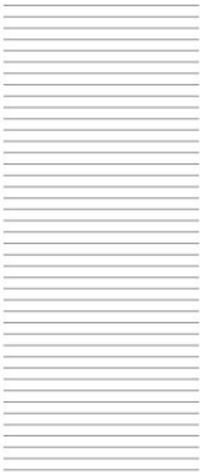
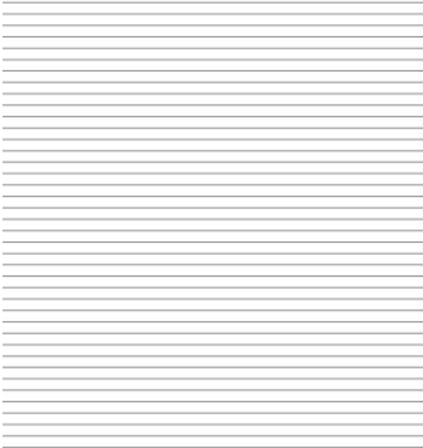
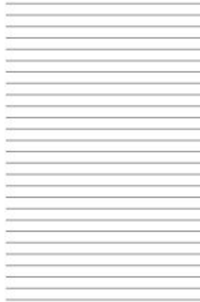


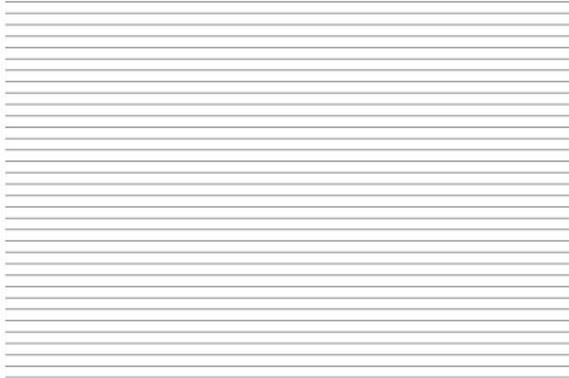
MORGUARD CORPORATION

DECEMBER 31, 2024

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, 2024, the Chief Executive Officer and Chief Financial Officer evaluated, or caused the evaluation of under their direct supervision, the disclosure controls and procedures and the internal controls over financial reporting (as defined in Multilateral Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings)* and, based on that assessment, determined that the disclosure controls and procedures were designed and operating effectively and the internal controls over financial reporting were designed and operating effectively.

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

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

(Signed) "K. Rai Sahi"	*(Signed) "Paul Miatello"*
K. Rai Sahi Chief Executive Officer	Paul Miatello Chief Financial Officer, Senior Vice President

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Morguard Corporation

Opinion

We have audited the consolidated financial statements of Morguard Corporation and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2024 and 2023, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

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

Key audit matters

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

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

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Real Estate Properties	
Morguard Corporation's real estate portfolio comprises income producing properties, properties under development and land held for development with a fair value of $11.0 billion which represents 94.0% of total assets as at December 31, 2024. 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	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

<table>
<tr>
<td>techniques. The valuation methodology for real estate properties is primarily based on an income approach, utilizing the direct capitalization method and the discounted cash flow method. Recent real estate transactions with characteristics and locations similar to the Company’s assets are also considered when developing the valuations.

Note 2 of the consolidated financial statements describes the accounting policy for real estate properties, including the valuation method and valuation inputs.

Note 4 of the consolidated financial statements discloses the sensitivity of the fair value of income producing properties to a change in capitalization rates.

The valuation of the Company’s real estate property portfolio is a key audit matter given the inherently subjective nature of significant assumptions including discount rates, capitalization rates, terminal capitalization rates, and stabilized cash flows or stabilized net operating income, as applicable, which are based on vacancy and leasing assumptions. These assumptions are influenced by property-specific characteristics including location, type and quality of the properties and tenancy agreements.</td>
<td>in the preparation and review of the valuations.
• We selected a sample of properties where either the fair value change from prior year or significant assumptions fell outside our expectations, based on our understanding of the geographical real estate market for the specific asset type. For this sample of real estate properties, we evaluated the significant assumptions, including discount rates, capitalization rates, terminal capitalization rates, and stabilized cash flows or stabilized net operating income, as applicable, which are based on vacancy and leasing assumptions, by comparison to the expected real estate market benchmark range for similar assets and tenancies, in similar locations. We also considered whether there were any additional asset-specific characteristics that may impact the significant assumptions utilized and that these were appropriately considered in the overall assessment of fair value.
• We assessed the accuracy of management’s historical fair value estimates through comparison to transactions to acquire and dispose of interests in real estate properties completed by the Company during the year.
• We evaluated the Company’s critical accounting policies and related disclosures in the consolidated financial statements to assess appropriateness and conformity with IFRSs.</td>
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<tr>
<td colspan="2">De Facto Control of Morguard North American Residential Real Estate Investment Trust</td>
</tr>
<tr>
<td>As at December 31, 2024 the Company owns a 47.4% effective interest in Morguard North American Residential Real Estate Investment Trust (“MRG”) through its ownership of 8,120,666 Units and 17,233,090 Class B LP Units. The investment is consolidated on the basis of de facto control in accordance with IFRS 10.

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</td>
<td>In order to assess the Company’s ability to direct the relevant activities of MRG, we performed the following audit procedures, among others:
• We assessed the Company’s ownership and voting rights of MRG.
• We assessed the Company’s ability to appoint or approve a minimum number of MRG’s trustees.
• We considered MRG’s key management roles, including evaluating related party transactions.
• We assessed existing service agreements for property management, asset management, debt financing and acquisitions to assess the significance of MRG’s dependency on the Company.</td>
</tr>
</table>

audit matter given the materiality of the investment and the judgment involved in the assessment of the de facto control conclusion. Management's key considerations for concluding that the Company controls MRG include the significant interest the Company has in the MRG's voting rights, the wide ownership dispersion of the remaining units of MRG, the Company's ability to nominate a minimum number of MRG's trustees, the overlap in executive management of the Company and MRG, and that MRG is significantly dependent on the Company as a result of existing service agreements. Due to the judgement and subjectivity involved in this assessment, changes in the facts and circumstances could lead to the potential risk that the Company does not control MRG and, as a result, the financial statement presentation and disclosure of the Company's investment in MRG would be materially impacted.	• 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.

Other information

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

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going

concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units with the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 20, 2025

BALANCE SHEETS

In thousands of Canadian dollars

As at December 31	Note	2024	2023
ASSETS			
Non-current assets			
Real estate properties	4	**$11,048,485**	$10,493,655
Hotel properties	5	**85,999**	87,376
Equity-accounted and other fund investments	7	**63,064**	95,525
Other assets	8	**324,715**	340,275
		11,522,263	11,016,831
Current assets			
Amounts receivable	9	**54,130**	59,861
Prepaid expenses and other		**42,310**	49,844
Cash		**140,725**	116,517
		237,165	226,222
Real estate and hotel properties held for sale	4, 5	**—**	380,035
		$11,759,428	$11,623,088
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable	10	**$4,002,145**	$3,550,358
Debentures payable	11	**316,614**	314,386
Lease liabilities	13	**169,924**	169,140
Morguard Residential REIT units	12	**434,721**	393,695
Deferred income tax liabilities	22	**904,303**	835,481
		5,827,707	5,263,060
Current liabilities			
Mortgages payable	10	**758,936**	1,129,734
Debentures payable	11	**—**	449,000
Loans payable	21	**20,000**	—
Accounts payable and accrued liabilities	14	**265,450**	246,835
Bank indebtedness	15	**168,079**	191,369
		1,212,465	2,016,938
Total liabilities		**7,040,172**	7,279,998
EQUITY			
Shareholders' equity		**4,292,423**	3,887,550
Non-controlling interest		**426,833**	455,540
Total equity		**4,719,256**	4,343,090
		$11,759,428	$11,623,088

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

In thousands of Canadian dollars, except per common share amounts

For the years ended December 31	Note	2024	2023
Revenue from real estate properties	17	**$1,032,802**	$1,000,726
Revenue from hotel properties	17	**35,242**	161,601
Property operating expenses			
Property operating costs		**(255,450)**	(242,909)
Utilities		**(62,421)**	(65,421)
Realty taxes		**(157,272)**	(143,368)
Hotel operating expenses		**(25,998)**	(115,213)
Net operating income		**566,903**	595,416
OTHER REVENUE			
Management and advisory fees	17	**39,679**	43,572
Interest and other income		**19,360**	18,119
		59,039	61,691
EXPENSES			
Interest	18	**256,743**	264,675
Property management and corporate	16(c)	**87,867**	87,131
Amortization of hotel properties and other		**11,013**	23,076
Recovery of impairment	5	**—**	(11,000)
		355,623	363,882
OTHER INCOME (EXPENSE)			
Fair value loss, net	19	**(121,407)**	(215,264)
Gain on sale of hotel properties	5	**150,587**	—
Equity income (loss) from investments	7	**(717)**	4,334
Other income (expense)	20	**(311)**	(710)
		28,152	(211,640)
Income before income taxes		**298,471**	81,585
Provision for income taxes	22		
Current		**26,078**	9,676
Deferred		**32,759**	13,673
		58,837	23,349
Net income for the year		**$239,634**	$58,236
Net income (loss) attributable to:			
Common shareholders		**$261,799**	$74,176
Non-controlling interest		**(22,165)**	(15,940)
		$239,634	$58,236
Net income per common share attributable to:			
Common shareholders - basic and diluted	23	**$24.23**	$6.80

See accompanying notes to the consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

In thousands of Canadian dollars

For the years ended December 31		2024	2023
Net income for the year		**$239,634**	$58,236
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified subsequently to net income:			
Unrealized foreign currency translation gain (loss)		**200,646**	(53,402)
Unrealized fair value loss on cash flow hedge		**(2,389)**	—
Deferred income tax recovery (provision)	22(b)	**(30,577)**	8,171
		167,680	(45,231)
Items that will not be reclassified subsequently to net income:			
Actuarial gain on defined benefit pension plans	25	**3,347**	1,162
Deferred income tax provision	22(b)	**(1,752)**	(149)
		1,595	1,013
Other comprehensive income (loss)		**169,275**	(44,218)
Total comprehensive income for the year		**$408,909**	$14,018
Total comprehensive income (loss) attributable to:			
Common shareholders		**$423,016**	$32,359
Non-controlling interest		**(14,107)**	(18,341)
		$408,909	$14,018

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, 2023		$3,464,675	$300,340	$100,239	$3,865,254	$520,217	$4,385,471
Changes during the year:							
Net income (loss)		74,176	—	—	74,176	(15,940)	58,236
Other comprehensive loss		—	(41,817)	—	(41,817)	(2,401)	(44,218)
Dividends		(6,518)	—	—	(6,518)	—	(6,518)
Distributions		—	—	—	—	(6,850)	(6,850)
Issuance of common shares		—	—	25	25	—	25
Repurchase of common shares		(19,410)	—	(1,900)	(21,310)	—	(21,310)
Change in ownership of Morguard REIT		26,127	—	—	26,127	(39,486)	(13,359)
Tax impact of increase in subsidiary ownership interest		(8,387)	—	—	(8,387)	—	(8,387)
Shareholders' equity, December 31, 2023		$3,530,663	$258,523	$98,364	$3,887,550	$455,540	$4,343,090
Changes during the year:							
Net income (loss)		**261,799**	**—**	**—**	**261,799**	**(22,165)**	**239,634**
Other comprehensive income		**—**	**161,217**	**—**	**161,217**	**8,058**	**169,275**
Dividends	16(a)	**(7,010)**	**—**	**—**	**(7,010)**	**—**	**(7,010)**
Distributions		**—**	**—**	**—**	**—**	**(8,159)**	**(8,159)**
Issuance of common shares	16(a)	**—**	**—**	**27**	**27**	**—**	**27**
Repurchase of common shares	16(a)	**(10,413)**	**—**	**(839)**	**(11,252)**	**—**	**(11,252)**
Change in ownership of Morguard REIT	16(b)	**3,826**	**—**	**—**	**3,826**	**(6,441)**	**(2,615)**
Tax impact of increase in subsidiary ownership interest	22(b)	**(3,734)**	**—**	**—**	**(3,734)**	**—**	**(3,734)**
Shareholders' equity, December 31, 2024		**$3,775,131**	**$419,740**	**$97,552**	**$4,292,423**	**$426,833**	**$4,719,256**

See accompanying notes to the consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

For the years ended December 31	Note	2024	2023
OPERATING ACTIVITIES			
Net income for the year		**$239,634**	$58,236
Add (deduct) items not affecting cash	24(a)	**9,861**	227,583
Distributions from equity-accounted and other fund investments	7	**2,346**	3,042
Additions to tenant incentives and leasing commissions	4	**(11,778)**	(17,691)
Net change in operating assets and liabilities	24(b)	**23,427**	26,721
Cash provided by operating activities		**263,490**	297,891
INVESTING ACTIVITIES			
Additions to real estate properties and tenant improvements	4	**(197,705)**	(312,775)
Additions to hotel properties	5	**(2,039)**	(7,460)
Additions to capital and intangible assets		**(3,278)**	(1,906)
Investment in properties under development	4	**(29,745)**	(15,685)
Proceeds from the sale of real estate properties, net	4	**165,527**	3,069
Proceeds from the sale of hotel properties, net	5	**405,801**	—
Decrease in mortgages and loans receivable		**3,013**	1,707
Investment in marketable securities		**—**	(8,194)
Distribution from equity-accounted and other fund investments, net	7	**29,815**	9,080
Cash provided by (used in) investing activities		**371,389**	(332,164)
FINANCING ACTIVITIES			
Proceeds from new mortgages		**995,233**	679,085
Financing costs on new mortgages		**(11,414)**	(5,929)
Repayment of mortgages			
Principal instalment repayments		**(114,126)**	(118,434)
Repayments on maturity		**(767,690)**	(503,847)
Repayments due to mortgage extinguishments	4, 5	**(214,777)**	—
Principal payment of lease liabilities		**(1,392)**	(1,622)
Proceeds from (repayment of) bank indebtedness, net	24(d)	**(23,290)**	7,256
Proceeds from issuance of debentures payable, net of costs	11	**—**	221,190
Redemption of debentures payable	11	**(450,000)**	(255,500)
Proceeds from (repayment of) loans payable, net		**20,000**	(4,555)
Dividends paid		**(6,983)**	(6,493)
Distributions to non-controlling interest, net		**(8,006)**	(6,850)
Morguard Residential REIT units repurchased for cancellation		**(26,288)**	(23,533)
Shares repurchased for cancellation	16(a)	**(11,252)**	(21,310)
Investment in subsidiaries	12, 16(b)	**(2,615)**	(15,733)
Decrease in restricted cash		**9,230**	93,927
Cash provided by (used in) financing activities		**(613,370)**	37,652
Net increase in cash during the year		**21,509**	3,379
Net effect of foreign currency translation on cash balance		**2,699**	1,330
Cash, beginning of year		**116,517**	111,808
Cash, end of year		**$140,725**	$116,517

See accompanying notes to the consolidated financial statements.

NOTES

For the years ended December 31, 2024 and 2023

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

NOTE 1
NATURE AND DESCRIPTION OF COMPANY

Morguard Corporation (the “Company” or “Morguard”) is a real estate investment and management company formed under the laws of Canada. Morguard’s principal activities include property ownership, development and investment advisory services. Property ownership encompasses interests in multi-suite residential, commercial and hotel properties located in Canada and the United States. The common shares of the Company trade on the Toronto Stock Exchange (“TSX”) under the symbol “MRC”. The Company’s head office is located at 55 City Centre Drive, Suite 1000, Mississauga, Ontario, L5B 1M3.

NOTE 2
STATEMENT OF COMPLIANCE AND MATERIAL ACCOUNTING POLICIES

These 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 20, 2025.

Basis of Presentation

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

Basis of Consolidation

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

Non-controlling Interest and MRG Convertible Debentures

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

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

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

Real Estate Properties

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

Income Producing Properties

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

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

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

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

Properties Under Development

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

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

Hotel Properties

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

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

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

Impairment of Non-financial Assets

The Company assesses at the end of each reporting period whether there is any indication that an asset may be impaired. Property and equipment and investments in joint arrangements are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Assets, including goodwill, that do not generate largely independent cash inflows are combined into cash-generating units. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually and whenever there is an indication that the cash-generating unit may be impaired. If the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. Recoverable amount is the greater of fair value less costs to sell or value-in-use. Value-in-use is assessed based on estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and 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 above the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in net income. Impairment losses for goodwill are not revalued.

Interests in Joint Arrangements

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

Investments in Associates

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

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

Goodwill

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

Capital Assets

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

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

Cash and Cash Equivalents

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

Financial Instruments

Recognition and Measurement of Financial Instruments

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

Expected Credit Loss

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

Under the simplified approach, consideration is given to factors such as credit risk characteristics and the days past due as well as current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. As at December 31, 2024, the Company's ECL includes estimates of the uncertainty of the recoverability of tenant receivables, short-term rent deferrals, rent reductions provided to tenants related to past due rents and all other receivable balances. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are reversed in the consolidated statements of income.

The Company accounts for rental abatements related to past due rents in connection with tenants experiencing financial hardship under the derecognition rules of IFRS 9. Financial assets, such as trade receivables, are derecognized when all or a portion of outstanding amounts will be forgiven or abated and no further collection activities will be pursued. The forgiveness or abatement of the tenant receivable is recognized in the period that the Company forgoes the contractual right to all or a portion of the outstanding receivable and recorded as bad debt expense in the consolidated statements of income.

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

Financial Assets	
Investment in real estate funds	FVTPL
Investment in marketable securities	FVTPL
Finance lease receivable	Amortized cost
Mortgages and loans receivable	Amortized cost
Amounts receivable	Amortized cost
Restricted cash	Amortized cost
Cash	Amortized cost
Financial Liabilities	
Mortgages payable	Amortized cost
Unsecured debentures	Amortized cost
Convertible debentures, excluding conversion option	Amortized cost
Loans payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liabilities	Amortized cost
Bank indebtedness	Amortized cost
Derivatives and embedded derivatives	FVTPL
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 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.

Derivatives and Embedded Derivatives

All derivative instruments, including embedded derivatives, are recorded in the consolidated balance sheets at fair value unless exempt from derivative treatment as a normal purchase and sale. The Company enters into interest rate swaps to hedge its risk associated with interest rates. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Hedge accounting is discontinued prospectively when the hedging relationship is terminated, when the instrument no longer qualifies as a hedge or when the hedging item is sold or terminated. In cash flow hedging relationships, the portion of the change in the fair value of the hedging derivative that is considered to be effective is recognized in other comprehensive income (“OCI”), while the portion considered to be ineffective is recognized in net income. Unrealized hedging gains and losses in accumulated other comprehensive income are reclassified to net income in the periods when the hedged item affects net income. Gains and losses on derivatives are immediately reclassified to net income when the hedged item is sold or terminated.

For those derivative instruments to which the Company has applied hedge accounting, the change in fair value for the effective portion of the derivative is recorded in OCI from the date of designation. The fair value of derivative instruments is determined using present value forward pricing and swap calculations at interest rates that reflect current market conditions, and considers the credit quality of counterparties, interest rate curves and forward rate curves.

Fair Value

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

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

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

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

Lease Liabilities

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

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

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

Revenue Recognition

Revenue from Real Estate Properties

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

Rental income from tenants under leases includes lease components within the scope of IFRS 16, and is 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 term. 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 taxes and insurance recoveries are recognized as income in the period in which they are earned.

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

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

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

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

Revenue from Hotel Properties
Revenue from hotel properties relates to all revenue received from guests by owned hotels. The services rendered, including room rentals, food and beverage sales and other ancillary services, are distinct performance obligations, for which prices invoiced to the guests are representative of their standalone selling prices. These obligations are fulfilled over time when they relate to room rentals, i.e., over the stay at 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 is estimated using the most likely amount method, based on all reasonably available information, and is, if need be, capped at the minimum amount considered as highly probable.

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

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

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

Employee Future Benefits

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

Stock-Based Compensation

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

Provisions

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

Income Per Common Share

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

Foreign Exchange

The operations of the Company's U.S.-based subsidiaries are in United States dollars, which is 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 as at the consolidated balance sheet date. Revenue and expenses are translated at the average rate of exchange for the year. The resulting gains and losses are recorded in 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:

	2024	2023
Canadian dollar to United States dollar exchange rates:		
- As at December 31	**$0.6950**	$0.7561
- Average for the year ended December 31	**0.7301**	0.7409
United States dollar to Canadian dollar exchange rates:		
- As at December 31	**1.4389**	1.3226
- Average for the year ended December 31	**1.3696**	1.3497

Operating Segments

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

Critical Judgments in Applying Material Accounting Policies

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

De Facto Control

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

Real Estate Properties

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

Joint Arrangements

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

Critical Material Accounting Estimates and Assumptions

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

In determining estimates of fair market value and net realizable values for the Company's real estate properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Should the underlying assumptions change, actual results could differ from the estimated amounts. The critical estimates and assumptions underlying the valuation of real estate properties are outlined in Note 4.

Property and equipment and investments in joint arrangements are assessed for impairment. Assumptions are used in the assessment of fair value and impairment, including estimates of future operating cash flows, the time period over which they will occur, an appropriate discount rate, appropriate growth rates (revenues and costs) and changes in market valuation parameters. Management considers various factors in its assessment, including the historical performance of property and equipment and investments in joint arrangements, 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 the useful lives and related amortization method, management considers its capital maintenance plans.

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

Current Material Accounting Policy Changes

Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current

On January 1, 2024, the Company adopted the amendments to IAS 1 - Presentation of Financial Statements. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

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

Amendments to IAS 1 - Non-Current Liabilities with Covenants

On January 1, 2024, the Company adopted the amendments to IAS 1. The amendments aim to improve the information companies provide about long-term debt with covenants. The amendments to IAS 1 specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements.

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

Future Material Accounting Policy Changes

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

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

IFRS 18 introduces the following:

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

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027. The standard is applied retrospectively, with specific transition provisions, and early adoption is permitted. The Company is currently assessing the impact this new standard will have on its consolidated financial statements.

NOTE 3

SUBSIDIARIES WITH NON-CONTROLLING INTEREST

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

As at December 31, 2024, the Company owns a 47.4% (2023 - 46.1%) effective interest in Morguard Residential REIT through its ownership of 8,120,666 units and 17,223,090 Class B LP units. The Company continues to consolidate its investment in Morguard Residential REIT on the basis of *de facto* control in accordance with IFRS 10, Consolidated Financial Statements ("IFRS 10"). 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, 2024; (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, 2024, Morguard Residential REIT recorded distributions of $27,671, or $0.74336 per unit (2023 - $27,843, or $0.72334 per unit), of which $6,037 was paid to the Company (2023 - $5,768) and $21,634 was paid to the remaining unitholders (2023 - $22,075). In addition, during the year ended December 31, 2024, Morguard Residential REIT paid distributions to the Company on the Class B LP units of $12,802 (2023 - $12,458).

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

As at December 31, 2024, the Company owns 42,448,462 units (2023 - 41,977,862 units) of Morguard REIT, which represents a 66.0% (2023 - 65.3%) ownership interest.

During the year ended December 31, 2024, Morguard REIT recorded distributions of $19,285, or $0.30 per unit (2023 - $15,420, or $0.24 per unit), of which $12,638 (2023 - $9,932) was paid to the Company and $6,647 was paid to the remaining unitholders (2023 - $5,488).

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

As at December 31		2024		2023
	MRT	MRG	MRT	MRG
Non-current assets	**$2,153,058**	**$4,403,949**	$2,260,976	$4,052,763
Current assets	**19,385**	**167,682**	17,762	43,168
Total assets	**$2,172,443**	**$4,571,631**	$2,278,738	$4,095,931
Non-current liabilities	**$924,950**	**$2,167,110**	$854,965	$1,913,882
Current liabilities	**364,724**	**292,531**	464,238	222,398
Total liabilities	**$1,289,674**	**$2,459,641**	$1,319,203	$2,136,280
Equity	**$882,769**	**$2,111,990**	$959,535	$1,959,651
Non-controlling interest	**$307,200**	**$1,111,540**	$336,449	$1,056,360

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

For the years ended December 31		2024		2023
	MRT	MRG	MRT	MRG
Revenue	**$259,174**	**$344,188**	$255,076	$331,620
Expenses	**(203,502)**	**(264,173)**	(196,688)	(250,915)
Fair value gain (loss) on real estate properties, net	**(114,448)**	**60,372**	(131,765)	79,947
Fair value gain (loss) on Class B LP units	**—**	**(40,991)**	—	24,629
Net income (loss) for the year	**($58,776)**	**$99,396**	($73,377)	$185,281
Non-controlling interest	**($20,065)**	**$52,312**	($25,274)	$99,848

For the years ended December 31		2024		2023
	MRT	MRG	MRT	MRG
Cash provided by operating activities	**$54,457**	**$97,503**	$66,319	$88,966
Cash used in investing activities	**(5,283)**	**(59,402)**	(39,038)	(209,009)
Cash provided by (used in) financing activities	**(48,555)**	**(6,743)**	(29,715)	120,837
Net increase (decrease) in cash during the year	**$619**	**$31,358**	($2,434)	$794

NOTE 4
REAL ESTATE PROPERTIES

Real estate properties consist of the following:

As at December 31	2024	2023
Income producing properties	**$10,868,400**	$10,348,016
Properties under development	**55,156**	12,175
Land held for development	**124,929**	133,464
Real estate properties	**$11,048,485**	$10,493,655
Real estate properties held for sale	**—**	125,307
Total	**$11,048,485**	$10,618,962

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

	Income Producing Properties	Properties Under Development	Land Held for Development	Total
Balance as at December 31, 2023	**$10,473,323**	**$12,175**	**$133,464**	**$10,618,962**
Additions:				
Acquisitions	**99,217**	**—**	**—**	**99,217**
Capital expenditures	**116,179**	**—**	**—**	**116,179**
Development expenditures	**—**	**29,712**	**33**	**29,745**
Tenant improvements, incentives and leasing commissions	**29,206**	**—**	**—**	**29,206**
Transfers	**1,631**	**13,269**	**(14,900)**	**—**
Dispositions	**(165,527)**	**—**	**—**	**(165,527)**
Fair value gain (loss), net (Note 19)	**(23,003)**	**—**	**5,154**	**(17,849)**
Foreign currency translation	**342,951**	**—**	**1,178**	**344,129**
Other	**(5,577)**	**—**	**—**	**(5,577)**
Balance as at December 31, 2024	**$10,868,400**	**$55,156**	**$124,929**	**$11,048,485**

Transactions completed during the year ended December 31, 2024

Acquisitions

On October 7, 2024, the Company acquired a 20% interest in an office building (“Telus Garden”) located in Vancouver, British Columbia, for a purchase price of $99,414, including closing costs, and assumed mortgages payable of $35,686 at a contractual interest rate of 3.40%, maturing on July 22, 2025. A mark-to-market adjustment of $567 was recorded to mortgages payable at an effective interest rate of 5.64%.

On June 21, 2024, the Company acquired the remaining 5% interest in an office building located in Toronto, Ontario, for a purchase price of $370, including closing costs.

Dispositions

On May 29, 2024, the Company sold a retail property located in Calgary, Alberta, consisting of 131,000 square feet, for net proceeds of $37,050, including closing costs, and repaid the mortgage payable secured by the property in the amount of $17,030.

On February 29, 2024, the Company sold an office property located in Ottawa, Ontario, consisting of 250,500 square feet, for net proceeds of $125,242, including closing costs, and repaid the mortgage payable secured by the property in the amount of $57,695.

During the year ended December 31, 2024, the Company sold four industrial properties, consisting of 40,675 square feet, for net proceeds of $3,235, including closing costs.

Reconciliation of the carrying amounts for real estate properties for the year ended December 31, 2023 is set out below:

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

Transactions completed during the year ended December 31, 2023

Acquisitions

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

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

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

Dispositions

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

Capitalization Rates

As at December 31, 2024, and 2023, the Company had its portfolio internally appraised. In addition, the Company’s U.S. portfolio is appraised by independent U.S. real estate appraisal firms on a three-year cycle.

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

As at December 31, 2024, and 2023, using the direct capitalization approach, the multi-suite residential, retail and office properties were valued using capitalization rates in the range of 3.3% to 10.3% (2023 - 3.3% to 10.3%), resulting in an overall weighted average capitalization rate of 5.6% (2023 - 5.6%).

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

As at December 31	2024					2023				
	Occupancy Rates		Capitalization Rates			Occupancy Rates		Capitalization Rates		
	Max.	Min.	Max.	Min.	Weighted Average	Max.	Min.	Max.	Min.	Weighted Average
Multi-suite residential	**98.5%**	**92.0%**	**6.3%**	**3.3%**	**4.4%**	98.5%	92.0%	6.3%	3.3%	4.4%
Retail	**99.0%**	**85.0%**	**10.3%**	**5.0%**	**7.4%**	99.0%	85.0%	10.3%	5.0%	7.4%
Office[1]	**100.0%**	**85.0%**	**9.5%**	**4.6%**	**7.7%**	100.0%	85.0%	9.0%	4.8%	7.1%

[1] Includes industrial properties comprising approximately 12% of the segment's total assets.

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

As at December 31	2024			2023		
	Maximum	Minimum	Weighted Average	Maximum	Minimum	Weighted Average
Retail						
Discount rate	**11.3%**	**5.8%**	**7.7%**	11.3%	5.8%	7.7%
Terminal cap rate	**10.3%**	**5.3%**	**6.7%**	10.3%	5.0%	6.7%
Office						
Discount rate	**10.0%**	**5.1%**	**7.2%**	9.5%	5.8%	7.1%
Terminal cap rate	**9.5%**	**4.8%**	**6.5%**	8.5%	4.8%	6.4%

Fair values are most sensitive to changes in discount rates, capitalization rates and stabilized or forecast net operating income. Generally, an increase in stabilized net operating income will result in an increase in the fair value of the income producing properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in stabilized net operating income, with a lower capitalization rate resulting in a greater impact on the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rates were to increase or decrease by 25 basis points (assuming no change in stabilized net operating income), the value of the income producing properties as at December 31, 2024 would decrease by $484,906 and increase by $537,264, respectively.

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

As at December 31	2024		2023	
Change in capitalization rate:	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Multi-suite residential	**($360,692)**	**$404,402**	($315,323)	$351,896
Retail	**(66,253)**	**71,008**	(63,503)	67,930
Office	**(57,961)**	**61,854**	(70,489)	75,687
	($484,906)	**$537,264**	($449,315)	$495,513

NOTE 5

HOTEL PROPERTIES

Hotel properties consist of the following:

As at December 31, 2024	Cost	Accumulated Amortization	Net Book Value
Land	**$14,577**	**$—**	**$14,577**
Buildings	**84,852**	**(14,117)**	**70,735**
Furniture, fixtures, equipment and other	**13,018**	**(12,331)**	**687**
	$112,447	**($26,448)**	**$85,999**

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

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

Changes in the carrying amounts of hotel properties for the year ended December 31, 2024 are summarized as follows:

As at December 31, 2024	**Opening Net Book Value**	**Additions**	**Dispositions**	**Amortization**	**Closing Net Book Value**
Land	**$55,416**	**$—**	**($40,839)**	**$—**	**$14,577**
Buildings	**273,230**	**1,177**	**(201,339)**	**(2,333)**	**70,735**
Furniture, fixtures, equipment and other	**13,458**	**862**	**(13,036)**	**(597)**	**687**
	$342,104	**$2,039**	**($255,214)**	**($2,930)**	**$85,999**

Changes in the carrying amounts of hotel properties for the year ended December 31, 2023 are summarized as follows:

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

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

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 regard 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 the 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, 2024, and 2023:

			Company's Ownership	
Jointly Controlled Asset	**Location**	**Asset Type**	**December 31, 2024**	December 31, 2023
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%
2920 Matheson Boulevard	Mississauga, ON	Office	**50.0%**	50.0%
Performance Court	Ottawa, ON	Office	**50.0%**	50.0%
Standard Life Centre	Ottawa, ON	Office	**50.0%**	50.0%
Heritage Place	Ottawa, ON	Office	**50.0%**	50.0%
Jean Edmonds Towers	Ottawa, ON	Office	**49.9%**	49.9%
215 Slater Street	Ottawa, ON	Office	**50.0%**	50.0%
Rice Howard Place	Edmonton, AB	Office	**20.0%**	20.0%
505 Third Street	Calgary, AB	Office	**50.0%**	50.0%
Telus Garden	Vancouver, BC	Office	**20.0%**	— %
945 Wilson Avenue	Toronto, ON	Industrial	**44.8%**	44.8%
Toronto Airport Marriott	Toronto, ON	Hotel	**— %**	94.8%

The following amounts included in these consolidated financial statements represent the Company's proportionate share of the assets and liabilities of the Company's co-ownership interests as at December 31, 2024, and 2023, and the results of operations for the years ended December 31, 2024, and 2023:

As at December 31	**2024**	2023
Assets	**$782,590**	$738,112
Liabilities	**$363,234**	$355,253

For the years ended December 31	**2024**	2023
Revenue	**$78,404**	$103,581
Expenses	**(52,126)**	(71,026)
Income before fair value adjustments	**26,278**	32,555
Fair value loss on real estate properties	**(23,216)**	(62,349)
Net income (loss)	**$3,062**	($29,794)

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	**2024**	2023
Joint ventures	**$6,963**	$36,037
Associates	**69**	2,964
Equity-accounted investments	**7,032**	39,001
Other real estate fund investments	**56,032**	56,524
Equity-accounted and other fund investments	**$63,064**	$95,525

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

				Company's Ownership		Carrying Value	
Property/Investment	Principal Place of Business	Investment Type	Asset Type	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Petroleum Plaza	Edmonton, AB	Joint Venture	Office	**50.0%**	50.0%	**$4,210**	$7,755
Quinte Courthouse	Belleville, ON	Joint Venture	Office	**50.0%**	50.0%	**2,753**	2,757
Courtyard by Marriott	Ottawa, ON	Joint Venture	Hotel	**—%**	50.0%	**—**	16,400
Marriott Residence Inn	London, ON	Joint Venture	Hotel	**—%**	50.0%	**—**	9,125
MIL Industrial Fund II LP [(1)(2)]	Various	Associate	Industrial	**18.8%**	18.8%	**69**	2,964
						$7,032	$39,001

[(1)] The Company accounts for its investment using the equity method since the Company has the ability to exercise significant influence as a result of its role as general partner; however, it does not control the fund.
[(2)] On February 28, 2024, the fund disposed of the remaining two industrial properties and distributed net proceeds in the amount of $2,873.

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

Equity-accounted Investments

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

As at December 31	2024	2023
Balance, beginning of year	**$39,001**	$46,789
Additions	**—**	7,250
Share of net income (loss)	**(717)**	4,334
Distributions received	**(5,219)**	(19,372)
Distributions received - sale of hotel joint ventures	**(26,033)**	—
Balance, end of year	**$7,032**	$39,001

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

As at December 31	2024			2023		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Non-current assets	**$102,064**	**$—**	**$102,064**	$156,001	$14,647	$170,648
Current assets	**4,228**	**373**	**4,601**	11,642	1,164	12,806
Total assets	**$106,292**	**$373**	**$106,665**	$167,643	$15,811	$183,454
Non-current liabilities	**$37,473**	**$—**	**$37,473**	$38,750	$—	$38,750
Current liabilities	**54,893**	**6**	**54,899**	56,940	257	57,197
Total liabilities	**$92,366**	**$6**	**$92,372**	$95,690	$257	$95,947
Net assets	**$13,926**	**$367**	**$14,293**	$71,953	$15,554	$87,507
Equity-accounted investments	**$6,963**	**$69**	**$7,032**	$36,037	$2,964	$39,001

For the years ended December 31	2024			2023		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Revenue	**$20,246**	**$302**	**$20,548**	$34,553	$5,760	$40,313
Expenses	**(14,786)**	**(162)**	**(14,948)**	(14,885)	(3,219)	(18,104)
Fair value loss on real estate properties, net	**(6,850)**	**(257)**	**(7,107)**	(7,336)	(6,014)	(13,350)
Net income (loss) for the year	**($1,390)**	**($117)**	**($1,507)**	$12,332	($3,473)	$8,859
Income (loss) in equity-accounted investments	**($695)**	**($22)**	**($717)**	$4,984	($650)	$4,334

(b) Income Recognized from Other Fund Investments:

Other Real Estate Fund Investments

For the years ended December 31	2024	2023
Distribution income	**$192**	$256
Fair value loss for the year (Note 19)	**(3,696)**	(15,722)
Loss from other real estate fund investments	**($3,504)**	($15,466)

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

During the year ended December 31, 2024, the Company received a distribution in the amount of $5,310 (US$3,874) in connection with the disposal of two properties held within the Company's other real estate fund investments.

The underlying assets are appraised using a number of approaches that principally include a discounted cash flow analysis or a direct capitalization of income method. Using the direct capitalization approach, fund properties were valued using capitalization rates in the range of 6.0% to 6.3% (2023 - 5.0% to 5.8%), resulting in an overall weighted average capitalization rate of 6.1% (2023 - 5.6%). Under the discounted cash flow method, fund properties were valued using discount rates in the range of 7.4% to 9.7% (2023 - 6.6% to 8.8%), resulting in an overall weighted average discount rate of 8.6% (2023 - 7.6%) and terminal cap rates in the range of 5.8% to 7.7% (2023 - 4.6% to 6.7%), resulting in an overall weighted average terminal cap rate of 6.7% (2023 - 5.8%).

NOTE 8

OTHER ASSETS

Other assets consist of the following:

As at December 31	2024	2023
Investment in marketable securities	**$88,187**	$97,881
Accrued pension benefit asset (Note 25)	**80,524**	76,698
Finance lease receivable	**59,355**	58,860
Mortgages receivable	**41,444**	45,331
Goodwill	**24,488**	24,488
Capital assets, net	**18,189**	17,843
Intangible assets, net	**9,997**	14,587
Receivables from related parties (Note 21(c))	**1,521**	1,508
Right-of-use asset - office lease	**927**	665
Other	**83**	2,414
	$324,715	$340,275

As at December 31, 2024, mortgages receivable amount to $44,709 (2023 - $45,658), of which $3,265 (2023 - $327) is due within one year and included in prepaid expenses and other. The mortgages receivable have a weighted average term to maturity of 1.5 years (2023 - 2.5 years) and a weighted average effective interest rate of 7.51% (2023 - 7.53%).

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	2024	2023
Within 12 months	**$3,595**	$3,525
2 to 5 years	**19,084**	18,710
Over 5 years	**148,848**	152,817
Total minimum lease payments	**171,527**	175,052
Less: Future finance income	**(112,172)**	(116,192)
Present value of minimum lease payments	**$59,355**	$58,860

NOTE 9
AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

As at December 31	2024	2023
Tenant receivables	**$15,300**	$21,377
Unbilled other tenant receivables	**9,030**	10,300
Other receivables	**37,112**	35,614
Allowance for expected credit loss	**(7,312)**	(7,430)
	$54,130	$59,861

NOTE 10
MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at December 31	2024	2023
Mortgages payable	**$4,791,513**	$4,704,260
Mark-to-market adjustments, net	**(1,404)**	(1,109)
Deferred financing costs	**(29,028)**	(23,059)
	$4,761,081	$4,680,092
Current	**$758,936**	$1,129,734
Non-current	**4,002,145**	3,550,358
	$4,761,081	$4,680,092
Range of interest rates	**2.03 - 7.75%**	2.03 - 8.75%
Weighted average contractual interest rate	**4.21%**	4.36%
Estimated fair value of mortgages payable	**$4,656,335**	$4,351,345

As at December 31, 2024, approximately 93% of the Company's real estate and hotel properties, and related rental revenue, are pledged as collateral for the mortgages payable.

The aggregate principal repayments and balances maturing of the mortgages payable as at December 31, 2024, together with the weighted average contractual interest rate on debt maturing in the next five years and thereafter, are as follows:

	Principal Instalment Repayments	Balances Maturing	Total	Weighted Average Contractual Interest Rate
2025	$147,559	$701,645	$849,204	3.88%
2026	66,969	777,663	844,632	4.63%
2027	63,355	645,159	708,514	4.54%
2028	52,745	348,113	400,858	4.25%
2029	46,931	588,749	635,680	4.57%
Thereafter	115,288	1,237,337	1,352,625	3.76%
	$492,847	$4,298,666	$4,791,513	4.21%

The Company's first mortgages are registered against specific real estate assets and hotel properties. As at December 31, 2024, mortgages payable mature between 2025 and 2058 and have a weighted average term to maturity of 4.1 years (2023 - 4.1 years). Approximately 94% of the Company's mortgages have fixed interest rates.

Some of the Company's mortgages payable require it to maintain annual debt service coverage ratios and/or debt to equity ratios and/or debt to appraised value ratios, and arrange for capital expenditures in accordance with predetermined limits. As at December 31, 2024, and 2023, the Company is in compliance with all financial covenants.

On July 2, 2024, the Company completed an interest rate swap with a notional amount of $75,000, whereby the Company pays a fixed rate of interest of 5.82% and receives interest at a variable rate equal to the Canadian Overnight Repo Rate Average ("CORRA") plus 2.15% on the notional amount. The Company designated this interest rate swap as a cash flow hedge and applied hedge accounting. The objective of the interest rate swap is to eliminate the variability of cash flows on the variable-rate mortgage stemming from fluctuations in market interest rates.

There is an economic relationship between the hedged item and the hedging instrument, as the terms of the interest rate swap match the terms of the variable-rate mortgage loan (i.e., notional amount, maturity date, payment and reset dates). The Company has established a hedge ratio of 1:1 for the hedging relationship, as the underlying risk of the interest rate swap is identical to the hedged risk component. To test the hedge effectiveness, the Company uses a hypothetical derivative method and compares the changes in fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

As at December 31, 2024, the derivative liability is $2,389 (2023 – $nil). The maturity date of the interest rate swap coincides with the mortgage payable maturity on June 3, 2029.

NOTE 11

DEBENTURES PAYABLE

The Company's debentures payable consist of the following:

As at December 31	2024	2023
Unsecured debentures	**$173,611**	$622,611
Convertible debentures	**143,003**	140,775
	$316,614	$763,386
Current	**$—**	$449,000
Non-current	**316,614**	314,386
	$316,614	$763,386

(a) Unsecured Debentures

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

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

On January 25, 2019, the Company issued $225,000 (net proceeds including issuance costs - $223,575) of Series E senior unsecured debentures due on January 25, 2024. On January 25, 2024, the Series E senior unsecured debentures were fully repaid on maturity.

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. On November 27, 2024, the Series F senior unsecured debentures were fully repaid on maturity.

On September 28, 2020, the Company issued $175,000 (net proceeds including issuance costs - $174,303) of Series G senior unsecured debentures due on September 28, 2023. On September 28, 2023, the Series G senior unsecured debentures were fully repaid on maturity.

On September 26, 2023, the Company issued $175,000 (net proceeds including issuance costs - $172,600) of Series H senior unsecured debentures due on September 26, 2026. Interest on the Series H senior unsecured debentures is payable semi-annually, not in advance, on March 26 and September 26 of each year, commencing on March 26, 2024. Paros Enterprises Limited (“Paros Enterprises”), a related party, acquired $25,000 aggregate principal amount of the Series H senior unsecured debentures. The Company has the option to redeem the Series H senior unsecured debentures at a redemption price equal to the greater of the Canada Yield Price or par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada Bond Yield with an equal term to maturity plus a spread of 1.235%.

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

For the year ended December 31, 2024, interest on Unsecured Debentures of $25,908 (2023 - $30,160) 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	2024	2023
Morguard Residential REIT[1]	March 31, 2028	$24.15	6.00%	$56,000	$5,000	**$47,830**	$47,277
Morguard REIT	December 31, 2026	$7.80	5.25%	$159,000	$60,000	**95,173**	93,498
						$143,003	$140,775
Current						**$—**	$—
Non-current						**143,003**	140,775
						$143,003	$140,775

[1] As at December 31, 2024, the liability includes the fair value of the conversion option of $1,361 (2023 - $2,131).

Morguard REIT

On December 7, 2021, Morguard REIT issued $150,000 principal amount of 5.25% convertible unsecured subordinated debentures maturing on December 31, 2026. On December 13, 2021, an additional principal amount of $9,000 was issued pursuant to the exercise of the over-allotment option. Interest is payable semi-annually, not in advance, on June 30 and December 31 of each year. Underwriter’s commission and other issue costs attributable to the debentures in the amount of $4,213 have been capitalized and are being amortized over their term to maturity. The convertible debentures, with the exception of $4,213, the value assigned to the holder’s conversion option, have been recorded as debt on the consolidated balance sheets. As at December 31, 2024, Morguard owns $60,000 (2023 - $60,000) aggregate principal amount of the 5.25% convertible unsecured subordinated debentures.

Morguard Residential REIT

On March 9, 2023, Morguard Residential REIT issued $50,000 principal amount of 6.00% convertible unsecured subordinated debentures maturing on March 31, 2028. On March 17, 2023, an additional principal amount of $6,000 was issued pursuant to the exercise of the over-allotment option. Interest is payable semi-annually, not in advance, on March 31 and September 30 of each year, commencing on September 30, 2023. Underwriters’ commission, legal and other issue costs attributable to the debentures in the amount of $2,410 have been capitalized and are being amortized over their term to maturity. As at December 31, 2024, Morguard and Paros Enterprises, related parties, own $5,000 (2023 - $5,000) and $2,000 (2023 - $2,000) aggregate principal amount of the 6.00% convertible unsecured subordinated debentures, respectively.

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

For the year ended December 31, 2024, interest on convertible debentures net of accretion of $10,016 (2023 - $9,952) is included in interest expense (Note 18).

NOTE 12

MORGUARD RESIDENTIAL REIT UNITS

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

During the year ended December 31, 2024, the Company acquired nil units (2023 - 176,500 units) of Morguard Residential REIT for cash consideration of $nil (2023 - $2,374).

As at December 31, 2024, the Company valued the non-controlling interest in the Morguard Residential REIT units at $434,721 (2023 - $393,695) and classifies the units as a liability on the consolidated balance sheets. Due to the change in the market value of the units and the distributions paid to external unitholders, the Company recorded a fair value loss for the year ended December 31, 2024 of $88,067 (2023 - gain of $13,656) in the consolidated statements of income (Note 19).

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

For the years ended December 31	2024	2023
Fair value gain (loss) on Morguard Residential REIT units	**($66,433)**	$35,731
Distributions to external unitholders (Note 3)	**(21,634)**	(22,075)
Fair value gain (loss) on Morguard Residential REIT units	**($88,067)**	$13,656

NOTE 13

LEASE LIABILITIES

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

As at December 31	2024	2023
Balance, beginning of year	**$170,753**	$172,517
Interest on lease liabilities (Note 18)	**9,860**	9,899
Payments	**(11,252)**	(11,521)
Additions	**685**	241
Foreign exchange loss (gain)	**1,417**	(383)
Balance, end of year	**$171,463**	$170,753
Current (Note 14)	**$1,539**	$1,613
Non-current	**169,924**	169,140
	$171,463	$170,753

Future minimum lease payments under lease liabilities are as follows:

As at December 31	2024	2023
Within 12 months	**$11,469**	$11,445
2 to 5 years	**55,351**	44,785
Over 5 years	**332,453**	351,114
Total minimum lease payments	**399,273**	407,344
Less: future interest costs	**(227,810)**	(236,591)
Present value of minimum lease payments	**$171,463**	$170,753

NOTE 14
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at December 31	2024	2023
Accounts payable and accrued liabilities	**$215,334**	$211,128
Tenant deposits	**26,350**	26,537
SARs liability (Note 16(c))	**4,868**	4,290
Income taxes payable	**13,297**	—
Lease liabilities (Note 13)	**1,539**	1,613
Derivative liabilities (Note 10)	**2,389**	—
Other	**1,673**	3,267
	$265,450	$246,835

NOTE 15
BANK INDEBTEDNESS

As at December 31, 2024, the Company has borrowed $168,079 (2023 - $191,369) on its operating lines of credit and has issued letters of credit in the amount of $3,254 (2023 - $3,185). The Company has seven revolving lines of credit, of which six are subject to borrowing limitations that are based on the performance metrics of the underlying security. As at December 31, 2024, the maximum amount that can be borrowed on the operating lines of credit is $360,391 (2023 - $392,735). During the three months ended March 31, 2024, the Company's operating lines of credit were reduced due to the disposition of nine hotel properties (Note 5) that were secured against one of the Company's lines of credit. As at December 31, 2024, the Company has operating lines of credit totalling $436,350 (2023 - $486,000).

The Company's investments in Morguard REIT and Morguard Residential REIT, marketable securities, amounts receivable, inventory, capital assets and a fixed charge on eleven properties have been pledged as collateral on these operating lines of credit. As at December 31, 2024, the majority of the Company's lines of credit can be borrowed in either Canadian or United States dollars and are subject to floating interest rates based on the prime lending rate, CORRA for amounts borrowed in Canadian dollars or the Secured Overnight Financing Rate ("SOFR") on amounts borrowed in United States dollars.

The bank credit agreements, which renew annually and are due on demand, include certain restrictive undertakings by the Company. As at December 31, 2024, 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, 2022	11,022	$100,239
Common shares repurchased through the Company's NCIB	(209)	(1,900)
Dividend reinvestment plan	—	25
Balance, December 31, 2023	10,813	$98,364
Common shares repurchased through the Company's NCIB	**(92)**	**(839)**
Dividend reinvestment plan	**—**	**27**
Balance, December 31, 2024	**10,721**	**$97,552**

The Company had the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 540,661 common shares. On September 18, 2024, the Company obtained the approval of the TSX under its NCIB to purchase up to 540,672 common shares, representing approximately 5% of the issued and outstanding common shares, and the program expires on September 21, 2025. The daily repurchase restriction for the common shares is 1,000. During the year ended December 31, 2024, 92,210 common shares were repurchased for cash consideration of $11,252 at a weighted average price of $122.03 per common share.

Total dividends declared during the year ended December 31, 2024 amounted to $7,010, or $0.65 per common share (2023 - $6,518, or $0.60 per common share). On February 20, 2025, the Company declared a common share dividend of $0.20 per common share, to be paid in the first quarter of 2025.

(b) Contributed Surplus
During the year ended December 31, 2024, the Company acquired 470,600 units (2023 - 2,436,221 units) of Morguard REIT for cash consideration of $2,615 (2023 - $13,359). The difference between the cash consideration and the carrying value of the non-controlling interest acquired for the year ended December 31, 2024 amounted to $3,826 (2023 - $26,127) and the amounts have been recorded within retained earnings.

(c) Stock Appreciation Rights Plan
The SARs granted vest equally over 10 years subject to restrictions.

As at December 31, 2024 Date of Grant	Exercise Price	Issued	Redeemed	Cancelled	Outstanding
March 20, 2008	$30.74	200,000	(113,500)	(61,500)	25,000
November 2, 2010	$43.39	55,000	(11,500)	(8,500)	35,000
May 13, 2014	$137.90	25,000	(2,000)	(23,000)	—
May 13, 2015	$153.82	10,000	—	—	10,000
January 11, 2017	$179.95	90,000	(1,500)	(23,500)	65,000
May 18, 2018	$163.59	125,000	—	(45,000)	80,000
August 8, 2018	$168.00	20,000	—	—	20,000
November 8, 2018	$184.00	10,000	—	—	10,000
Total		**535,000**	**(128,500)**	**(161,500)**	**245,000**

During the year ended December 31, 2024, the Company recorded a fair value adjustment of $578 to increase compensation expense (2023 – $663 to reduce compensation expense). The fair value adjustment is included in property management and corporate expenses in the consolidated statements of income, and the liability is classified as accounts payable and accrued liabilities (Note 14).

The fair value for the SARs was calculated using the Black-Scholes option pricing model. In determining the fair value of the SARs, management is required to make assumptions that could have a material impact on the valuation. The following are the assumptions that were used in determining the fair value as at December 31, 2024: a dividend yield

of 0.52% (2023 - 0.57%), expected volatility of approximately 26.09% (2023 - 25.51%) and the 10-year Bank of Canada Bond Yield of 2.99% (2023 - 3.45%).

(d) Stock Option Plan

The Company established a stock option plan (“SOP”) during 2022. The SOP entitles specified officers to receive common share options of the Company. Under the SOP, the Company may grant up to a maximum of 1,000,000 options. As at December 31, 2024, the Company has granted nil options.

(e) Accumulated Other Comprehensive Income

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

As at December 31	2024	2023
Actuarial gain on defined benefit pension plans	**$47,430**	$45,835
Unrealized fair value loss on cash flow hedge	**(1,972)**	—
Unrealized foreign currency translation gain	**374,282**	212,688
	$419,740	$258,523

NOTE 17

REVENUE

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

For the years ended December 31	2024	2023
Rental income	**$571,329**	$559,631
Realty taxes and insurance	**169,196**	158,263
Common area maintenance recoveries	**102,315**	101,811
Property management and ancillary income	**189,962**	181,021
	$1,032,802	$1,000,726

The components of revenue from hotel properties are as follows:

For the years ended December 31	2024	2023
Room revenue	**$29,728**	$134,595
Other hotel revenue	**5,514**	27,006
	$35,242	$161,601

The components of management and advisory fees are as follows:

For the years ended December 31	2024	2023
Property and asset management fees	**$30,352**	$31,265
Other fees	**9,327**	12,307
	$39,679	$43,572

During the year ended December 31, 2024, property management and corporate expenses include services provided under third-party managed contracts, which are recoverable, amounting to $21,261 (2023 - $20,401).

NOTE 18
INTEREST EXPENSE

The components of interest expense are as follows:

For the years ended December 31	2024	2023
Interest on mortgages	**$198,772**	$192,318
Interest on debentures payable, net of accretion (Note 11)	**35,924**	40,112
Interest on bank indebtedness	**3,112**	15,687
Interest on loans payable and other	**601**	1,077
Interest on lease liabilities (Note 13)	**9,860**	9,899
Amortization of mark-to-market adjustments on mortgages, net	**272**	(1,782)
Amortization of deferred financing costs	**8,409**	8,519
Prepayment fee on mortgage extinguishment	**257**	—
	257,207	265,830
Less: Interest capitalized to properties under development	**(464)**	(1,155)
	$256,743	$264,675

NOTE 19
FAIR VALUE LOSS, NET

The components of fair value loss are as follows:

For the years ended December 31	2024	2023
Fair value loss on real estate properties, net (Note 4)	**($17,849)**	($201,648)
Financial assets (liabilities):		
Fair value gain on conversion option of MRG convertible debentures	**770**	2,104
Fair value gain (loss) on MRG units (Note 12)	**(88,067)**	13,656
Fair value loss on other real estate fund investments (Note 7(b))	**(3,696)**	(15,722)
Fair value loss on investment in marketable securities	**(12,565)**	(13,654)
Total fair value loss, net	**($121,407)**	($215,264)

NOTE 20
OTHER INCOME (EXPENSE)

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

For the years ended December 31	2024	2023
Foreign exchange loss	**($318)**	($63)
Other income (expense)	**7**	(647)
	($311)	($710)

NOTE 21
RELATED PARTY TRANSACTIONS

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

(a) Paros Holdings Corporation and Paros Enterprises Limited

Paros Holdings Corporation (“Paros Holdings”) and Paros Enterprises are owned by the Company’s Chairman and Chief Executive Officer, Mr. K. Rai Sahi. As at December 31, 2024, Paros Holdings owns a 62.4% interest in Morguard through its ownership of 6,691,000 common shares. As at December 31, 2024, and 2023, the Company has a demand loan agreement with Paros Enterprises that provides for the Company to borrow up to $50,000. As at December 31, 2024, and 2023, no amounts were drawn and no net interest expense was incurred.

(b) TWC Enterprises Limited (“TWC”)

The Company provides TWC with managerial and consulting services for its business and the business of its subsidiaries. Mr. K. Rai Sahi is Chairman and Chief Executive Officer and the majority shareholder of TWC. Pursuant to contractual agreements between the Company and TWC, for the year ended December 31, 2024, the Company received a management fee of $1,325 (2023 - $1,315) and paid rent and operating expenses of $909 (2023 - $735).

As at December 31, 2024, and 2023, the Company has a revolving demand loan agreement with TWC that provides for either party to borrow up to $50,000 at floating rates of interest consistent with the entity’s borrowing cost. The total loan payable as at December 31, 2024 was $20,000 (2023 - $nil). During the year ended December 31, 2024, the Company paid net interest of $70 (2023 - $612). Subsequent to December 31, 2024, the Company repaid the outstanding loans payable in the amount of $20,000.

(c) Share/unit Purchase and Other Loans

As at December 31, 2024, share/unit purchase and other loans to officers and employees of the Company and its subsidiaries of $1,521 (2023 - $1,508) are outstanding. The loans are collateralized by their common shares and Unsecured Debentures of the Company, units of Morguard REIT, convertible debentures of Morguard REIT and units of Morguard Residential REIT, are interest-bearing computed at the Canadian prime interest rate and are due on January 13, 2026. Other loans are secured against the underlying asset. The loans are classified as amounts receivable in the consolidated balance sheets. As at December 31, 2024, the fair market value of the common shares/units held as collateral is $3,720.

(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, President and Chief Operating Officer, Chief Financial Officer, Senior Vice President, Retail Asset Management (MIL), and Senior Vice President, U.S. Asset Management. The compensation paid or payable to key management personnel for employee services for the year ended December 31, 2024 amounted to $5,712 (2023 - $5,469).

NOTE 22

INCOME TAXES

(a) Provision for Income Taxes

For the years ended December 31	2024	2023
Income before income taxes	**$298,471**	$81,585
Statutory rate	**26.5%**	26.5%
Income taxes at the Canadian and provincial income tax rate	**$79,095**	$21,620
Increase (decrease) in income taxes due to:		
Non-deductible items	**20,049**	7,373
Non-taxable income of Morguard Residential REIT and Morguard REIT	**(9,168)**	(13,843)
Impact of subsidiary tax rate differential	**1,594**	3,639
Impact of change in tax rates	**369**	(370)
Recognition of previously unrecognized benefit of tax losses	**(4,356)**	(4,867)
Adjustments to income tax estimates	**9,043**	7,510
Non-taxable accounting gain on hotel disposition	**(39,559)**	—
Other	**1,770**	2,287
Income tax expense	**$58,837**	$23,349

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

As at	December 31, 2023	Net income (loss)	Recognized in OCI	Equity and other	December 31, 2024
Real estate properties	**$848,370**	**$35,428**	**$30,995**	**$—**	**$914,793**
Investments	**(1,162)**	**(1,752)**	**—**	**3,734**	**820**
Pension assets	**23,142**	**(337)**	**1,752**	**—**	**24,557**
Other	**(34,869)**	**(580)**	**(418)**	**—**	**(35,867)**
Total net deferred tax liabilities	**$835,481**	**$32,759**	**$32,329**	**$3,734**	**$904,303**

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

(c) Recognized Deductible Temporary Differences

As at December 31, 2024, the Company's U.S. subsidiaries have total net operating losses of approximately US$22,731 (2023 - US$29,753) of which deferred income tax assets were recognized as it is probable that taxable income will be available against such losses and can be carried forward indefinitely. Included in the net operating losses is the Company's portion of net operating losses of a subsidiary where the Company owns a 51% effective interest in a limited partnership of US$8,747 (2023 - US$9,253).

As at December 31, 2024, the Company's U.S. subsidiaries have a total of US$109,331 (2023 - US$68,027) of unutilized interest expense deductions of which deferred income tax assets were recognized and can be carried forward indefinitely.

As at December 31, 2024, the Company's Canadian subsidiaries have total net operating losses of approximately $nil (2023 - $267,907) of which no deferred income tax assets were recognized as it is not probable that taxable income will be available against which they can be utilized. As at December 31, 2024, the Company has other Canadian temporary differences of approximately $nil (2023 - $9,701) of which no deferred income tax asset was recognized as it is not probable that taxable income will be available against which they can be utilized.

(d) Other Temporary Differences

As at December 31, 2024, temporary differences associated with investments in subsidiaries and joint ventures, for which no deferred income tax liability has been recognized, amounts to $7,688 (2023 - $144,840).

(e) EIFEL Rules

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

The EIFEL Rules, which became effective for the 2024 fiscal year, limit the amount of net interest and financing expenses that a corporation may deduct in computing taxable income to a fixed ratio (currently set at 30% of EBITDA as calculated for tax purposes) or, where certain conditions are met and a consolidated group elects, a higher group ratio. Based on an assessment of EBITDA for the year ended December 31, 2024, the impact of the Company's limitation of interest expense deductibility results in an increase to current income tax expense for the year ended December 31, 2024 by $180. In addition, a deferred tax asset relating to the unutilized interest expense deductions is included in the Company's recognized temporary differences.

On August 12, 2024, the Department of Finance released revised draft legislation that includes previously announced business tax measures, among others, related to an EIFEL exemption for purpose-build rental housing providers and certain regulated utility providers. On January 6, 2025, it was announced that Parliament will be prorogued until

March 24, 2025. The Company will continue to monitor developments in the measures to assess the full implications of the EIFEL Rules.

(f) International Tax Reform: Pillar Two Model Rules

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

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

To date, the U.S. has not indicated its commitment to enact Pillar Two legislation. The Company and its subsidiaries continue to review the relevant legislation and available guidance to assess the full implications of the Pillar Two Model Rules.

NOTE 23
NET INCOME PER COMMON SHARE

For the years ended December 31	2024	2023
Net income attributable to common shareholders	**$261,799**	$74,176
Weighted average number of common shares outstanding (000s) - basic and diluted	**10,806**	10,903
Net income per common share - basic and diluted	**$24.23**	$6.80

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

For the years ended December 31	2024	2023
Fair value loss on real estate properties, net	**$17,849**	$200,599
Fair value gain on conversion option of MRG convertible debentures (Note 19)	**(770)**	(2,104)
Fair value loss (gain) on MRG units (Note 12)	**66,433**	(35,731)
Fair value loss on other real estate investment funds (Note 19)	**3,696**	15,722
Fair value loss on investment in marketable securities (Note 19)	**12,565**	13,654
Equity loss (income) from investments	**717**	(4,334)
Amortization of hotel properties and other	**11,013**	23,076
Amortization of deferred financing costs (Note 18)	**8,409**	8,519
Amortization of mark-to-market adjustments on mortgages, net (Note 18)	**272**	(1,782)
Amortization of tenant incentives	**2,296**	2,583
Stepped rent - adjustment for straight-line method	**3,451**	3,265
Deferred income taxes	**32,759**	13,673
Accretion of convertible debentures	**1,758**	1,443
Gain on sale of hotel properties (Note 5)	**(150,587)**	—
Recovery of impairment (Note 5)	**—**	(11,000)
	$9,861	$227,583

(b) Net Change in Operating Assets and Liabilities

For the years ended December 31	2024	2023
Amounts receivable	**$8,987**	$20,370
Prepaid expenses and other	**2,027**	1,990
Accounts payable and accrued liabilities	**12,413**	4,361
Net change in operating assets and liabilities	**$23,427**	$26,721

(c) Supplemental Cash Flow Information

For the years ended December 31	2024	2023
Interest paid	**$245,227**	$238,159
Interest received	**7,034**	7,893
Income taxes paid	**9,415**	8,802

During the year ended December 31, 2024, the Company issued non-cash dividends under the distribution reinvestment plan of $27 (2023 - $25).

(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	**$4,680,092**	**$622,611**	**$140,775**	**$170,753**	**$—**	**$191,369**	**$5,805,600**
Repayments	**(114,126)**	**—**	**—**	**(1,392)**	**—**	**(308,042)**	**(423,560)**
New financing, net	**983,819**	**—**	**—**	**—**	**20,000**	**284,752**	**1,288,571**
Lump-sum repayments	**(982,467)**	**(450,000)**	**—**	**—**	**—**	**—**	**(1,432,467)**
Non-cash changes	**41,560**	**1,000**	**2,228**	**685**	**—**	**—**	**45,473**
Foreign exchange	**152,203**	**—**	**—**	**1,417**	**—**	**—**	**153,620**
Balance, December 31, 2024	**$4,761,081**	**$173,611**	**$143,003**	**$171,463**	**$20,000**	**$168,079**	**$5,437,237**

NOTE 25

EMPLOYEE FUTURE BENEFITS

The Company maintains a non-contributory defined benefit pension plan covering certain employees under the Morguard Corporation Employee Retirement Plan (the “Morguard Plan”). This plan provides benefits based on length of service and final average earnings. There is only one active member since the majority of members were employed in the Company’s industrial products distribution business, which was sold in 1996. The pension obligations and related assets for the former employees remain part of the Company’s defined benefit pension plan. The most recent actuarial valuation for the Morguard Plan was as at December 31, 2022.

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

Morguard Investments Limited Employees’ Retirement Plan (the “MIL Plan”) is a defined benefit plan that provides benefits based on years of service, years of contributions and annual earnings. Effective January 1, 2008, all members of the MIL Plan ceased to accrue future benefits under the MIL Plan and commenced participation under the new defined contribution provisions of the Morguard Plan. With respect to MIL Plan members, no assets or liabilities will transfer from the MIL Plan to the new Morguard Plan with respect to benefits accrued to December 31, 2007. Accrued benefits under the MIL Plan will be determined using credited service and benefit entitlement as at December 31, 2007.

Membership is a requirement after a defined term of employment and age. Funding of the MIL Plan is provided by contributions from Morguard Investments Limited (“MIL”). Certain employees who commenced employment prior to

January 1, 1997 elected to contribute to the MIL Plan and receive a higher benefit. The most recent actuarial valuation for the MIL Plan was as at December 31, 2022.

During 2024, the MIL Plan merged with the Morguard Plan, which resulted in a net asset transfer from the MIL Plan to the Morguard Plan. The asset transfer of the MIL Plan was completed on July 1, 2024, and treated as a "plan combination". The defined benefit obligation of the MIL Plan was determined as of June 30, 2024, using actuarial assumptions appropriate on that date, and then transferred to the Morguard Plan along with the MIL Plan assets. Members of the Morguard Plan and the MIL Plan will continue to receive the full value of pension benefits accrued prior to the merger. During the year ended December 31, 2024, the Company recorded a gain of $1,260 to OCI as a result of the merger.

The significant actuarial assumptions adopted in measuring the Company's defined benefit pension plans for the years ended December 31, 2024, and 2023, are as follows:

For the years ended December 31		2024		2023
	Morguard	MIL	Morguard	MIL
Assumptions for defined benefit pension obligation				
Discount rate	**4.60%**	**—**	4.65%	4.65%
Rate of price inflation	**1.80%**	**—**	1.60%	1.60%
Rate of pension increases - pre-retirement	**1.30%**	**—**	—	1.30%
Rate of pension increases - post-retirement	**1.30%**	**—**	—	1.30%
Assumptions for defined benefit expense				
Discount rate	**4.65%**	**—**	5.25%	5.25%
Rate of price inflation	**1.60%**	**—**	2.10%	2.10%
Rate of pension increases - pre-retirement	**1.30%**	**—**	—	1.55%
Rate of pension increases - post-retirement	**1.30%**	**—**	—	1.55%

Information about the Company's defined benefit pension plans as at December 31, 2024, and 2023, is as follows:

As at December 31			2024			2023
	Morguard	MIL	Total	Morguard	MIL	Total
Accrued benefit obligations						
Balance, beginning of year	**($32,926)**	**($30,476)**	**($63,402)**	($32,487)	($29,216)	($61,703)
Current service cost	**(3)**	**—**	**(3)**	(5)	—	(5)
Interest cost	**(2,142)**	**(688)**	**(2,830)**	(1,613)	(1,490)	(3,103)
Benefits paid	**4,072**	**963**	**5,035**	3,523	2,110	5,633
Changes in:						
Financial assumptions	**(1,404)**	**1,138**	**(266)**	(1,327)	(1,136)	(2,463)
Experience adjustments	**(352)**	**—**	**(352)**	(1,017)	(744)	(1,761)
Increase (decrease) due to plan combinations	**(29,063)**	**29,063**	**—**	—	—	—
Balance, end of year	**($61,818)**	**$—**	**($61,818)**	($32,926)	($30,476)	($63,402)
Plan assets						
Fair value, beginning of year	**$103,828**	**$36,766**	**$140,594**	$102,059	$36,364	$138,423
Expected return on plan assets	**5,517**	**832**	**6,349**	5,184	1,860	7,044
Administration expenses	**(434)**	**(140)**	**(574)**	(395)	(346)	(741)
Return on plan assets	**4,055**	**(572)**	**3,483**	2,905	998	3,903
Employer contributions	**(2,475)**	**—**	**(2,475)**	(2,402)	—	(2,402)
Benefits paid	**(4,072)**	**(963)**	**(5,035)**	(3,523)	(2,110)	(5,633)
Increase (decrease) due to plan combinations	**35,923**	**(35,923)**	**—**	—	—	—
	$142,342	**$—**	**$142,342**	$103,828	$36,766	$140,594
Change in asset ceiling	**—**	**—**	**—**	—	(494)	(494)
Balance, end of year	**$142,342**	**$—**	**$142,342**	$103,828	$36,272	$140,100
Net assets	**$80,524**	**$—**	**$80,524**	$70,902	$5,796	$76,698

In 2024, the Morguard Plan contributed $2,475 to the defined contribution plan (2023 - $2,402).

Details of the defined benefit income recorded in the consolidated statements of comprehensive income for the years ended December 31, 2024, and 2023, are provided below:

For the years ended December 31			2024			2023
	Morguard	**MIL**	**Total**	Morguard	MIL	Total
Components of defined benefit cost						
Current service cost	**($3)**	**$—**	**($3)**	($5)	$—	($5)
Interest cost	**(2,142)**	**(688)**	**(2,830)**	(1,613)	(1,490)	(3,103)
Expected return on plan assets	**5,517**	**832**	**6,349**	5,184	1,860	7,044
Administrative expenses and taxes	**(440)**	**(110)**	**(550)**	(374)	(175)	(549)
Interest expense on effect of asset ceiling	**—**	**(12)**	**(12)**	—	(108)	(108)
Net benefit plan income	**$2,932**	**$22**	**$2,954**	$3,192	$87	$3,279

Details of the defined benefit pension plan recorded in the consolidated statements of comprehensive income for the years ended December 31, 2024, and 2023, are provided below:

For the years ended December 31			2024			2023
	Morguard	**MIL**	**Total**	Morguard	MIL	Total
Changes in:						
Financial assumptions	**($1,404)**	**$1,138**	**($266)**	($1,327)	($1,136)	($2,463)
Experience adjustments	**(352)**	**—**	**(352)**	(1,017)	(744)	(1,761)
Return on plan assets	**4,061**	**(602)**	**3,459**	2,884	827	3,711
Change in asset ceiling (before interest income)	**—**	**506**	**506**	—	1,675	1,675
Net actuarial gain on defined benefit pension plans	**$2,305**	**$1,042**	**$3,347**	$540	$622	$1,162

Reconciliation of net accrued pension assets for the years ended December 31, 2024, and 2023, is as follows:

For the years ended December 31			2024			2023
	Morguard	**MIL**	**Total**	Morguard	MIL	Total
Net defined benefit asset, beginning of year	**$70,902**	**$5,796**	**$76,698**	$69,572	$5,087	$74,659
Net benefit plan income	**2,932**	**22**	**2,954**	3,192	87	3,279
Net actuarial gain	**2,305**	**1,042**	**3,347**	540	622	1,162
Amounts recognized due to plan combinations	**6,860**	**(6,860)**	**—**	—	—	—
Employer contribution	**(2,475)**	**—**	**(2,475)**	(2,402)	—	(2,402)
Net defined benefit asset, end of year	**$80,524**	**$—**	**$80,524**	$70,902	$5,796	$76,698

Details of the defined benefit obligation by participant status as at December 31, 2024, and 2023, are as follows:

As at December 31			2024			2023
	Morguard	**MIL**	**Total**	Morguard	MIL	Total
Actives, suspended and long-term disability	**$12,552**	**$—**	**$12,552**	$1,249	$10,511	$11,760
Vested deferred	**4,684**	**—**	**4,684**	2,398	1,774	4,172
Retirees	**44,582**	**—**	**44,582**	29,279	18,191	47,470
Total	**$61,818**	**$—**	**$61,818**	$32,926	$30,476	$63,402

The pension fund is held in trust and is invested in accordance with an adopted statement of investment policy and procedures. The fair value of the plan's investments is as follows:

As at December 31	2024	2023
Cash and cash equivalents	**$5,540**	$3,754
Fixed-income securities	**30,303**	29,760
Foreign equities	**8,604**	10,849
Canadian equities	**79,255**	75,710
Canadian pooled funds	**18,640**	20,521
Total investments	**$142,342**	$140,594

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

Year ended December 31, 2024	Increase (Decrease) in Pension Benefit Obligation Total
Discount rate	
Discount rate -100 basis points	**$5,835**
Discount rate +100 basis points	**(4,949)**
Pension increase rate	
Pension increase rate -50 basis points	**(1,818)**
Pension increase rate +50 basis points	**1,978**
Mortality	
Mortality - life expectancy for member age 65 -1 year	**(2,707)**
Mortality - life expectancy for member age 65 +1 year	**2,661**

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

As at December 31, 2024	Total
Year 1	**$5,024**
Year 2	**4,984**
Year 3	**4,871**
Year 4	**4,867**
Year 5	**4,769**
Next 5 years	**22,067**

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:

2025	**$12,925**
2026	**12,485**
2027	**12,446**
2028	**12,069**
2029	**11,303**
Thereafter	**456,865**

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

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

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

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

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

Ground Lease #4	Annual Rental Expense
From September 1, 2024 to August 31, 2025	US$399
Every year thereafter to September 1, 2061	Consumer Price Index Adjustment

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

The Company has entered into various leasing agreements and contracts for the development of properties. As at December 31, 2024, committed leasing costs, capital and development expenditures are estimated to be $218,138.

(b) Contingencies

As at December 31, 2024, the Company has issued irrevocable letters of credit relating to normal course development activity amounting to $8,538 (2023 - $8,364).

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 consolidated financial position or consolidated results of operations of the Company. Any settlement of claims in excess of amounts recorded will be charged to operations as and when such determination is made.

(c) Franchise Agreements

Under the terms of the franchise agreements expiring through August 1, 2038, annual payments for franchise fees are payable for one hotel property 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 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, 2024, and 2023, is summarized below:

As at December 31	2024	2023
Mortgages payable, principal balance	**$4,791,513**	$4,704,260
Unsecured Debentures, principal balance	**175,000**	625,000
Convertible debentures, principal balance	**150,000**	150,000
Loans payable	**20,000**	—
Bank indebtedness	**168,079**	191,369
Lease liabilities	**171,463**	170,753
Shareholders' equity	**4,292,423**	3,887,550
	$9,768,478	$9,728,932

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

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

NOTE 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 mortgages payable has been determined by discounting the cash flows of these financial obligations using December 31, 2024 market rates for debt of similar terms (Level 2). Based on these assumptions, the fair value as at December 31, 2024 of mortgages payable before deferred financing costs and mark-to-market adjustments is estimated at $4,656,335 (2023 - $4,351,345), compared to the carrying value of $4,791,513 (2023 - $4,704,260). The fair value of 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 their closing bid price (Level 1). As at December 31, 2024, the fair value of Unsecured Debentures is estimated at $186,555 (2023 - $628,660), compared to the carrying value of $175,000 (2023 - $625,000).

The fair value of the convertible debentures liability is based on their market trading price (Level 1). As at December 31, 2024, the fair value of convertible debentures before deferred financing costs is estimated at $152,244 (2023 - $141,308), compared to the carrying value of $150,000 (2023 - $150,000).

The fair value of the finance lease receivable is determined by discounting the cash flows of the finance lease receivable using December 31, 2024 market rates for debt of similar terms (Level 3). Based on these assumptions, as at December 31, 2024 the fair value of finance lease receivable is estimated at $59,355 (2023 - $58,860).

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

	December 31, 2024			December 31, 2023		
As at	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$11,048,485**	$—	$—	$10,618,962
Investments in marketable securities	**88,187**	**—**	**—**	97,881	—	—
Investments in real estate funds	**—**	**—**	**56,032**	—	—	56,524
Financial liabilities:						
Morguard Residential REIT units	**—**	**434,721**	**—**	—	393,695	—
Conversion option on MRG convertible debentures	**—**	**1,361**	**—**	—	2,131	—
Derivative liabilities	**—**	**2,389**	**—**	—	—	—

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, set appropriate risk limits and controls, and 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, 2024, the increase or decrease in annual net income for each 1% change in interest rates on floating-rate debt would amount to $5,045.

The Company's objective in managing interest rate risk is to minimize the volatility of the Company's income. As at December 31, 2024, interest rate risk is 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 $268,467 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 dollar. Changes in the exchange rate may result in a reduction or an increase of reported earnings and OCI. For the year ended December 31, 2024, a $0.05 change in the United States to Canadian dollar exchange rate would result in a $1,261 change to net income or loss and a $77,456 change to comprehensive income or loss.

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

(b) Credit Risk

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

The Company's commercial leases typically have lease terms of 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	2024	2023
No later than one year	**$264,268**	$274,241
Later than one year and no longer than five years	**657,945**	701,927
Later than five years	**326,783**	352,226
	$1,248,996	$1,328,394

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

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

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

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

As at December 31	2024	2023
Tenant receivables	**$24,330**	$31,677
Less: Allowance for doubtful accounts	**(7,312)**	(7,430)
Trade receivables, net	**$17,018**	$24,247

(c) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations. The Company will be subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be able to be refinanced. The Company's objectives in minimizing liquidity risk are to maintain appropriate levels of leverage on its real estate assets and to stagger the debt maturity profile. As at December 31, 2024, the Company holds cash of $140,725 and has undrawn lines of credit available in the amount of $265,017.

NOTE 29

SEGMENTED INFORMATION

(a) Operating Segments

The Company has the following four reportable segments after aggregation: (i) multi-suite residential, (ii) retail, (iii) office and (iv) hotel. The office segment includes industrial properties comprising approximately 12% of the segment's total assets. The Company has applied judgment by aggregating its operating segments according to the nature of the property operations. Such judgment considers the nature of operations, types of customers and an expectation that operating segments within a reportable segment have similar long-term economic characteristics.

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

For the year ended December 31, 2024	**Multi-suite Residential**	**Retail**	**Office**	**Hotel**	**Total**
Revenue from real estate/hotel properties	**$514,783**	**$259,833**	**$258,186**	**$35,242**	**$1,068,044**
Property/hotel operating expenses	**(229,087)**	**(124,870)**	**(121,186)**	**(25,998)**	**(501,141)**
Net operating income	**$285,696**	**$134,963**	**$137,000**	**$9,244**	**$566,903**

For the year ended December 31, 2023	Multi-suite Residential	Retail	Office	Hotel	Total
Revenue from real estate/hotel properties	$489,707	$253,320	$257,699	$161,601	$1,162,327
Property/hotel operating expenses	(209,571)	(120,757)	(121,370)	(115,213)	(566,911)
Net operating income	$280,136	$132,563	$136,329	$46,388	$595,416

	Multi-suite Residential	**Retail**	**Office**	**Hotel**	**Total**
As at December 31, 2024					
Real estate/hotel properties	**$6,825,580**	**$2,209,322**	**$2,013,583**	**$85,999**	**$11,134,484**
Mortgages payable	**$2,867,205**	**$872,513**	**$975,084**	**$46,279**	**$4,761,081**
For the year ended December 31, 2024					
Additions to real estate/hotel properties	**$101,828**	**$33,519**	**$139,000**	**$2,039**	**$276,386**
Fair value gain (loss) on real estate properties	**$111,298**	**($11,210)**	**($117,937)**	**$—**	**($17,849)**

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

(b) Regional Segments

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

As at December 31	**2024**	2023
Real estate and hotel properties		
Canada	**$6,877,422**	$7,061,612
United States	**4,257,062**	3,899,454
	$11,134,484	$10,961,066

For the years ended December 31	**2024**	2023
Revenue from real estate and hotel properties		
Canada	**$687,099**	$794,691
United States	**380,945**	367,636
	$1,068,044	$1,162,327

NOTE 30
SUBSEQUENT EVENTS

The Company entered into a binding commitment letter for the CMHC-insured refinancing of a multi-suite residential property located in Kitchener, Ontario, providing gross proceeds of up to $79,413 for a term of 10 years. The maturing mortgage amounts to $30,832 and has an interest rate of 2.25%. The Company expects to close the refinancing during the first quarter of 2025.

Subsequent to December 31, 2024, the Company acquired the remaining 40% ownership interest in Lincluden Investment Management Limited for a purchase price of $4,000, before closing costs and working capital adjustments.