,093)
Investment in subsidiaries	3,16(b)	**(45,102)**	(6,665)
Increase in subsidiary ownership interest		**—**	(8,014)
Decrease in restricted cash		**4,123**	4,936
Cash provided by (used in) financing activities		**(122,847)**	294,513
Net increase in cash during the year		**20,998**	15,171
Net effect of foreign currency translation on cash balance		**(2,078)**	(2,404)
Cash, beginning of year		**123,168**	110,401
Cash, end of year		**$142,088**	$123,168

See accompanying notes to the consolidated financial statements.

NOTES

For the years ended December 31, 2020 and 2019

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 corporation 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. The common shares of the Company trade on the Toronto Stock Exchange ("TSX") under the symbol "MRC." The Company owns a diverse portfolio of properties in Canada and the United States. The Company's head office is located at 55 City Centre Drive, Suite 1000, Mississauga, Ontario, L5B 1M3.

NOTE 2
STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements were approved and authorized for issue by the Board of Directors on February 25, 2021.

At this time, the duration and impact of the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19" is unknown as is the effectiveness of the government and central bank interventions. Any estimate of the length and severity of these measures are therefore subject to significant uncertainty and, accordingly, estimates of the extent to which the COVID-19 pandemic may, directly or indirectly, materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty. Management believes it is currently not possible to estimate the long-term impacts the outbreak of COVID-19 will have in determining estimates of fair market value for the Company's real estate properties, investments in joint arrangements and the valuation of financial instruments. In a long-term scenario, the significant assumptions used in the assessment of fair value and impairment, including estimates of future operating cash flows, the time period over which they will occur, an appropriate discount and capitalization rate and stabilized net operating income (which is primarily influenced by revenue growth, vacancy rates, inflation rates and operating costs), could potentially be impacted, which ultimately impact the underlying valuation of the Company's real estate properties and equity-accounted investments.

Basis of Presentation

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

Basis of Consolidation

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

Non-controlling Interests and MRG Convertible Debentures

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

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

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

Investments in Associates

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

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

Interests in Joint Arrangements

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

Lease Liabilities

The Company adopted IFRS 16, Leases ("IFRS 16") on January 1, 2019, using a modified retrospective approach. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

The adoption of IFRS 16 on January 1, 2019, resulted in the initial recognition of land and office right-of-use assets included in real estate properties ($153,610), hotel properties ($2,280) and other assets ($5,724) and their corresponding lease liabilities of $161,614 having a weighted average borrowing rate of 5.80%.

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

Right-of-use assets not meeting the definition of an investment property are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liability recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

The Company measures lease liabilities at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company applies the recognition exemptions for leases of low-value assets and short-term leases.

Real Estate Properties

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

Income Producing Properties

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

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

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

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

Properties Under Development

The cost of properties under development includes all expenditures incurred in connection with the acquisition, including all direct development costs, realty taxes and other costs to prepare it for its productive use and borrowing costs directly attributable to the development. Borrowing costs associated with direct expenditures on properties under development or redevelopment are capitalized. Borrowing costs are also capitalized on the purchase cost of a site or property acquired specifically for redevelopment in the short term if the activities necessary to prepare the asset for development or redevelopment are in progress. Borrowing costs are capitalized from the commencement of the development until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. The Company considers practical completion to have

occurred when the property is capable of operating in the manner intended by management. Generally, this consideration occurs on completion of construction and receipt of all necessary occupancy and other material permits. Where the Company has pre-leased space as of or prior to the start of the development and the lease requires the Company to construct tenant improvements that enhance the value of the property, practical completion is considered to occur on completion of such improvements.

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

Hotel Properties

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

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

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

Cash and Cash Equivalents

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

Goodwill

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

Capital Assets

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

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

Intangible Assets

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

Inventory - Land Held for Residential Development

Land for residential development properties that is acquired or improved for sale in the ordinary course of business is recorded at the lower of cost or estimated net realizable value and is classified in the consolidated balance sheets as residential inventory properties, which are included as part of “other assets” (Note 8). Costs are allocated to the saleable acreage of each project or subdivision in proportion to the anticipated revenue and include borrowing costs directly attributable to projects under active development. Residential developments are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may exceed net realizable value. An impairment loss is recognized in income when the carrying value of the land exceeds its net realizable value. Net realizable value represents the amount of estimated net sales proceeds, taking into account management’s assumptions and projections for the development of the property and market conditions.

Impairment of Non-financial Assets

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

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

Provisions

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

Financial Instruments

Recognition and Measurement of Financial Instruments

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

Expected Credit Loss

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

Under the simplified approach, consideration is given to factors such as credit risk characteristics and the days past due as well as current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the COVID-19 pandemic and government's response actions to be relevant factors in these assessments. As at December 31, 2020, the Company's ECL includes estimates of the uncertainty of the recoverability of tenant receivables, short-term rent deferrals, rent reductions provided to tenants related to past due rents, and all other receivable balances. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are reversed in the consolidated statements of income (loss).

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

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

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

Transaction Costs

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

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

Fair Value

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

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

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

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

Revenue Recognition

Revenue from Real Estate Properties

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

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

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

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

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

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

Revenue from Hotel Properties

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

Management and Advisory Fees

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

Fees for base property and asset management services, and project and development services are generally recognized as revenue over the period of performance of those services, when the property owners simultaneously receive and consume the benefits provided. The Company elects the practical expedient to recognize revenue based

on amounts invoiced to the customer, when this method of measuring progress best depicts the performance provided. Invoicing is based on contractual prices, which represent the standalone selling prices of specified promised services. Variable consideration depending on the occurrence of uncertain future events are estimated using the most likely amount method, based on all reasonably available information, and are, if need be, capped at the minimum amount considered as highly probable.

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

Government Grants

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

Income Taxes

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

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

Employee Future Benefits

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

Stock-Based Compensation

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

Income (Loss) Per Common Share

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

Foreign Exchange

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

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

	2020	2019
Canadian dollar to United States dollar exchange rates:		
- As at December 31	**$0.7854**	$0.7699
- Average for the year ended December 31	**0.7454**	0.7536
United States dollar to Canadian dollar exchange rates:		
- As at December 31	**1.2732**	1.2988
- Average for the year ended December 31	**1.3415**	1.3269

Reportable Operating Segments

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

Critical Judgments in Applying Accounting Policies

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

De Facto Control

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

Real Estate Properties

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

Joint Arrangements

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

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

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

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

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

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

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

NOTE 3
SUBSIDIARIES WITH NON-CONTROLLING INTEREST
Morguard North American Residential Real Estate Investment Trust ("Morguard Residential REIT" or "MRG")
As at December 31, 2020, the Company owned a 44.7% (2019 - 44.8%) effective interest in Morguard Residential REIT through its ownership of 7,944,166 Units and 17,223,090 Class B LP Units. The Company continues to consolidate its investment in Morguard Residential REIT on the basis of *de facto* control in accordance with IFRS 10, Consolidated Financial Statements ("IFRS 10"). The basis for concluding that the Company continues to control Morguard Residential REIT is as follows: (i) the Company holds a significant interest in Morguard Residential REIT's voting rights as at December 31, 2020; (ii) there is a wide dispersion of the public holdings of Morguard Residential REIT's remaining Units; (iii) the Company has the ability to nominate a minimum number of Morguard Residential REIT's trustees based on the Company's ownership interest; (iv) all of Morguard Residential REIT's senior management are employees of the Company; and (v) Morguard Residential REIT is significantly dependent on the Company as a result of existing service agreements that cover property management, asset management, debt financing and acquisitions.

During the year ended December 31, 2020, Morguard Residential REIT recorded distributions of $27,285, or $0.6996 per Unit (2019 - $24,527, or $0.6862 per Unit), of which $5,558 was paid to the Company (2019 - $4,919) and $21,727 was paid to the remaining Unitholders (2019 - $19,608). In addition, during the year ended December 31, 2020, Morguard Residential REIT paid distributions to the Company on the Class B LP Units of $12,049 (2019 - $11,756).

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

As at December 31, 2020, the Company owned 39,040,635 Units (2019 - 35,520,482 Units) of Morguard REIT, which represents a 60.9% (2019 - 58.5%) ownership interest.

During the year ended December 31, 2020, Morguard REIT recorded distributions of $39,612 or $0.64 per Unit (2019 - $58,283, or $0.96 per Unit), of which $23,468 (2019 - $33,750) was paid to or received through MRT’s distribution reinvestment program (“MRT DRIP”) by the Company and $16,144 was paid to the remaining Unitholders (2019 - $24,533).

Temple Hotels Inc. (“Temple”)

On December 19, 2019, the Company entered into a definitive agreement with Temple to acquire all of the outstanding common shares of Temple not currently owned by the Company. The transaction was effected by way of a court-approved plan of arrangement under the *Canada Business Corporations Act*. A meeting of Temple shareholders was held February 10, 2020, whereat Temple shareholders approved a special resolution approving the acquisition by the Company of all of the issued and outstanding common shares of Temple not already owned by the Company. The arrangement agreement was completed on February 18, 2020, and subsequently on February 19, 2020, Temple de-listed from the TSX.

As at December 31, 2019, the Company owned 54,492,911 common shares of Temple, which represented a 72.6% ownership interest.

The following summarizes the results of Morguard REIT, Morguard Residential REIT and Temple before any intercompany eliminations and the corresponding non-controlling interest in the equity of Morguard REIT, Morguard Residential REIT and Temple. The Units issued by Morguard Residential REIT that are not held by the Company are presented as equity on Morguard Residential REIT’s balance sheet, but are classified as a liability on the Company’s consolidated balance sheets (Note 12).

As at December 31	2020		2019		
	MRT	MRG	MRT	MRG	Temple
Non-current assets	**$2,519,270**	**$3,034,246**	$2,914,709	$2,979,179	$443,789
Current assets	**36,958**	**50,112**	21,127	54,248	20,681
Total assets	**$2,556,228**	**$3,084,358**	$2,935,836	$3,033,427	$464,470
Non-current liabilities	**$934,873**	**$1,580,870**	$1,093,403	$1,729,489	$128,844
Current liabilities	**471,904**	**155,869**	318,289	78,145	255,036
Total liabilities	**$1,406,777**	**$1,736,739**	$1,411,692	$1,807,634	$383,880
Equity	**$1,149,451**	**$1,347,619**	$1,524,144	$1,225,793	$80,590
Non-controlling interest	**$451,716**	**$744,559**	$634,841	$676,895	$22,056

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

For the years ended December 31		2020			2019
	MRT	MRG	MRT	MRG	Temple
Revenue	**$253,764**	**$248,683**	$273,074	$245,596	$155,756
Expenses	**(186,300)**	**(197,863)**	(178,268)	(198,366)	(192,558)
Fair value gain (loss) on real estate properties, net	**(419,766)**	**72,238**	(73,850)	55,977	—
Fair value gain (loss) on Class B LP Units	**—**	**43,747**	—	(23,079)	—
Net income (loss) for the year	**($352,302)**	**$166,805**	$20,956	$80,128	($36,802)
Non-controlling interest	**($142,371)**	**$92,160**	$9,009	$44,247	($11,014)

For the years ended December 31		2020			2019
	MRT	MRG	MRT	MRG	Temple
Cash provided by operating activities	**$46,919**	**$50,128**	$89,358	$62,483	$8,024
Cash used in investing activities	**(25,016)**	**(28,064)**	(36,419)	(67,831)	(4,571)
Cash provided by (used in) financing activities	**(19,039)**	**(11,572)**	(57,808)	6,072	(7,966)
Net increase (decrease) in cash during the year	**$2,864**	**$10,492**	($4,869)	$724	($4,513)

NOTE 4
REAL ESTATE PROPERTIES

Real estate properties consist of the following:

As at December 31	2020	2019
Income producing properties	**$9,568,219**	$10,074,175
Properties under development	**25,416**	43,650
Land held for development	**86,773**	83,458
	$9,680,408	$10,201,283

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

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

Transactions completed during the year ended December 31, 2020

Acquisitions

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

Dispositions

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

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

Reconciliation of the carrying amounts for real estate properties for the year ended December 31, 2019, is set out below:

	Income Producing Properties	Properties Under Development	Land Held for Development	Total
Balance as at December 31, 2018	$9,511,302	$56,717	$77,577	$9,645,596
Additions:				
Acquisitions	320,061	—	—	320,061
Capital expenditures	60,555	—	—	60,555
Development expenditures	—	49,891	154	50,045
Tenant improvements, incentives and leasing commissions	18,207	—	—	18,207
Transfers	61,948	(61,948)	—	—
Transfer from equity-accounted investment (Note 7(a))	172,597	—	—	172,597
Dispositions	(89,342)	—	(494)	(89,836)
Adoption of IFRS 16 (Note 2)	153,610	—	—	153,610
Fair value gain (loss), net	19,643	(61)	7,067	26,649
Foreign currency translation	(144,267)	(949)	(846)	(146,062)
Other	(10,139)	—	—	(10,139)
Balance as at December 31, 2019	$10,074,175	$43,650	$83,458	$10,201,283

Transactions completed during the year ended December 31, 2019

Acquisitions

The following table presents a summary of the Company's acquisitions and their purchase price, including transaction costs.

				At Ownership Interest		
Date of Acquisition	Ownership	Asset Type	Location	Apartment Suites	Commercial Square Feet	Purchase Price
May 22, 2019[(1)]	8.3%	Residential	Mississauga, ON	80	—	$—
July 24, 2019	100%	Office	Ottawa, ON	—	157,000	53,130
December 9, 2019	51%	Residential	Chicago, IL	352	—	180,237
December 19, 2019[(2)]	50%	Office	Mississauga, ON	—	398,500	86,694
				432	555,500	$320,061

(1) On May 22, 2019, the Company acquired partial interests in three multi-suite residential properties controlled by the Company located in Mississauga, Ontario, for gross proceeds of $15,628, including closing costs, and the Company assumed the partial interest of the mortgages secured by the properties amounting to $7,614.

(2) The total purchase price of the office acquisition is $96,138, including closing costs, of which $9,444 has been allocated to capital assets (Note 8) relating to owner occupied space, based on square feet.

Dispositions

The following table presents a summary of the Company's dispositions and their proceeds, including closing costs.

Date of Disposition	Ownership	Asset Type	Location	At Ownership Interest Apartment Suites	At Ownership Interest Commercial Square Feet	Proceeds	Net Proceeds[1]
February, 1, 2019	100%	Residential	Shreveport, LA	194	—	$13,510	$6,530
March 19, 2019	100%	Residential	Lafayette, LA	192	—	15,062	5,645
March 19, 2019	100%	Residential	New Iberia, LA	148	—	8,208	2,274
March 27, 2019	100%	Residential	Gretna, LA	261	—	22,601	11,270
April 30, 2019	100%	Residential	Harahan, LA	48	—	4,428	1,576
June 21, 2019	100%	Industrial	Victoriaville, QC	—	10,000	90	90
July 31, 2019	50%	Industrial	Salaberry-de-Valleyfield, QC	—	242,521	15,914	15,914
December 30, 2019	100%	Retail	Alexandria, LA	—	167,500	10,023	10,023
				843	420,021	$89,836	$53,322

[1] Net of mortgage repayment ($11,331) and mortgages assumed by the purchaser ($25,183).

Capitalization Rates

As at December 31, 2020, and 2019, the Company had its portfolio internally appraised. In addition, the Company's U.S. portfolio is appraised by independent U.S. real estate appraisal firms on a three-year cycle.

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

As at December 31, 2020, the duration and impact of the COVID-19 pandemic is unknown. The impact of COVID-19 on estimating fair values for the Company's properties at December 31, 2020, required judgment based on evolving facts and available information, particularly for the retail properties, which have experienced significantly lower collections and higher tenant failure rates. During the year ended December 31, 2020, the Company recorded a fair value loss relating to its retail properties of $477,299, predominantly due to an increase in capitalization rates at most of the Company's enclosed malls as well as assumptions on the collectibility of rental revenue as well as market rent and re-leasing assumptions. In addition, it is not possible to estimate the long-term impacts COVID-19 will have on the Company's valuation of income producing properties as the length and severity of these developments are subject to significant uncertainty.

As at December 31, 2020, using the direct capitalization approach, the multi-suite residential, retail, office and industrial properties were valued using capitalization rates in the range of 3.3% to 9.8% (2019 - 3.5% to 8.5%), resulting in an overall weighted average capitalization rate of 5.4% (2019 - 5.5%).

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

As at	December 31, 2020 Occupancy Rates		December 31, 2020 Capitalization Rates			December 31, 2019 Occupancy Rates		December 31, 2019 Capitalization Rates		
	Max.	Min.	Max.	Min.	Weighted Average	Max.	Min.	Max.	Min.	Weighted Average
Multi-suite residential	**98.0%**	**92.0%**	**6.8%**	**3.3%**	**4.3%**	98.0%	92.0%	6.8%	3.5%	4.5%
Retail	**99.0%**	**85.0%**	**9.8%**	**5.3%**	**6.9%**	100.0%	85.0%	8.5%	5.3%	6.5%
Office	**100.0%**	**90.0%**	**8.5%**	**4.3%**	**6.2%**	100.0%	90.0%	8.5%	4.3%	6.1%
Industrial	**100.0%**	**95.0%**	**6.8%**	**4.8%**	**5.3%**	100.0%	95.0%	6.8%	5.0%	5.2%

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

As at	December 31, 2020			December 31, 2019		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
Retail						
Discount rate	**10.5%**	**6.0%**	**7.3%**	9.3%	6.0%	7.0%
Terminal cap rate	**9.5%**	**5.3%**	**6.2%**	8.5%	5.3%	5.9%
Office						
Discount rate	**8.0%**	**5.3%**	**6.4%**	8.0%	5.3%	6.5%
Terminal cap rate	**7.5%**	**4.3%**	**5.7%**	7.3%	4.3%	5.7%
Industrial						
Discount rate	**6.5%**	**6.0%**	**6.1%**	6.5%	6.0%	6.1%
Terminal cap rate	**6.0%**	**5.0%**	**5.4%**	6.0%	5.0%	5.4%

Fair values are most sensitive to changes in discount rates, capitalization rates and stabilized or forecast net operating income. Generally, an increase in stabilized net operating income will result in an increase in the fair value of the income producing properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in stabilized net operating income, with a lower capitalization rate resulting in a greater impact on the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rates were to increase or decrease by 25 basis points (assuming no change in stabilized net operating income), the value of the income producing properties as at December 31, 2020, would decrease by $420,593 and increase by $463,702, respectively.

The sensitivity of the fair values of the Company's income producing properties as at December 31, 2020, and 2019, is set out in the table below:

As at	December 31, 2020		December 31, 2019	
Change in capitalization rate:	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Multi-suite residential	**($255,541)**	**$285,352**	($246,954)	$275,369
Retail	**(70,078)**	**75,329**	(89,687)	96,807
Office	**(88,986)**	**96,443**	(89,194)	96,766
Industrial	**(5,988)**	**6,578**	(6,944)	7,649
	($420,593)	**$463,702**	($432,779)	$476,591

NOTE 5

HOTEL PROPERTIES

Hotel properties consist of the following:

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

As at December 31, 2019	Cost	Accumulated Impairment Provision	Accumulated Amortization	Net Book Value
Land	$97,111	($2,407)	$—	$94,704
Buildings	591,227	(67,524)	(47,343)	476,360
Furniture, fixtures, equipment and other	110,904	(7,250)	(47,473)	56,181
Right-of-use asset - land lease	1,596	—	(58)	1,538
	$800,838	($77,181)	($94,874)	$628,783

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

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

Transactions in hotel properties for the year ended December 31, 2019, are summarized as follows:

As at December 31, 2019	Opening Net Book Value	Adoption of IFRS 16 (Note 2)	Additions	Impairment Provision	Dispositions	Amortization	Closing Net Book Value
Land	$94,704	$—	$—	$—	$—	$—	$94,704
Buildings	510,077	—	5,834	(21,142)	(4,982)	(13,427)	476,360
Furniture, fixtures, equipment and other	61,297	—	12,042	(1,781)	(960)	(14,417)	56,181
Right-of-use asset - land lease	—	2,280	—	—	(684)	(58)	1,538
	$666,078	$2,280	$17,876	($22,923)	($6,626)	($27,902)	$628,783

Transactions completed during the year ended December 31, 2020

Dispositions

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

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

Impairment Provision

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

During the year ended December 31, 2020, impairment indicators were identified including interruptions to business operations at certain hotel properties resulting from emergency measures enacted to combat COVID-19. Since March 2020, at the onset of the outbreak of the COVID-19 pandemic, 21 of the Company’s hotel properties were subject to temporary closure of which three remain closed. A recoverability analysis was completed in accordance with the procedures specified by IFRS, which indicated that an impairment provision of $37,041 should be recorded. The tables below provide details of first year net operating income (loss) and the discount rates used for valuing the hotel properties.

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

During the year ended December 31, 2019, impairment indicators were identified including decreases in occupancy at certain hotel properties. A recoverability analysis was completed in accordance with the procedures specified by IFRS, which indicated that an impairment provision of $22,923 should be recorded. The table below provides details of first year net operating income and the discount rates used for valuing the hotel properties.

	Alberta	Saskatchewan
Recoverable amount	$49,090	$8,900
Impairment provision	$19,648	$3,275
Cumulative impairment provision	$30,477	$7,207
Projected first year net operating income	$947	$125
Discount rate (range)	9.3% - 12.0%	9.5%

NOTE 6

CO-OWNERSHIP INTERESTS

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

The following are the Company's significant co-ownerships as at December 31, 2020, and 2019:

			Company's Ownership	
Jointly Controlled Asset	**Location**	**Asset Type**	**December 31, 2020**	December 31, 2019
Bramalea City Centre	Brampton, ON	Retail	**20.7%**	20.7%
Woodbridge Square	Woodbridge, ON	Retail	**50.0%**	50.0%
77 Bloor Street West	Toronto, ON	Office	**50.0%**	50.0%
65 Overlea Boulevard	Toronto, ON	Office	**95.0%**	95.0%
2920 Matheson Boulevard	Mississauga, ON	Office	**50.0%**	50.0%
Performance Court	Ottawa, ON	Office	**50.0%**	50.0%
Standard Life Centre	Ottawa, ON	Office	**50.0%**	50.0%
Heritage Place	Ottawa, ON	Office	**50.0%**	50.0%
Jean Edmonds Towers	Ottawa, ON	Office	**49.9%**	49.9%
Scotia Place	Edmonton, AB	Office	**20.0%**	20.0%
505 Third Street	Calgary, AB	Office	**50.0%**	50.0%
945 Wilson[1]	Toronto, ON	Industrial	**44.8%**	32.0%
7474 McLean Road[2]	Puslinch, ON	Industrial	—	50.0%
Toronto Airport Marriott	Toronto, ON	Hotel	**94.8%**	94.8%

[1] On September 11, 2020, the Company acquired an additional 12.8% interest in the co-ownership.
[2] On March 25, 2020, the Company sold its 50% co-ownership interest (Note 4).

The following amounts included in these consolidated financial statements represent the Company's proportionate share of the assets and liabilities of the Company's co-ownership interests as at December 31, 2020, and 2019, and the results of operations for the years ended December 31, 2020, and 2019:

As at December 31	**2020**	2019
Assets	**$844,201**	$918,622
Liabilities	**$354,376**	$257,658

For the years ended December 31	2020	2019
Revenues	**$79,101**	$115,054
Expenses	**(60,486)**	(76,635)
Income before fair value adjustments	**18,615**	38,419
Fair value income (loss) on real estate properties	**(51,673)**	8,446
Net income (loss)	**($33,058)**	$46,865

NOTE 7

EQUITY-ACCOUNTED AND OTHER FUND INVESTMENTS

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

As at December 31	2020	2019
Joint ventures	**$44,474**	$53,118
Associates	**83,105**	85,835
Equity-accounted investments	**127,579**	138,953
Other real estate fund investments	**88,699**	109,712
Equity-accounted and other fund investments	**$216,278**	$248,665

The following are the Company's significant equity-accounted investments as at December 31, 2020, and 2019:

				Company's Ownership		Carrying Value	
Property/Investment	Principal Place of Business	Investment Type	Asset Type	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Petroleum Plaza	Edmonton, AB	Joint Venture	Office	**50.0%**	50.0%	**$20,496**	$23,705
Quinte Courthouse	Belleville, ON	Joint Venture	Office	**50.0%**	50.0%	**2,896**	2,994
Greypoint Capital L.P.[1]	Toronto, ON	Joint Venture	Other	**22.4%**	22.6%	**10,064**	12,028
Courtyard by Marriott	Ottawa, ON	Joint Venture	Hotel	**50.0%**	50.0%	**7,295**	9,595
Marriott Residence Inn	London, ON	Joint Venture	Hotel	**50.0%**	50.0%	**3,723**	4,796
Sunset & Gordon	Los Angeles, CA	Associate	Residential	**59.1%**	59.1%	**64,180**	63,803
MIL Industrial Fund II LP[2][3]	Various	Associate	Industrial	**18.8%**	18.8%	**18,925**	22,032
						$127,579	$138,953

(1) Comprises an investment in Greypoint Capital L.P. of 36.4% and Greypoint Capital L.P. II of 17.1%.
(2) The Company accounts for its investment using the equity method since the Company has the ability to exercise significant influence as a result of its role as general partner; however, it does not control the fund.
(3) The fund disposed of its 50% interest in one industrial property on March 25, 2020, for net proceeds of $28,079.

Equity-accounted investments

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

As at December 31	2020	2019
Balance, beginning of year	**$138,953**	$177,480
Additions	**15,532**	64,914
Transfer[1]	**—**	(63,504)
Share of net loss	**(7,470)**	(28,825)
Distributions received	**(18,115)**	(6,778)
Foreign exchange loss	**(1,321)**	(4,334)
Balance, end of year	**$127,579**	$138,953

(1) The Company acquired the 51% interest not already owned in the Marquee at Block 37 on December 9, 2019, at which point the carrying value of the 49% interest was transferred to each respective balance sheet line item including: income producing properties $172,597 (Note 4) and mortgages payable $109,189.

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

As at December 31			2020			2019
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Non-current assets	**$174,935**	**$352,959**	**$527,894**	$193,504	$354,148	$547,652
Current assets	**59,828**	**9,491**	**69,319**	63,988	12,237	76,225
Total assets	**$234,763**	**$362,450**	**$597,213**	$257,492	$366,385	$623,877
Non-current liabilities	**$111,007**	**$42,984**	**$153,991**	$64,007	$32,584	$96,591
Current liabilities	**4,261**	**111,687**	**115,948**	56,967	108,861	165,828
Total liabilities	**$115,268**	**$154,671**	**$269,939**	$120,974	$141,445	$262,419
Net assets	**$119,495**	**$207,779**	**$327,274**	$136,518	$224,940	$361,458
Equity-accounted investments	**$44,474**	**$83,105**	**$127,579**	$53,118	$85,835	$138,953

For the years ended December 31			2020			2019
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Revenue	**$29,454**	**$9,254**	**$38,708**	$35,352	$43,905	$79,257
Expenses	**(24,834)**	**(4,958)**	**(29,792)**	(26,917)	(41,043)	(67,960)
Fair value gain (loss) on real estate properties, net	**(9,236)**	**13,628**	**4,392**	(12,368)	(65,427)	(77,795)
Net income (loss) for the year	**($4,616)**	**$17,924**	**$13,308**	($3,933)	($62,565)	($66,498)
Income (loss) in equity-accounted investments	**($3,904)**	**($3,566)**	**($7,470)**	($2,708)	($26,117)	($28,825)

(b) Income Recognized from Other Fund Investments:

Other Real Estate Fund Investments

For the years ended December 31	2020	2019
Distribution income	**$333**	$2,920
Fair value gain (loss) for the year (Note 19)	**(5,398)**	7,086
Income (loss) from other real estate fund investments	**($5,065)**	$10,006

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

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

The underlying assets are appraised using a number of approaches that principally include a discounted cash flow analysis or a direct capitalization of income method. Using the direct capitalization approach, fund properties were valued using capitalization rates in the range of 5.0% to 5.3% (2019 - 4.3% to 5.3%), resulting in an overall weighted average capitalization rate of 5.1% (2019 - 4.5%). Under the discounted cash flow method, fund properties were valued using discount rates in the range of 6.1% to 7.6% (2019 - 6.1% to 7.2%), resulting in an overall weighted average discount rate of 6.8% (2019 - 6.7%) and terminal cap rates in the range of 4.6% to 5.9% (2019 - 4.9% to 5.9%), resulting in an overall weighted average terminal cap rate of 5.3% (2019 - 5.4%).

NOTE 8
OTHER ASSETS

Other assets consist of the following:

As at December 31	2020	2019
Investment in marketable securities	**$115,823**	$142,911
Finance lease receivable	**57,185**	56,574
Accrued pension benefit asset (Note 25)	**55,186**	83,554
Intangible assets, net	**32,195**	36,501
Restricted cash	**26,159**	30,449
Goodwill	**24,488**	24,488
Capital assets, net	**19,626**	20,435
Inventory	**2,922**	3,467
Right-of-use asset - office lease	**1,926**	2,603
Other	**2,616**	3,036
	$338,126	$404,018

Finance Lease Receivable

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

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

As at December 31	2020	2019
Within 12 months	**$3,322**	$3,256
2 to 5 years	**17,631**	17,285
Over 5 years	**164,264**	167,932
Total minimum lease payments	**185,217**	188,473
Less: Future finance income	**(128,032)**	(131,899)
Present value of minimum lease payments	**$57,185**	$56,574

NOTE 9
AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

As at December 31	2020	2019
Tenant receivables	**$48,951**	$17,487
Unbilled other tenant receivables	**10,399**	12,639
Receivables from related parties (Note 21(c))	**5,502**	5,504
Income taxes receivable	**8,131**	8,120
Other receivables	**30,705**	37,040
Allowance for expected credit loss	**(16,702)**	(2,719)
	86,986	78,071
Canada Emergency Wage Subsidy ("CEWS")	**5,937**	—
	$92,923	$78,071

Government grants

(a) Canada Emergency Wage Subsidy

On April 11, 2020, the Canada Emergency Wage Subsidy was enacted, which provides a subsidy for each employee employed between March 15 to June 6, 2020. Subsequently, the Government of Canada extended CEWS to June 2021. The subsidy for the claim periods ending on July 4, 2020 is equal to 75% of an employee's weekly remuneration, up to a maximum of $847 (in actual dollars) per week per employee and the subsidy rate varies,

depending on the decline in revenue for subsequent claim periods. A company, or a group of companies under common control, will become eligible for the program if they've experienced a reduction in revenue during the qualification period.

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

For the year ended December 31, 2020, the Company recorded $24,503 as a deduction of the related expense, of which $2,339, $14,079 and $8,085 are a deduction of property operating costs, hotel operating expenses and property management and corporate expenses, respectively.

(b) Canada Emergency Commercial Rent Assistance

The Government of Canada has partnered with the provincial governments to deliver the CECRA program. The program is intended to provide relief for small businesses and commercial landlords who are experiencing financial difficulties during the COVID-19 pandemic.

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

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

For the years ended December 31	2020	2019
Total CECRA applications	**$15,150**	$—
Government of Canada loan forgiveness	**(10,100)**	—
Landlord portion, net bad debt expense	**$5,050**	$—

NOTE 10
MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at December 31	2020	2019
Mortgages payable	**$4,282,087**	$4,375,947
Mark-to-market adjustments, net	**7,396**	11,948
Deferred financing costs	**(20,109)**	(22,616)
	$4,269,374	$4,365,279
Current	**$480,340**	$583,611
Non-current	**3,789,034**	3,781,668
	$4,269,374	$4,365,279
Range of interest rates	**2.03 - 7.08%**	2.25 - 8.95%
Weighted average contractual interest rate	**3.58%**	3.80%
Estimated fair value of mortgages payable	**$4,552,081**	$4,406,348

As at December 31, 2020, approximately 91% of the Company's real estate and hotel properties, and related rental revenue, have been pledged as collateral for the mortgages payable.

The aggregate principal repayments and balances maturing of the mortgages payable as at December 31, 2020, 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
2021	$114,834	$481,640	$596,474	4.21%
2022	110,914	396,008	506,922	3.52%
2023	88,802	635,657	724,459	3.57%
2024	75,806	394,970	470,776	3.60%
2025	60,955	393,586	454,541	3.30%
Thereafter	159,728	1,369,187	1,528,915	3.49%
	$611,039	$3,671,048	$4,282,087	3.58%

The Company's first mortgages are registered against specific real estate assets and hotel properties. As at December 31, 2020, mortgages payable mature between 2021 and 2058 and have a weighted average term to maturity of 4.8 years (2019 - 5.1 years) and approximately 98% of the Company's mortgages have fixed interest rates.

Some of the Company's mortgages payable require it to maintain annual debt service coverage ratios and/or debt to equity ratios and/or debt to appraised value ratios and arrange for capital expenditures in accordance with predetermined limits. As at December 31, 2020, the Company was not in compliance with three (2019 - four) debt ratio covenants affecting four (2019 - five) mortgage loans, all of which are secured by hotel properties amounting to $102,081 (2019 - $80,877). None of the lenders have demanded payment of the mortgage loans. However, IFRS requires that the loan balance of mortgages payable in breach of debt covenants be included in the current portion of mortgages payable. As a result, the current portion of debt includes $45,073 scheduled to retire after December 31, 2021.

NOTE 11

DEBENTURES PAYABLE

The Company's debentures consist of the following:

As at December 31	2020	2019
Unsecured debentures	**$1,022,152**	$1,046,444
Convertible debentures	**194,322**	193,503
	$1,216,474	$1,239,947
Current	**$314,010**	$199,778
Non-current	**902,464**	1,040,169
	$1,216,474	$1,239,947

(a) Unsecured debentures

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

As at December 31	Maturity Date	Coupon Interest Rate	2020	2019
Series B senior unsecured debentures	November 18, 2020	4.013%	**$—**	$200,000
Series C senior unsecured debentures	September 15, 2022	4.333%	**200,000**	200,000
Series D senior unsecured debentures	May 14, 2021	4.085%	**200,000**	200,000
Series E senior unsecured debentures	January 25, 2024	4.715%	**225,000**	225,000
Series F senior unsecured debentures	November 27, 2024	4.204%	**225,000**	225,000
Series G senior unsecured debentures	September 28, 2023	4.402%	**175,000**	—
Unamortized financing costs			**(2,848)**	(3,556)
			$1,022,152	$1,046,444
Current			**$199,853**	$199,778
Non-current			**822,299**	846,666
			$1,022,152	$1,046,444

On November 18, 2016, the Company issued $200,000 (net proceeds including issuance costs - $199,198) of Series B senior unsecured debentures due on November 18, 2020. Interest on the Series B senior unsecured debentures is payable semi-annually, not in advance, on May 18 and November 18 of each year. On November 18, 2020, the Series B unsecured debentures were fully repaid on maturity.

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

On May 14, 2018, the Company issued $200,000 (net proceeds including issuance costs - $198,805) of Series D senior unsecured debentures due on May 14, 2021. Interest on the Series D senior unsecured debentures is payable semi-annually, not in advance, on May 14 and November 14 of each year. The Company has the option to redeem the Series D senior unsecured debentures at a redemption price equal to the greater of the Canada Yield Price or par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada Bond Yield with an equal term to maturity plus a spread of 0.50%.

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

On November 27, 2019, the Company issued $225,000 (net proceeds including issuance costs - $224,000) of Series F senior unsecured debentures due on November 27, 2024. Interest on the Series F senior unsecured debentures is payable semi-annually, not in advance, on May 27 and November 27 of each year, commencing on May 27, 2020. The Company has the option to redeem the Series F senior unsecured debentures at a redemption price equal to the greater of the Canada Yield Price or par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada Bond Yield with an equal term to maturity plus a spread of 0.675%.

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

For the year ended December 31, 2020, interest on the Unsecured Debentures of $45,964 (2019 - $35,651) is included in interest expense (Note 18).

(b) Convertible debentures

Convertible debentures consist of the following:

As at December 31	Maturity Date	Conversion Price	Coupon Interest Rate	Principal Balance	Principal Owned by the Company	2020	2019
Morguard REIT	December 31, 2021	$20.40	4.50%	$175,000	$60,000	**$114,157**	$112,105
Morguard Residential REIT[(1)]	March 31, 2023	$20.20	4.50%	$85,500	$5,000	**80,165**	81,398
						$194,322	$193,503
Current						**$114,157**	$—
Non-current						**80,165**	193,503
						$194,322	$193,503

[(1)] As at December 31, 2020, the liability includes the fair value of the conversion option of $1,577 (2019 - $3,472).

Morguard REIT

On December 30, 2016, Morguard REIT issued $175,000 principal amount of 4.50% convertible unsecured subordinated debentures, and incurred issue costs of $5,137 for net proceeds of $169,863. Interest is payable semi-annually, not in advance, on June 30 and December 31 of each year. The convertible debentures, with the exception of $3,242, the value assigned to the holder's conversion option, have been recorded as debt on the consolidated balance sheets. Morguard owns $60,000 aggregate principal amount of the 4.50% convertible unsecured subordinated debentures.

Morguard Residential REIT

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

For the year ended December 31, 2020, interest on convertible debentures net of accretion of $9,797 (2019 - $12,089) is included in interest expense (Note 18).

NOTE 12

MORGUARD RESIDENTIAL REIT UNITS

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

On August 28, 2019, Morguard Residential REIT completed an offering for 5,226,200 Units sold for a price of $19.75 per Unit for aggregate gross proceeds of $103,217. The net proceeds after underwriters' commission and other closing costs totalling $3,626, were $99,591. The Company purchased 1,269,000 of the Units offered amounting to $25,063.

As at December 31, 2020, the Company valued the non-controlling interest in the Morguard Residential REIT Units at $446,091 (2019 - $516,462) and classified the Units as a liability on the consolidated balance sheets. Due to the change in the market value of the Units and the distributions paid to external Unitholders, the Company recorded a fair value gain for the year ended December 31, 2020 of $49,269 (2019 - loss of $43,497), in the consolidated statements of income (loss) (Note 19).

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

For the years ended December 31	2020	2019
Fair value gain (loss) on Morguard Residential REIT Units	**$70,996**	($23,889)
Distributions to external Unitholders (Note 3)	**(21,727)**	(19,608)
Fair value gain (loss) on Morguard Residential REIT Units	**$49,269**	($43,497)

NOTE 13
LEASE LIABILITIES

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

As at December 31	2020	2019
Balance, beginning of year	**$166,144**	$9,754
Adoption of IFRS 16	**—**	161,614
Interest on lease liabilities (Note 18)	**9,440**	9,679
Payments	**(11,162)**	(11,778)
Additions	**—**	725
Dispositions	**—**	(684)
Extinguishment[1]	**—**	(2,664)
Foreign exchange gain	**(167)**	(502)
Balance, end of year	**$164,255**	$166,144
Current (Note 14)	**1,799**	1,703
Non-current	**162,456**	164,441
	$164,255	$166,144
Weighted average borrowing rate	**5.72%**	5.72%

[1] On December 19, 2019, the Company acquired the remaining 50% interest in the underlying property where the Company has an office lease (Note 4). Since the property is now 100% owned, the lease liability and right-of-use asset (office lease) relating to the 50% interest previously not owned by the Company have been extinguished.

Future minimum lease payments under lease liabilities are as follows:

As at December 31	2020	2019
Within 12 months	**$11,120**	$11,127
2 to 5 years	**42,585**	43,335
Over 5 years	**353,577**	364,195
Total minimum lease payments	**$407,282**	$418,657
Less: future interest costs	**(243,027)**	(252,513)
Present value of minimum lease payments	**$164,255**	$166,144

NOTE 14
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at December 31	2020	2019
Accounts payable and accrued liabilities	**$178,828**	$185,904
Tenant deposits	**27,931**	27,850
SARs liability	**10,779**	24,525
Lease liability (Note 13)	**1,799**	1,703
Other	**1,231**	2,691
	$220,568	$242,673

NOTE 15
BANK INDEBTEDNESS

As at December 31, 2020, the Company has operating lines of credit totalling $593,500 (2019 - $374,000), the majority of which can be borrowed in either Canadian or United States dollars and are subject to floating interest rates based on bankers' acceptance or LIBOR rates. As at December 31, 2020, the maximum amount that can be borrowed on the operating lines of credit is $578,554 (2019 - $356,169), which includes deducting issued letters of credit in the amount of $8,742 (2019 - $13,790) related to these facilities. The Company's investments in Morguard REIT and Morguard Residential REIT, marketable securities, amounts receivable, inventory, capital assets and a fixed-charge security on specific properties have been pledged as collateral on these operating lines of credit. As at December 31, 2020, the Company had borrowed $156,802 (2019 - $101,100) on its operating lines of credit.

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

The bank credit agreements include certain restrictive undertakings by the Company. As at December 31, 2020, other than as described above, the Company is in compliance with all undertakings.

NOTE 16
SHAREHOLDERS' EQUITY

(a) Share Capital Authorized

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

Issued and Fully Paid Common Shares	Number (000s)	Amount
Balance, December 31, 2018	11,294	$102,436
Common shares repurchased through the Company's NCIB	(11)	(100)
Dividend reinvestment plan	—	90
Balance, December 31, 2019	11,283	$102,426
Common shares repurchased through the Company's NCIB	**(174)**	**(1,583)**
Dividend reinvestment plan	**—**	**99**
Balance, December 31, 2020	**11,109**	**$100,942**

The Company had the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 564,117 common shares. The program expired on September 21, 2020. On September 17, 2020, the Company obtained the approval of the TSX under its NCIB to purchase up to 557,812 common shares, being approximately 5% of the issued and outstanding common shares, and the program expires on September 21, 2021. The daily repurchase restriction for the common shares is 1,000. During the year ended December 31, 2020, 174,331 common shares were purchased for cash consideration of $22,549 at a weighted average price of $129.35 per common share.

Total dividends declared during the year ended December 31, 2020, amounted to $6,714, or $0.60 per common share (2019 - $6,770, or $0.60 per common share). On February 25, 2021, the Company declared a common share dividend of $0.15 per common share to be paid in the first quarter of 2021.

(b) Contributed Surplus

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

During the year ended December 31, 2019, Temple issued 50,044,658 common shares through two rights offerings in aggregate amounting to net proceeds of $80,902, of which the Company acquired 39,807,004 common shares of Temple for cash consideration of $64,972. The non-controlling interest share relating to Temple's rights offerings, net of transaction costs, amounted to $15,930. The difference between the cash consideration and the carrying value of the non-controlling interest share amounted to $2,498 and the amount has been recorded within retained earnings.

During the year ended December 31, 2019, Temple purchased for cancellation 27,722 common shares for cash consideration of $49 and the amount has been recorded within retained earnings.

During the year ended December 31, 2020, the Company acquired 3,520,153 Units of Morguard REIT (2019 - nil Units) under its distribution reinvestment program for non-cash consideration of $17,784 (2019 - $nil). The difference between the non-cash consideration and the carrying value of the non-controlling interest acquired for the year ended December 31, 2020, amounted to $24,044 (2019 - $nil) and the amount has been recorded within retained earnings.

During the year ended December 31, 2020, Morguard REIT acquired 197,300 Units (2019 - nil Units) for cash consideration of $953 (2019 - $nil) and the amount has been recorded within retained earnings.

During the year ended December 31, 2020, the Company acquired nil Units of Morguard REIT (2019 – 563,441 Units) for cash consideration of $nil (2019 - $6,616). The difference between the cash consideration and the carrying value of the non-controlling interest acquired for the year ended December 31, 2020 amounted to $nil (2019 - $6,418) and the amount has been recorded within retained earnings.

(c) Stock Appreciation Rights Plan

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

As at December 31, 2020					
Date of Grant	Exercise Price	Issued	Redeemed	Cancelled	Outstanding
March 20, 2008	$30.74	200,000	(66,000)	(61,500)	72,500
November 2, 2010	$43.39	55,000	(6,500)	(8,500)	40,000
May 13, 2014	$137.90	25,000	(2,000)	(8,000)	15,000
May 13, 2015	$153.82	10,000	—	—	10,000
January 11, 2017	$179.95	90,000	(1,500)	(3,500)	85,000
May 18, 2018	$163.59	125,000	—	—	125,000
August 8, 2018	$168.00	20,000	—	—	20,000
November 8, 2018	$184.00	10,000	—	—	10,000
Total		**535,000**	**(76,000)**	**(81,500)**	**377,500**

During the year ended December 31, 2020, the Company recorded a fair value adjustment to reduce compensation expense of $12,161 (2019 - increase in compensation expense of $4,598). The fair value adjustment is included in property management and corporate expenses in the consolidated statements of income (loss), and the liability is classified as accounts payable and accrued liabilities (Note 14).

The fair value for the SARs was calculated using the Black-Scholes option pricing model. In determining the fair value of the SARs, management is required to make assumptions that could have a material impact on the valuation. The following are the assumptions that were used in determining the fair value as at December 31, 2020: a dividend yield of 0.52% (2019 - 0.30%), expected volatility of approximately 30.13% (2019 - 21.91%) and the 10-year Bank of Canada Bond Yield of 0.70% (2019 - 1.61%).

(d) Accumulated Other Comprehensive Income

As at December 31, 2020, and 2019, accumulated other comprehensive income consists of the following amounts:

As at December 31	2020	2019
Actuarial gain on defined benefit pension plans	**$28,882**	$49,410
Unrealized foreign currency translation gain	**133,436**	158,494
	$162,318	$207,904

NOTE 17
REVENUE

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

For the years ended December 31	2020	2019
Rental income	**$494,807**	$486,450
Realty taxes and insurance	**141,941**	134,347
Common area maintenance recoveries	**100,074**	104,804
Property management and ancillary income	**151,502**	146,622
	$888,324	$872,223

The components of revenue from hotel properties are as follows:

For the years ended December 31	2020	2019
Room revenue	**$74,725**	$185,016
Other hotel revenue	**23,321**	60,266
	$98,046	$245,282

The components of management and advisory fees are as follows:

For the years ended December 31	2020	2019
Property and asset management fees	**$33,649**	$38,971
Other fees	**8,431**	13,430
	$42,080	$52,401

Included in property management and corporate expenses are services provided under third party managed contracts, which are recoverable, amounting to $17,577 (2019 - $23,159).

NOTE 18
INTEREST EXPENSE

The components of interest expense are as follows:

For the years ended December 31	2020	2019
Interest on mortgages	**$161,228**	$163,812
Interest on debentures payable, net of accretion (Note 11)	**55,761**	47,740
Interest on bank indebtedness	**5,259**	5,089
Interest on loans payable and other	**1,510**	2,810
Interest on lease liabilities (Note 13)	**9,440**	9,679
Amortization of mark-to-market adjustments on mortgages, net	**(4,552)**	(5,501)
Amortization of deferred financing costs	**8,772**	7,268
Loss on extinguishment of mortgages payable	**—**	561
	237,418	231,458
Less: Interest capitalized to properties under development	**(697)**	(563)
	$236,721	$230,895

NOTE 19
FAIR VALUE GAIN (LOSS), NET

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

For the years ended December 31	2020	2019
Fair value gain (loss) on real estate properties, net (Note 4)	**($511,472)**	$27,057
Financial assets (liabilities):		
Fair value gain (loss) on conversion option of MRG convertible debentures (Note 11)	**1,895**	(1,003)
Fair value gain (loss) on MRG Units (Note 12)	**49,269**	(43,497)
Fair value gain (loss) on other real estate fund investments (Note 7(b))	**(5,398)**	7,086
Fair value gain (loss) on investment in marketable securities	**(28,239)**	18,088
Total fair value gain (loss), net	**($493,945)**	$7,731

NOTE 20
OTHER INCOME (EXPENSE)

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

For the years ended December 31	2020	2019
Foreign exchange gain (loss)	**($61)**	$588
Gain on sale of hotel property (Note 5)	**2,067**	508
Other income (expense)	**(773)**	1,739
	$1,233	$2,835

NOTE 21
RELATED PARTY TRANSACTIONS

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

(a) Paros Enterprises Limited ("Paros")

Paros is the majority shareholder and ultimate parent of the Company. Paros is owned by the Company's Chairman and Chief Executive Officer, Mr. K. Rai Sahi. The Company entered into a demand loan agreement with Paros that provides for the Company to borrow up to $22,000. The total loan payable outstanding from Paros as at December 31, 2020, and 2019 was $nil. During the year ended December 31, 2020, the Company incurred net interest expense of $nil (2019 - $71).

(b) TWC Enterprises Limited ("TWC")

The Company provides TWC with managerial and consulting services for its business and the business of its subsidiaries. Mr. K. Rai Sahi is Chairman and Chief Executive Officer and the majority shareholder of TWC through his personal holding companies, which include Paros. Pursuant to contractual agreements between the Company and TWC, for the year ended December 31, 2020, the Company received a management fee of $1,311 (2019 - $1,305), and paid rent and operating expenses of $661 (2019 - $730).

The Company has a revolving demand loan agreement with TWC that provides for either party to borrow up to $50,000 at either the prime rate or the bankers' acceptance rate plus applicable stamping fees. The total loan payable as at December 31, 2020 was $20,000 (2019 - $33,679). During the year ended December 31, 2020, the Company paid net interest of $452 (2019 - $1,489).

(c) Share/Unit Purchase and Other Loans

As at December 31, 2020, share/Unit purchase and other loans to officers and employees of the Company and its subsidiaries of $5,502 (2019 - $5,504) are outstanding. The loans are collateralized by their common shares of the Company, Units of Morguard REIT and Units of Morguard Residential REIT and are interest-bearing computed at the Canadian prime interest rate and are due on January 10, 2024. Other loans are secured against the underlying asset. The loans are classified as amounts receivable in the consolidated balance sheets. As at December 31, 2020, the fair market value of the common shares/Units held as collateral is $58,758.

(d) Key Management Compensation

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

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

For the years ended December 31	2020	2019
Salaries and other short-term employee benefits	**$4,727**	$4,478
SARs	**(5,501)**	1,103
	($774)	$5,581

NOTE 22

INCOME TAXES

(a) Income Tax Expense

For the years ended December 31	2020	2019
Income (loss) before income taxes	**($319,784)**	$225,491
Statutory rate	**26.5%**	26.5%
Income taxes at the Canadian and provincial income tax rate	**($84,743)**	$59,755
Increase (decrease) in income taxes due to:		
Non-deductible (non-taxable) items	**(7,136)**	(195)
Non-taxable income (loss) of Morguard Residential REIT and Morguard REIT	**42,671**	(23,013)
Impact of subsidiary tax rate differential	**(36,743)**	1,324
Impact of change in tax rates	**1,207**	(8,363)
Non-recognition of the benefit of tax losses	**12,862**	8,838
Recognition of previously unrecognized benefit of tax losses	**(2,384)**	(2,414)
Adjustments to income tax estimates	**2,440**	—
Other	**2,092**	763
Income tax (recovery) expense	**($69,734)**	$36,695

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

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

	December 31, 2018	Net income (loss)	Recognized in OCI	Equity and other	December 31, 2019
Real estate properties	$691,660	$41,172	($10,355)	$—	$722,477
Investments	9,301	(19,346)	—	(904)	(10,949)
Pension Assets	19,067	1,707	2,472	—	23,246
Other	(2,085)	1,740	(643)	—	(988)
Total net deferred tax liabilities	$717,943	$25,273	($8,526)	($904)	$733,786

(c) The Company's Tax Losses

As at December 31, 2020, the Company's U.S. subsidiaries have total net operating losses of approximately US$66,736 (2019 - US$68,362) of which no deferred tax assets were recognized as it is not probable that taxable income will be available against which the deductible temporary difference can be utilized. The net operating losses expire in varying years commencing 2030. As at December 31, 2020, the Company's U.S. subsidiaries have

US$26,808 (2019 - US$12,904) of net operating losses of which deferred tax assets were recognize and the Company's U.S. subsidiaries have a total of US$5,046 (2019 - US$14,329) of unutilized interest expense deductions, of which deferred tax assets were recognized.

As at December 31, 2020, the Company's Canadian subsidiaries have total net operating losses of approximately $234,422 (2019 - $205,433) of which no deferred tax assets were recognized as it is not probable that taxable income will be available against which they can be utilized. These losses expire in various years commencing 2022. As at December 31, 2020, the Company has other Canadian temporary differences, of which no deferred tax asset was recognized for approximately $63,928 (2019 - $43,952). These other temporary differences have no expiration date.

(d) Other Temporary Differences

As at December 31, 2020, temporary differences associated with investments in subsidiaries and joint ventures, for which no deferred tax liability has been recognized, amounts to $182,287 (2019 - $268,893).

NOTE 23
NET INCOME (LOSS) PER COMMON SHARE

For the years ended December 31	2020	2019
Net income (loss) attributable to common shareholders	**($98,918)**	$186,939
Weighted average number of common shares outstanding (000s) - basic and diluted	**11,205**	11,285
Net income (loss) per common share - basic and diluted	**($8.83)**	$16.57

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

For the years ended December 31	2020	2019
Fair value loss (gain) on real estate properties, net	**$511,472**	($26,912)
Fair value loss (gain) on conversion option of MRG convertible debentures (Note 19)	**(1,895)**	1,003
Fair value loss (gain) on MRG Units (Note 12)	**(70,996)**	23,889
Fair value loss (gain) on other real estate investment funds (Note 19)	**5,398**	(7,086)
Fair value loss (gain) on investment in marketable securities (Note 19)	**28,239**	(18,088)
Equity loss from investments	**7,470**	28,825
Amortization of hotel properties and other	**35,295**	36,152
Amortization of deferred financing costs (Note 18)	**8,772**	7,268
Amortization of mark-to-market adjustments on mortgages, net (Note 18)	**(4,552)**	(5,501)
Loss on extinguishment of mortgages payable (Note 18)	**—**	561
Amortization of tenant incentive	**1,896**	2,084
Stepped rent - adjustment for straight-line method	**(665)**	793
Deferred income taxes	**(77,994)**	25,273
Accretion of convertible debentures	**999**	2,516
Gain on sale of hotel property (Note 20)	**(2,067)**	(508)
Provision for impairment	**37,041**	22,923
	$478,413	$93,192

(b) Net Change in Operating Assets and Liabilities

For the years ended December 31	2020	2019
Amounts receivable	**($23,307)**	($260)
Prepaid expenses and other	**(13,243)**	3,224
Accounts payable and accrued liabilities	**(6,464)**	(1,795)
Net change in operating assets and liabilities	**($43,014)**	$1,169

(c) Supplemental Cash Flow Information

For the years ended December 31	2020	2019
Interest paid	**$226,821**	$241,455
Interest received	**1,913**	5,478
Income taxes paid	**9,262**	22,905

During the year ended December 31, 2020, the Company issued non-cash dividends under the distribution reinvestment plan of $99 (2019 - $90).

(d) Reconciliation of Liabilities Arising from Financing Activities

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

	Mortgages payable	Unsecured debentures	Convertible debentures	Lease liabilities	Loans payable	Bank indebtedness	Total
Balance, beginning of year	$4,365,279	$1,046,444	$193,503	$166,144	$33,679	$101,100	$5,906,149
Repayments	(111,140)	—	—	(1,722)	(35,234)	(422,087)	(570,183)
New financing, net	443,160	174,303	—	—	20,000	477,789	1,115,252
Lump-sum repayments	(380,298)	(200,000)	—	—	—	—	(580,298)
Non-cash changes	(16,064)	1,405	819	—	—	—	(13,840)
Foreign exchange	(31,563)	—	—	(167)	1,555	—	(30,175)
Balance, December 31, 2020	**$4,269,374**	**$1,022,152**	**$194,322**	**$164,255**	**$20,000**	**$156,802**	**$5,826,905**

NOTE 25

EMPLOYEE FUTURE BENEFITS

The Company maintains a non-contributory defined benefit pension plan covering certain employees under the Morguard Corporation Employee Retirement Plan (the “Morguard Plan”). This plan provides benefits based on length of service and final average earnings. There is only one active member since the majority of members were employed in the Company’s industrial products distribution business, which was sold in 1996. The pension obligations and related assets for the former employees remain part of the Company’s defined benefit pension plan. The most recent actuarial valuation for the Morguard Plan was as at December 31, 2017.

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

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

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

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

The significant actuarial assumptions adopted in measuring the Company's defined benefit pension plans for the years ended December 31, 2020, and 2019, are as follows:

For the years ended December 31		2020		2019
	Morguard	MIL	Morguard	MIL
Assumptions for defined benefit pension obligation				
Discount rate	**2.40%**	**2.40%**	3.10%	3.10%
Rate of price inflation	**1.49%**	**1.49%**	1.35%	1.35%
Rate of pension increases - pre-retirement	**—**	**0.60%**	—	1.25%
Rate of pension increases - post-retirement	**—**	**0.60%**	—	1.25%
Assumptions for defined benefit expense				
Discount rate	**3.10%**	**3.10%**	3.75%	3.75%
Rate of price inflation	**1.35%**	**1.35%**	1.40%	1.40%
Rate of pension increases - pre-retirement	**—**	**1.25%**	—	1.35%
Rate of pension increases - post-retirement	**—**	**1.25%**	—	1.35%

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

As at December 31			2020			2019
	Morguard	MIL	Total	Morguard	MIL	Total
Accrued benefit obligations						
Balance at beginning of year	**($51,948)**	**($39,418)**	**($91,366)**	($51,949)	($37,344)	($89,293)
Current service cost	**(6)**	**—**	**(6)**	(6)	—	(6)
Interest cost	**(1,551)**	**(1,200)**	**(2,751)**	(1,874)	(1,377)	(3,251)
Benefits paid	**6,431**	**1,251**	**7,682**	5,029	2,254	7,283
Changes in:						
Financial assumptions	**(3,684)**	**(111)**	**(3,795)**	(3,169)	(2,970)	(6,139)
Experience adjustments	**40**	**1,165**	**1,205**	21	19	40
Balance at end of year	**($50,718)**	**($38,313)**	**($89,031)**	($51,948)	($39,418)	($91,366)
Plan assets						
Fair value at beginning of year	**$131,150**	**$43,770**	**$174,920**	$122,548	$40,726	$163,274
Expected return on plan assets	**3,960**	**1,332**	**5,292**	4,468	1,501	5,969
Administration expenses	**(496)**	**(320)**	**(816)**	(451)	(180)	(631)
Return on plan assets	**(18,765)**	**(6,276)**	**(25,041)**	12,028	3,977	16,005
Employer contributions	**(2,456)**	**—**	**(2,456)**	(2,414)	—	(2,414)
Benefits paid	**(6,431)**	**(1,251)**	**(7,682)**	(5,029)	(2,254)	(7,283)
Balance at end of year	**$106,962**	**$37,255**	**$144,217**	$131,150	$43,770	$174,920
Net assets (liability)	**$56,244**	**($1,058)**	**$55,186**	$79,202	$4,352	$83,554

In 2020, Morguard contributed $2,456 to the defined contribution plan (2019 - $2,414).

Details of the defined benefit expense (income) recorded in the consolidated statements of comprehensive income (loss) for the years ended December 31, 2020, and 2019, are provided below:

For the years ended December 31			2020			2019
	Morguard	MIL	Total	Morguard	MIL	Total
Components of defined benefit cost						
Current service cost	**$6**	**$—**	**$6**	$6	$—	$6
Interest cost	**1,551**	**1,200**	**2,751**	1,874	1,377	3,251
Expected return on plan assets	**(3,960)**	**(1,332)**	**(5,292)**	(4,468)	(1,501)	(5,969)
Administrative expenses and taxes	**375**	**175**	**550**	375	175	550
Net benefit plan expense (income)	**($2,028)**	**$43**	**($1,985)**	($2,213)	$51	($2,162)

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

For the years ended December 31			2020			2019
	Morguard	**MIL**	**Total**	Morguard	MIL	Total
Changes in:						
Financial assumptions	**$3,684**	**$111**	**$3,795**	$3,169	$2,970	$6,139
Experience adjustments	**(40)**	**(1,165)**	**(1,205)**	(21)	(19)	(40)
Return of plan assets	**18,886**	**6,421**	**25,307**	(11,952)	(3,972)	(15,924)
Net actuarial loss (gain) on defined benefit pension plans	**$22,530**	**$5,367**	**$27,897**	($8,804)	($1,021)	($9,825)

Reconciliation of net accrued pension assets for the years ended December 31, 2020, and 2019, is as follows:

For the years ended December 31			2020			2019
	Morguard	**MIL**	**Total**	Morguard	MIL	Total
Net defined benefit asset, beginning of the year	**$79,202**	**$4,352**	**$83,554**	$70,599	$3,382	$73,981
Net benefit plan income (expense)	**2,028**	**(43)**	**1,985**	2,213	(51)	2,162
Net actuarial gain (loss)	**(22,530)**	**(5,367)**	**(27,897)**	8,804	1,021	9,825
Employer contribution	**(2,456)**	**—**	**(2,456)**	(2,414)	—	(2,414)
Net defined benefit asset, end of the year	**$56,244**	**($1,058)**	**$55,186**	$79,202	$4,352	$83,554

Details of the defined benefit obligation by participant status as at December 31, 2020, and 2019, are as follows:

For the years ended December 31			2020			2019
	Morguard	**MIL**	**Total**	Morguard	MIL	Total
Actives, suspended and long-term disability	**$12,181**	**$18,943**	**$31,124**	$11,952	$26,664	$38,616
Vested deferred	**2,201**	**3,566**	**5,767**	2,268	3,134	5,402
Retirees	**36,336**	**15,804**	**52,140**	37,728	9,620	47,348
Total	**$50,718**	**$38,313**	**$89,031**	$51,948	$39,418	$91,366

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

For the years ended December 31	2020	2019
Cash and cash equivalents	**$2,117**	$2,549
Fixed-income securities	**34,343**	36,226
Canadian equities	**84,790**	112,521
Canadian pooled funds	**22,967**	23,624
Total investments	**$144,217**	$174,920

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

	Increase (Decrease) in Pension Benefit Obligation		
Year ended December 31, 2020	**Morguard**	**MIL**	**Total**
Discount rate			
Discount rate -100 basis points	**$6,190**	**$5,720**	**$11,910**
Discount rate +100 basis points	**(5,108)**	**(4,615)**	**(9,723)**
Pension increase rate			
Pension increase rate -50 basis points	**—**	**(2,541)**	**(2,541)**
Pension increase rate +50 basis points	**—**	**2,806**	**2,806**
Mortality			
Mortality - life expectancy for member age 65 -1 year	**(2,781)**	**(1,476)**	**(4,257)**
Mortality - life expectancy for member age 65 +1 year	**2,756**	**1,453**	**4,209**

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

Year ended December 31, 2020	Morguard	MIL	Total
Year 1	**$3,768**	**$1,512**	**$5,280**
Year 2	**3,703**	**1,645**	**5,348**
Year 3	**3,663**	**1,643**	**5,306**
Year 4	**3,593**	**1,667**	**5,260**
Year 5	**3,508**	**1,679**	**5,187**
Next 5 years	**16,093**	**9,429**	**25,522**

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

NOTE 26

CONTINGENCIES

(a) Commitments

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

2021	**$15,551**
2022	**14,481**
2023	**13,655**
2024	**11,913**
2025	**10,700**
Thereafter	**$448,640**

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

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

Ground Lease #2	Annual rental expense
From March 1, 2011 to February 28, 2021	$714
From March 1, 2021 to February 28, 2065	Fair market value of land at February 2021 multiplied by 8.5%

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

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

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

The Company has entered into various leasing agreements and contracts for the development of properties. As at December 31, 2020, committed leasing costs, capital and development expenditures are estimated to be $7,057.

(b) Contingencies

As at December 31, 2020, the Company has issued irrevocable letters of credit relating to normal course development activity amounting to $13,880 (2019 - $18,274).

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

(c) Franchise Agreements

Under the terms of the franchise agreements expiring through July 31, 2032, annual payments for franchise fees are payable for 24 hotel properties owned by the Company. The franchise fees paid are based on a percentage of revenue and fixed annual fees.

NOTE 27

MANAGEMENT OF CAPITAL

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

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

The total managed capital for the Company as at December 31, 2020, and 2019, is summarized below:

As at December 31	2020	2019
Mortgages payable, principal balance	**$4,282,087**	$4,375,947
Unsecured Debentures, principal balance	**1,025,000**	1,050,000
Convertible debentures, principal balance	**195,500**	195,500
Loans payable	**20,000**	33,679
Bank indebtedness	**156,802**	101,100
Lease liabilities	**164,255**	166,144
Shareholders' equity	**3,372,352**	3,548,906
	$9,215,996	$9,471,276

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, Morguard REIT and Temple (until the Company's privatization of Temple on February 18, 2020) using the equity method. The covenants that the Company must maintain are a non-consolidated interest coverage ratio above 1.65 times, a non-consolidated debt to gross book value ratio not to exceed 65% and a minimum non-consolidated equity requirement of at least $300,000. If the

Company does not meet these covenants, the Unsecured Debentures will become immediately due and payable unless the Company is able to remedy the default or obtain a waiver from debenture holders. The Company is in compliance with all Unsecured Debenture covenants.

NOTE 28

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial assets and financial liabilities comprise cash, restricted cash, amounts receivable, mortgages and loans receivable, accounts payable and accrued liabilities, bank indebtedness, mortgages payable, loans payable, lease liabilities, Unsecured Debentures and convertible debentures (excluding any conversion option). Fair values of financial assets and financial liabilities and a discussion of risks associated with financial assets and liabilities are presented as follows.

Fair Value of Financial Assets and Financial Liabilities

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

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

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using December 31, 2020, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at December 31, 2020, of the mortgages payable before deferred financing costs and mark-to-market adjustments is estimated at $4,552,081 (2019 - $4,406,348), compared with the carrying value of $4,282,087 (2019 - $4,375,947). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

The fair value of the Unsecured Debentures liability is based on its closing bid price (Level 1). As at December 31, 2020, the fair value of the Unsecured Debentures has been estimated at $1,039,322 (2019 - $1,070,033) compared with the carrying value of $1,025,000 (2019 - $1,050,000).

The fair value of the convertible debentures liability is based on their market trading prices (Level 1). As at December 31, 2020, the fair value of the convertible debentures before deferred financing costs has been estimated at $196,539 (2019 - $202,838), compared with the carrying value of $195,500 (2019 - $195,500).

The fair value of the finance lease receivable is determined by discounting the cash flows of the finance lease receivable using December 31, 2020, market rates for debt on similar terms (Level 3). Based on these assumptions, as at December 31, 2020, the fair value of the finance lease receivable has been estimated at $57,185 (2019 - $56,574).

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

	December 31, 2020			December 31, 2019		
As at	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$9,680,408**	$—	$—	$10,201,283
Investments in marketable securities	**115,823**	**—**	**—**	142,911	—	—
Investments in real estate funds	**—**	**—**	**88,699**	—	—	109,712
Financial liabilities:						
Morguard Residential REIT Units	**—**	**446,091**	**—**	—	516,462	—
Conversion option on MRG convertible debentures	**—**	**1,577**	**—**	—	3,472	—

Risks Associated with Financial Assets and Financial Liabilities

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

(a) Market Risk

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

Interest Rate Risk

The Company is subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be refinanced on terms as favourable as those of the existing indebtedness. Interest on the Company's bank indebtedness and certain mortgages is subject to floating interest rates. For the year ended December 31, 2020, the increase or decrease in annual net income for each one percent change in interest rates on floating-rate debt amounts to $3,046.

The Company's objective in managing interest rate risk is to minimize the volatility of the Company's income. As at December 31, 2020, interest rate risk has been minimized because the majority of long-term debt is financed at fixed interest rates with maturities scheduled over a number of years. Mortgages payable totalling $74,426 are subject to floating interest rates.

Foreign Exchange Risk

The Company is exposed to foreign exchange risk as it relates to its U.S. investments due to fluctuations in the exchange rate between the Canadian and United States dollars. Changes in the exchange rate may result in a reduction or an increase of reported earnings and other comprehensive income. For the year ended December 31, 2020, a $0.05 change in the United States to Canadian dollar exchange rate would have resulted in a $1,762 change to net income or loss and a $61,408 change to comprehensive income or loss.

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

(b) Credit Risk

Credit risk arises from the possibility that tenants and/or debtors may experience financial difficulty and be unable or unwilling to fulfil their lease commitments. The Company mitigates the risk of loss by investing in well-located properties in urban markets that attract quality tenants, by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. A tenant's success over the term of its lease and its ability to fulfil its obligations are subject to many factors. There can be no assurance that a tenant will be able to fulfil all of its existing commitments and leases up to the expiry date.
The Company's commercial leases typically have lease terms between five and 10 years and may include clauses to enable periodic upward revision of the rental rates and contractual extensions at the option of the lessee.

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

As at December 31	2020	2019
Not later than one year	**$317,892**	$339,827
Later than one year and not longer than five years	**806,345**	864,117
Later than five years	**420,523**	503,671
	$1,544,760	$1,707,615

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

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

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

As at December 31	2020	2019
Tenant receivables	**$59,350**	$30,126
Less: Allowance for doubtful accounts	**(16,702)**	(2,719)
Trade receivables, net	**$42,648**	$27,407

(c) Liquidity Risk
Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations. The Company will be subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be able to be refinanced. The Company's objectives in minimizing liquidity risk are to maintain appropriate levels of leverage on its real estate assets and to stagger the debt maturity profile. As at December 31, 2020, the Company was holding cash of $142,088 and had undrawn lines of credit available to it of $424,852.

NOTE 29

SEGMENTED INFORMATION

(a) Operating Segments

The Company has the following five reportable segments after aggregation: (i) multi-suite residential, (ii) retail, (iii) office, (iv) industrial, and (v) hotel. The Company has applied judgment by aggregating its operating segments according to the nature of the property operations. Such judgment considers the nature of operations, types of customers and an expectation that operating segments within a reportable segment have similar long-term economic characteristics.

The following summary presents certain financial information regarding the Company's operating segments:

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

For the year ended December 31, 2019	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
Revenue from real estate/hotel properties	$366,705	$251,957	$240,623	$12,938	$245,282	$1,117,505
Property/hotel operating expenses	(154,800)	(108,510)	(104,143)	(4,143)	(189,728)	(561,324)
Net operating income	$211,905	$143,447	$136,480	$8,795	$55,554	$556,181

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

	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
As at December 31, 2019						
Real estate/hotel properties	$4,889,129	$2,744,442	$2,402,757	$164,955	$628,783	$10,830,066
Mortgages payable	$2,099,509	$909,400	$973,631	$30,970	$351,769	$4,365,279
For the year ended December 31, 2019						
Additions to real estate/hotel properties	$228,584	$57,027	$162,502	$755	$17,876	$466,744
Fair value gain (loss) on real estate properties	$75,140	($49,911)	($12,272)	$14,100	$—	$27,057

(b) Regional Segments

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

As at December 31	2020	2019
Real estate and hotel properties		
Canada	**$7,337,757**	$7,740,218
United States	**2,887,692**	3,089,848
	$10,225,449	$10,830,066

For the years ended December 31	2020	2019
Revenue from real estate and hotel properties		
Canada	**$710,458**	$863,748
United States	**275,912**	253,757
	$986,370	$1,117,505

NOTE 30
COMPARATIVE AMOUNTS

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

NOTE 31
SUBSEQUENT EVENT

Subsequent to December 31, 2020, the Company acquired 8,870 common shares under its NCIB for cash consideration of $1,007 at a weighted average price of $113.53 per common share.