MANAGEMENT'S DISCUSSION AND ANALYSIS AND
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2020 THIRD QUARTER MORGUARD CORPORATION

TAKING DECISIVE
ACTION TOGETHER

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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PART I

Morguard Corporation ("Morguard" or the "Company") is pleased to provide this review of operations and update on our financial performance for the three and nine months ended September 30, 2020. Unless otherwise noted, dollar amounts are stated in thousands of Canadian dollars, except per common share amounts.

The following Management's Discussion and Analysis ("MD&A") sets out the Company's strategies and provides an analysis of the financial performance for the three and nine months ended September 30, 2020, and significant risks facing the business. Historical results, including trends that might appear, should not be taken as indicative of future operations or results.

This MD&A should be read in conjunction with the Company's unaudited condensed consolidated financial statements and accompanying notes for the three and nine months ended September 30, 2020 and 2019. This MD&A is based on financial information prepared in accordance with International Financial Reporting Standards ("IFRS") IAS 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board ("IASB") and is dated November 5, 2020. Disclosure contained in this document is current to that date unless otherwise noted.

Additional information relating to Morguard Corporation, including the Company's Annual Information Form, can be found at www.sedar.com and www.morguard.com.

FORWARD-LOOKING STATEMENTS DISCLAIMER

Statements contained herein that are not based on historical or current fact, including without limitation, statements containing the words "anticipates", "believes", "may", "continue", "estimate", "expects" and "will" and words of similar expression, constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, both nationally and in the regions in which the Company operates; changes in business strategy or development/acquisition plans; environmental exposures; financing risk; existing governmental regulations and changes in, or the failure to comply with, governmental regulations; liability and other claims asserted against the Company; risk and uncertainties relating to the outbreak of the novel strain of the coronavirus identified as COVID-19 and other factors referred to in the Company's filings with Canadian securities regulators. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not assume the obligation to update or revise any forward-looking statements.

Given the impact of the changing circumstances surrounding the COVID-19 pandemic and the related response from the Company, governments (federal, state, provincial and municipal), regulatory authorities, businesses and customers, there is inherently more uncertainty associated with the Company's assumptions as compared to prior periods. These assumptions and related risks, include but are not limited to management expectations with respect to the factors above as well as general economic conditions, such as the impact on the economy and financial markets of the COVID-19 pandemic and other health risks.

NON-IFRS FINANCIAL MEASURES

The Company reports its financial results in accordance with IFRS. However, this MD&A also uses certain financial measures that are not defined by IFRS. These measures do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. These measures should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. The Company's management uses these measures to aid in assessing the Company's underlying core performance and provides these additional measures so that investors may do the same. Management believes that the non-IFRS measures described below, which supplement the IFRS measures, provide readers with a more comprehensive understanding of management's perspective on the Company's operating results and performance.

The following discussion describes the non-IFRS measures the Company uses in evaluating its operating results.

NET OPERATING INCOME ("NOI") AND ADJUSTED NET OPERATING INCOME ("ADJUSTED NOI")

NOI is defined by the Company as revenue from real estate properties and revenue from hotel properties less property operating costs, utilities, realty taxes and hotel operating expenses as presented in the consolidated statements of income (loss). NOI is an important measure in evaluating the operating performance of the Company's real estate properties and is a key input in determining the fair value of the Company's income producing properties. NOI includes the impact of realty tax expense accounted for under the International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 21, *Levies* ("IFRIC 21"). IFRIC 21 states that an entity recognizes a levy liability in accordance with the relevant legislation. The obligating event for realty taxes for the U.S. municipalities in which the Company operates is ownership of the property on January 1 of each year for which the tax is imposed and, as a result, the Company records the entire annual realty tax expense for its U.S. properties on January 1, except for U.S. properties acquired during the year, in which case the realty taxes are not recorded in the year of acquisition.

Adjusted NOI represents NOI adjusted to exclude the impact of realty taxes accounted for under IFRIC 21, noted above. Adjusted NOI records realty taxes for all properties on a *pro rata* basis over the entire fiscal year.

A reconciliation of NOI and Adjusted NOI from the IFRS financial statement presentation of revenue from real estate properties and revenue from hotel properties less property operating costs, utilities, realty taxes and hotel operating expenses is provided in "Part III, Review of Operational Results."

COMPARATIVE NOI

Comparative NOI is used by the Company to evaluate the period-over-period performance of those properties that are stabilized and owned by the Company continuously for the current and comparable reporting period. The Company believes it is useful to provide an analysis of Comparative NOI, which eliminates non-recurring and non-cash items. Comparative NOI represents NOI from properties that have been adjusted for: (i) acquisitions, (ii) dispositions and (iii) properties subject to significant change as a result of recently completed development. Comparative NOI also excludes the impact of straight-line rents, realty taxes accounted for under IFRIC 21, lease cancellation fees and other non-cash and non-recurring items.

A reconciliation of Comparative NOI from the IFRS financial statement presentation of revenue from real estate properties and revenue from hotel properties less property operating costs, utilities, realty taxes and hotel operating expenses is provided in "Part III, Review of Operational Results."

FUNDS FROM OPERATIONS ("FFO") AND NORMALIZED FFO

FFO is a non-IFRS measure widely used as a real estate industry standard that supplements net income (loss) and evaluates operating performance but is not indicative of funds available to meet the Company's cash requirements. FFO can assist with comparisons of the operating performance of the Company's real estate between periods and relative to other real estate entities. FFO is computed in accordance with the current definition of the Real Property Association of Canada ("REALpac"), with the exception of the deduction of the non-controlling interest of Morguard North American Residential Real Estate Investment Trust ("Morguard Residential REIT"), and is defined as net income (loss) attributable to common shareholders adjusted for: (i) deferred income taxes, (ii) unrealized changes in the fair value of real estate properties, (iii) realty taxes accounted for under IFRIC 21, (iv) internal leasing costs, (v) gains/ losses from the sale of real estate or hotel property (including income tax on the sale of real estate or hotel property), (vi) transaction costs expensed as a result of a business combination, (vii) gains/losses on business combination, (viii) the non-controlling interest of Morguard Residential REIT, (ix) amortization of depreciable real estate assets (including right-of-use assets), (x) amortization of intangible assets, (xi) principal payments of lease liabilities, (xii) FFO adjustments for equity-accounted investments, (xiii) other fair value adjustments and non-cash items. The Company believes that the analysis of FFO is more clearly presented when the non-controlling interest attributable to Morguard Residential REIT is eliminated. The Company considers FFO to be a useful measure for reviewing its comparative operating and financial performance.

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

A reconciliation of net income (loss) attributable to common shareholders (an IFRS measure) to FFO and Normalized FFO is presented in the section “Part III, Funds From Operations.”

NON-CONSOLIDATED MEASURES

The Company’s senior unsecured debentures (“Unsecured Debentures”) are subject to the following definitions and covenants pursuant to the Trust Indenture and subsequent Supplemental Indentures, (collectively, the “Indenture”), that are calculated based on the Company’s financial results, prepared in accordance with IFRS, adjusted to account for Morguard Real Estate Investment Trust (“Morguard REIT”), Morguard Residential REIT and Temple Hotels Inc. (“Temple”) until the Company’s privatization of Temple on February 18, 2020, collectively the Company’s “Public Entity Investments”, using the equity method of accounting and other adjustments as defined by the Indenture described below (“Non-Consolidated Basis” or “Morguard Non-Consolidated Basis”). The presentation of Non-Consolidated Basis measures represents a non-IFRS measure and may not accurately depict the legal and economic implications of the Company.

The Company computes an interest coverage ratio, an indebtedness to aggregate assets ratio and an adjusted shareholders’ equity covenant on a Non-Consolidated Basis. Reconciliations of the Non-Consolidated Basis inputs (discussed below) used in calculating the covenants from their IFRS financial statement presentation are provided in the section “Part IV, Balance Sheet Analysis.”

Non-consolidated measures that are calculated on a Non-Consolidated Basis are as follows:

NON-CONSOLIDATED INTEREST COVERAGE RATIO

Interest coverage ratio measures the amount of cash flow available to meet annual interest payments on the Company’s indebtedness on a Non-Consolidated Basis and is defined as Non-Consolidated EBITDA divided by Non-Consolidated Interest Expense. Generally, the higher the interest coverage ratio, the lower the credit risk. Non-Consolidated interest coverage ratio is presented in this MD&A because management considers this non-IFRS measure to be an important compliance measure of the Company’s operating performance.

Non-Consolidated EBITDA

Non-Consolidated EBITDA is defined as net income (loss) on a Non-Consolidated Basis before interest expense, income taxes, amortization, fair value adjustments to real estate properties, acquisition-related costs, debt settlement or other costs, any gain or loss attributed to the sale or disposition of any asset or liability, other non-cash items and non-recurring items, plus the distributions received from Morguard REIT and Morguard Residential REIT.

Non-Consolidated Interest Expense

Non-Consolidated Interest Expense is defined as interest expense and interest capitalized to development properties on a Non-Consolidated Basis.

NON-CONSOLIDATED INDEBTEDNESS TO AGGREGATE ASSETS RATIO

Indebtedness to aggregate assets ratio is a compliance measure and establishes the limit for financial leverage of the Company on a Non-Consolidated Basis. Indebtedness to aggregate assets ratio is presented in this MD&A because management considers this non-IFRS measure to be an important compliance measure of the Company’s financial position.

Non-Consolidated Indebtedness

Indebtedness is a measure of the amount of debt financing utilized by the Company on a Non-Consolidated Basis.

Non-Consolidated Aggregate Assets

Aggregate assets is a measure of the value of the Company’s assets on a Non-Consolidated Basis, excluding goodwill and deferred income tax assets and adding back accumulated amortization of hotel properties.

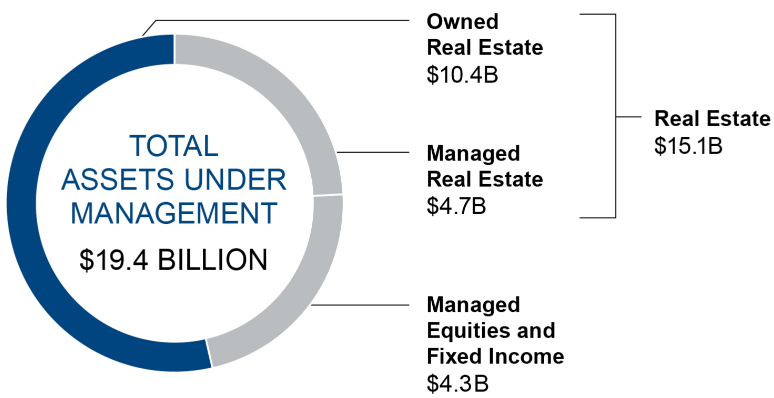
NON-CONSOLIDATED ADJUSTED SHAREHOLDERS’ EQUITY

Adjusted shareholders’ equity is defined as the aggregate shareholders’ equity computed on a Non-Consolidated Basis adjusted to exclude deferred tax assets and liabilities and to add back accumulated amortization of hotel properties. Adjusted shareholders’ equity is a compliance measure and establishes a minimum requirement of equity of the Company.

PART II

BUSINESS OVERVIEW

Morguard Corporation is a real estate investment company whose principal activities include the acquisition, development and ownership of multi-suite residential, commercial and hotel properties. Morguard is also one of Canada's premier real estate investment advisors and management companies, representing major institutional and private investors. Morguard's total assets under management (including both owned and managed assets) were valued at $19.4 billion as at September 30, 2020. The Company's common shares are publicly traded and listed on the Toronto Stock Exchange ("TSX") under the symbol "MRC." The Company's primary goal is to accumulate a portfolio of high-quality real estate assets and then deliver the benefits of such real estate ownership to shareholders.



MANAGEMENT AND ADVISORY SERVICES

The Company, through its wholly owned subsidiary, Morguard Investments Limited ("MIL"), provides real estate management services to Canadian institutional investors. Services include acquisitions, development, dispositions, leasing, performance measurement and asset and property management. For over 40 years, MIL has positioned itself as one of Canada's leading providers of real estate portfolio and asset and property management services. In addition, Morguard through its 60% ownership interest in Lincluden Investment Management Limited ("Lincluden") offers institutional clients and private investors a broad range of global investment products across equity, fixed-income and balanced portfolios.

As of September 30, 2020, MIL together with Lincluden manage a portfolio (excluding Morguard's corporately owned assets and assets owned by Morguard REIT and Morguard Residential REIT) of assets having an estimated value of $9.0 billion.

BUSINESS STRATEGY

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

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

- Increase property values and cash flow through aggressive leasing of available space and of space becoming available;
- Take advantage of long-standing relationships with national and regional tenants;
- Target and execute redevelopment and expansion projects that will generate substantial returns;

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

SIGNIFICANT EVENTS

COVID-19 PANDEMIC

During March 2020, the outbreak of the novel strain of coronavirus ("COVID-19") resulted in governments enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, closure of non-essential businesses, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. Government has reacted with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 pandemic is unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Company in future periods.

The Company recognizes the impact COVID-19 has on many of its tenants in North America and its stakeholders, and is committed in taking measures to protect the health of its employees, tenants and communities. In March, Morguard initiated its crisis management plan with a team mandated to maintain a safe environment for our tenants, residents, employees and stakeholders, coordinating efforts across our portfolio, standardizing communications and responding as circumstances demand.

With the guidance of public health authorities, and at the direction of various levels of government, Morguard continues to implement measures to help reduce the spread of COVID-19. We are actively monitoring the ongoing developments with regards to COVID-19 and are committed in ensuring a healthy and safe environment, adjusting our service model as necessary.

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

LIQUIDITY

The Company has liquidity of approximately $688,000 comprised of $230,000 in cash and $458,000 available under its revolving credit facilities. In addition, the Company has approximately $852,000 of unencumbered income producing and hotel properties which could be financed. To further enhance liquidity, the Company has narrowed down the scope of its capital expenditure program to ensure the availability of resources, allocating an amount that enables the Company to maintain the structural and overall safety of the properties. Management has also implemented various initiatives to reduce or defer operating expenses, property tax installments, hydro payments and corporate income tax installments. Management is also monitoring various government assistance programs in Canada and the U.S. structured to provide relief from personnel costs and commercial rent subsidies.

The Company has approximately $675,500 of mortgages payable maturing during 2020 and 2021 having an aggregate loan-to-value ratio of 35% which management expects to be able to refinance at similar or favorable terms. In addition, the Company has an aggregate of $400,000 of senior unsecured debentures maturing in November 2020 and May 2021. On September 28, 2020, the Company issued $175,000 of Series G senior unsecured debentures, the net proceeds will be available to paydown the maturing senior unsecured debentures in November 2020. The Company expects to be able to issue new debt instruments and use current liquidity sufficient to permit the repayment of its 2020 and 2021 maturities.

2020 RENTAL COLLECTION SUMMARY

As at November 5, 2020, the Company's collection of rental revenues during 2020 is summarized below by asset class:

Asset Class	Q1	Q2	July	August	September	October	% Rental Revenue
Residential	99.8%	99.2%	98.5%	97.9%	97.3%	95.8%	45.0%
Retail	98.3%	61.4%	77.0%	82.1%	81.2%	78.3%	26.8%
Office	99.9%	92.8%	96.6%	95.7%	95.9%	95.3%	27.0%
Industrial	100.0%	93.5%	96.9%	96.9%	96.9%	95.9%	1.2%
Total	**99.4%**	**86.1%**	**91.7%**	**92.7%**	**92.3%**	**90.5%**	**100.0%**

The table above is calculated based on contractual rent in-place as at September 30, 2020, which includes lease modifications resulting in abated rent, the impact of deferral agreements and amounts received as part of CECRA program.

CANADA EMERGENCY COMMERCIAL RENT ASSISTANCE ("CECRA") PROGRAM

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

Over the course of the program, property owners will reduce rent by at least 75% for the months of April through September 2020 for their small business tenants. The Government of Canada, via a forgivable loan, will cover 50% of the rent, with the tenant paying up to 25% and the landlord forgiving at least 25%. The interest-free loans will be forgiven on December 31, 2020, if the property owner agrees to terms, including reducing the small business tenants' rent by at least 75% under a rent reduction agreement and the landlord must follow the terms and conditions of the loan, including complying with the rent reduction agreement.

The Company decided that it was important to participate in the program and actively worked with 634 tenants to finalize applications under the CECRA program, and as at November 5, 2020, the Company has received all scheduled government funding.

On October 9, 2020, the Government of Canada announced a new rent relief program for tenants which will be available until June 2021. The program will fund up to 65% of rent for businesses that have seen revenue decline by at least 70%. Businesses that have had revenue fall by less than 70% will receive gradual decreasing level of support in line with revenues. Businesses that are forced to temporarily shut down by mandatory orders will be able to qualify for funding that covers up to 95% of rent.

The details of the amount forgiven by the landlord and recoverable from the Government of Canada during the three and nine months ended September 30, 2020 is outlined in the following table:

For the three months ended September 30, 2020	Landlord Portion	Government Portion	CECRA Total	Tenant Enrolment [1]
Retail	$2,175	$4,350	$6,525	11.2%
Office	591	1,182	1,773	3.1%
Industrial	82	164	246	9.3%
Total	**$2,848**	**$5,696**	**$8,544**	**7.2%**

[1] As a percentage of each respective segment revenue for the three months ended September 30, 2020.

For the nine months ended September 30, 2020	Landlord Portion	Government Portion	CECRA Total	Tenant Enrolment [1]
Retail	$4,004	$8,008	$12,012	6.8%
Office	882	1,764	2,646	1.5%
Industrial	164	328	492	6.0%
Total	**$5,050**	**$10,100**	**$15,150**	**4.2%**

[1] As a percentage of each respective segment revenue for the nine months ended September 30, 2020.

TENANT ACCOUNTS RECEIVABLE

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. During each reporting period management reviews the Company's amounts receivables and determines an allowance for doubtful accounts recognized through bad debt expense in the condensed consolidated financial statements of income (loss). As at September 30, 2020, the details of tenant receivables, net of an allowance for doubtful accounts is provided below:

As at September 30, 2020	Tenant Receivables	Allowance for Doubtful Accounts	Net Tenant Receivables
Residential	$4,791	($1,668)	$3,123
Retail	31,364	(8,332)	23,032
Office	9,822	(2,349)	7,473
Industrial	189	(1)	188
Hotel	5,105	(165)	4,940
Total	**$51,271**	**($12,515)**	**$38,756**

As at September 30, 2020, tenant receivables, net of an allowance for doubtful accounts totalled $38,756, with retail (59.4%) and office (19.3%) representing 78.7% of total tenant receivables. As previously discussed, collections within the retail asset class has averaged 70.7% during the second and third quarters and has recently seen improvements. As a result of the COVID-19 pandemic, certain medium and larger size tenants were unable to fulfil their rent obligations and there are a large number of retail tenants who have requested consideration for a deferral or an abatement. Management has considered the financial uncertainties faced by the Company's tenants and has provided for tenant receivable balances based on an assessment of each tenant's expected credit loss applying credit loss factors based on historical loss experience along with forward looking information. In addition, during September 2020, the Company finalized all applications under the CECRA program providing tenants with short-term financial certainty and management expects an increase in collections relating to the 25% tenant portion of rent due under the CECRA program.

BAD DEBT EXPENSE (RECOVERY)

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 details of bad debt expense (recovery), which includes the landlord portion of the CECRA program, recorded for the three and nine months ended September 30, 2020 and 2019 is provided below:

For the three months ended	September 30, 2020	% of Revenue	September 30, 2019	% of Revenue
Residential	**$1,167**	**1.2%**	$572	0.6%
Retail	**5,774**	**9.9%**	429	0.7%
Office	**1,623**	**2.8%**	9	—%
Industrial	**82**	**3.1%**	—	—%
Hotel	**(92)**	**(0.4%)**	(57)	(0.1%)
Total	**$8,554**	**3.6%**	$953	0.3%

For the nine months ended	September 30, 2020	% of Revenue	September 30, 2019	% of Revenue
Residential	**$2,092**	**0.7%**	$1,545	0.6%
Retail	**12,632**	**7.1%**	476	0.3%
Office	**2,998**	**1.7%**	255	0.1%
Industrial	**164**	**2.0%**	—	—%
Hotel	**66**	**0.1%**	26	—%
Total	**$17,952**	**2.4%**	$2,302	0.3%

CANADA EMERGENCY WAGE SUBSIDY ("CEWS") PROGRAM

On April 11, 2020, the Canada Emergency Wage Subsidy was enacted, which provides a subsidy for each employee employed between March 15 to June 6, 2020. Subsequently, the Government of Canada extended CEWS to December 19, 2020 and announced its intention to further extend the program until June 2021. The subsidy for the claim periods ending on July 4, 2020 is equal to 75% of an employee's weekly remuneration, up to a maximum of $847 (in actual dollars) per week per employee and the subsidy rate varies, depending on the decline in revenue for subsequent claim periods. A company, or a group of companies under common control, will become eligible for the program if they've experienced a reduction in revenue during the quantification period.

The Company and associated related party group under common control with the Company, including Morguard's parent company, Paros Enterprises Limited, have satisfied certain eligibility criteria, including (among others) a significant decline in revenue due to the temporary closures of non-essential services. The Company will continue to assess its eligibility to December 19, 2020.

For the three months ended September 30, 2020, the Company recorded $7,526 as a deduction of the related expense, of which $713, $5,148 and $1,665 is a deduction of property operating costs, hotel operating expenses and property management and corporate expenses, respectively.

For the nine months ended September 30, 2020, the Company recorded $20,946 as a deduction of the related expense, of which $4,837, $9,603 and $6,506 is a deduction of property operating costs, hotel operating expenses and property management and corporate expenses, respectively.

OPERATIONAL UPDATE

The following provides an operating update on the Company's portfolio by asset class:

RESIDENTIAL

The Company is adhering to various federal, provincial, state and local eviction moratorium policies and has implemented a rent deferral program for our residential tenants who are financially constrained due to the impact of COVID-19. The Company will also ensure pertinent and timely information regarding government financial support programs is shared with tenants. As at November 5, 2020, approximately 0.9% of residential tenants have deferred payment plans. In addition, commencing with April's rental payment, the Company waived the collection of rental increases and late fees for existing tenants up to and including August's rental payment. The suspension of new evictions that was announced by the Ontario government in March 2020 ended in late July 2020 after it lifted its state of emergency and effective August 1, 2020, the Landlord and Tenant Board ("LTB") will begin to issue eviction orders. In the U.S. on September 4, 2020, the Department of Health and Human Services and the Center for Disease Control and Prevention issued an order to temporarily halt evictions for eligible tenants until December 31, 2020.

As at November 5, 2020, the Company's occupancy remains stable in Canada and the U.S. with the exception of a few properties directly impacted by university and local business closures as leasing agents work remotely and utilize online technology to continue leasing activity following the onset of social distancing guidelines. Generally speaking, current conditions including social distancing have reduced leasing traffic. Management will continue to closely monitor traffic and turnover levels in the coming months.

RETAIL & OFFICE

Due to non-essential business closure orders issued by the various provinces in Canada, the majority of the Company's retail tenants were closed for portions of the second quarter. The easing of these restrictions varied by province and by industry. All of the Company's enclosed malls are now open and the vast majority of tenants are allowed to operate.

Buildings within the Company's office portfolio have generally remained open during the pandemic, however, due to closure of non-essential businesses and social distancing requirements most our tenants have implemented a work-from-home protocol. The Company has a significant amount of office space leased to government tenants which has helped mitigate the risk of non-payment of rent. Approximately 37% of the Company's office annualized rental revenue is derived from government tenants.

The Company continues to work with all tenants to review their circumstances and to consider rent deferrals or abatements as necessary and are being supportive of small business retail tenants. Deferrals and abatements are being considered on a case-by-case basis. As at November 5, 2020, discussions and negotiations are ongoing with tenants and amended agreements are expected to be in place for all tenants by the end of the year. The federal government has also introduced legislation to assist landlords and small businesses with their rent obligations during the COVID-19 pandemic.

HOTELS

The Company has undertaken significant steps to mitigate the operational and financial impacts from emergency measures enacted to combat the COVID-19 pandemic. As at November 5, 2020, of the Company's 38 hotels, 35 are currently open for business at reduced occupancy levels and are serving guests in compliance with government health guidelines. The Company's hotel asset class represents less than 10% of total NOI and less than 5% of total assets, as Morguard's diversified asset portfolio provides strength against economic and real estate cycles.

TEMPLE PRIVATIZATION

On December 19, 2019, the Company entered into a definitive agreement (the "Arrangement Agreement") with Temple to acquire all of the outstanding common shares of Temple not currently owned by the Company. The transaction was effected by way of a court-approved plan of arrangement under the *Canada Business Corporations Act*. The Arrangement Agreement provides that holders of Temple common shares, excluding the Company, will receive cash consideration of $2.10 per Temple common share from the Company. On the day of the Arrangement Agreement, the Company owned 54,492,911 Temple common shares, representing approximately 72.6% of the total Temple common shares issued and outstanding.

A meeting of Temple shareholders was held February 10, 2020, whereat Temple shareholders approved a special resolution approving the acquisition by the Company of all of the issued and outstanding common shares of Temple not already owned by the Company. The arrangement agreement was completed on February 18, 2020, and the Company acquired an aggregate of 20,668,856 Temple common shares for a total consideration of $44,149. On February 19, 2020, Temple de-listed from the TSX.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	September 30, 2020	December 31, 2019	September 30, 2019
Real estate properties	**$9,949,386**	$10,201,283	$9,819,505
Hotel properties	**572,390**	628,783	636,544
Equity-accounted and other fund investments	**240,500**	248,665	259,464
Total assets	**11,466,149**	11,703,084	11,371,157
Indebtedness[(1)]	**$6,033,572**	$5,919,939	$5,569,269
Indebtedness to total assets (%)	**52.6**	50.6	49.0
Non-Consolidated Indebtedness to total assets (%)[(2)]	**47.8**	43.8	41.5
Total equity	**$4,087,185**	$4,305,717	$4,273,728
Shareholders' equity per common share	**313.30**	314.55	310.24
Exchange rates - Canadian dollar to U.S. dollar	**$0.75**	$0.77	$0.76
Exchange rates - U.S. dollar to Canadian dollar	**$1.33**	$1.30	$1.32

(1) Total indebtedness is defined as the sum of the current and non-current portion of: (i) mortgages payable, (ii) Unsecured Debentures, (iii) convertible debentures, (iv) lease liabilities, (v) bank indebtedness, (vi) loans payable, and (vii) letters of credit.
(2) As defined in the Indenture, adjusted to exclude goodwill and deferred income tax assets and liabilities and to add back accumulated amortization of hotel properties.

	Three months ended September 30		**Nine months ended September 30**	
	2020	2019	**2020**	2019
Revenue from real estate properties	**$216,706**	$215,253	**$663,449**	$651,186
Revenue from hotel properties	**21,780**	65,525	**78,416**	184,351
Management and advisory fees	**9,342**	13,910	**31,620**	37,991
Total revenue	**251,469**	298,921	**784,684**	888,685
Net operating income	**130,268**	150,059	**364,043**	404,778
Fair value gain (loss), net	**(102,386)**	(30,157)	**(313,710)**	113
Net income (loss) attributable to common shareholders	**(4,606)**	(1,180)	**(36,590)**	102,028
Per common share - basic and diluted	**(0.42)**	(0.10)	**(3.26)**	9.04
Funds from operations	**43,104**	70,903	**98,978**	186,780
Per common share - basic and diluted	**3.84**	6.29	**8.81**	16.55
Normalized FFO	**43,756**	61,541	**136,772**	168,773
Per common share - basic and diluted	**3.91**	5.45	**12.17**	14.95
Distributions received from Morguard REIT	**4,500**	8,471	**18,853**	25,277
Distributions received from Morguard Residential REIT	**4,400**	4,202	**13,205**	12,317
Dividends declared/paid	**(1,676)**	(1,694)	**(5,050)**	(5,080)
Average exchange rates - Canadian dollar to U.S. dollar	**$0.75**	$0.76	**$0.74**	$0.75
Average exchange rates - U.S. dollar to Canadian dollar	**$1.33**	$1.32	**$1.35**	$1.33

Total assets as at September 30, 2020, were $11,466,149, compared to $11,703,084 as at December 31, 2019. Total assets decreased by $236,935 primarily due to the following:

- A decrease in real estate properties of $251,897, mainly due to a net fair value loss of $359,161 and the disposition of real estate properties of $45,377, partially offset by capital and development expenditures of $51,485, tenant incentives and leasing commissions of $11,957 and an increase resulting from a change in the foreign exchange rate amounting to $83,643;
- A decrease in hotel properties of $56,393, primarily due to an impairment provision of $31,479, amortization of $20,615 and disposition of a hotel property of $8,072;
- A decrease in equity-accounted and other fund investments of $8,165, predominantly due to distributions received and the Company's share of of net loss which was primarily driven by a net fair value loss, partially offset by equity contributions and an increase in the foreign exchange rate;
- A decrease in other assets and prepaid expense of $70,169, primarily due to a decrease in investment in marketable securities and accrued pension benefit asset, partially offset by higher prepaid expenses;

- An increase in amounts receivable of $42,712, primarily due to higher tenant receivable balances resulting from lower collection rates and the timing of the receipt of receivables relating to CECRA and CEWS; and
- An increase in cash of $106,977.

Total revenue during the three months ended September 30, 2020, decreased by $47,452 to $251,469, compared to $298,921 in 2019. The decrease was primarily due to the following:

- A decrease in revenue from hotel properties in the amount of $43,745; and
- A decrease in management and advisory fees in the amount of $4,568.

PROPERTY PROFILE

As at September 30, 2020, the Company and its subsidiaries own a diversified portfolio of 203 multi-suite residential, retail, office, industrial and hotel properties located in Canada and in the United States.

PORTFOLIO COMPOSITION BY ASSET TYPE

The composition of the Company's real estate properties by asset type as at September 30, 2020 was as follows:

Asset Type	Number of Properties	GLA Square Feet (000s)[1]	Apartment Suites/Hotels Rooms[2]	Real Estate Properties
Multi-suite residential	55	—	17,638	$5,068,168
Retail	37	8,183	—	2,244,069
Office	49	7,694	—	2,371,774
Industrial	24	1,014	—	129,856
Hotel	38	—	5,758	584,589
Properties and land held for and under development	—	—	—	138,500
Total [3]	**203**	**16,891**	**23,396**	**$10,536,956**

(1) Total GLA is shown on a proportionate basis; on a 100% basis, total GLA of the Company's commercial properties is 20.4 million square feet.
(2) Total suites/hotel rooms include equity-accounted investments and non-controlling interest. The Company on a proportionate basis has ownership of 17,070 suites and 5,521 hotel rooms.
(3) Includes one multi-suite residential, two office properties and two hotel properties classified as equity-accounted investments and one office property classified as finance lease and excludes right-of-use assets on the Company's land leases.

The Company's multi-suite residential portfolio comprises 24 Canadian properties (21 high-rise buildings, two low-rise buildings and one mid-rise building located primarily throughout the Greater Toronto Area ("GTA")) and 31 U.S. properties (20 low-rise and seven mid-rise garden-style communities located in Colorado, Texas, Louisiana, Georgia, Florida, North Carolina, Virginia and Maryland and four high-rise buildings located in Chicago, Illinois and Los Angeles, California). The combined multi-suite residential portfolio represents 17,638 suites.

The Company's retail portfolio includes two broad categories of income producing properties: (i) enclosed full-scale, regional shopping centres that are dominant in their respective markets; and (ii) neighbourhood and community shopping centres that are primarily anchored by food retailers, discount department stores and banking institutions. The retail portfolio comprises 27 properties located in Canada and 10 properties located in Florida and Louisiana. The combined retail portfolio represents 8.2 million square feet of gross leasable area ("GLA").

The Company's office portfolio is focused on well-located, high-quality office buildings in major Canadian urban centres primarily located throughout the GTA, downtown Ottawa, Montréal, Calgary and Edmonton. The portfolio is balanced between single-tenant buildings under long-term lease to government and large national tenants and multi-tenant properties with well-distributed lease expiries that allow the Company to benefit from increased rent on lease renewals. The office portfolio represents 7.7 million square feet of GLA.

The Company's industrial portfolio comprises 24 industrial properties located throughout Ontario, Québec and British Columbia. The Industrial portfolio represents 1.0 million square feet of GLA.

The Company's hotel portfolio comprises 22 branded and 16 unbranded hotel properties located in six Canadian provinces and the Northwest Territories. Branded hotels include Hilton, Marriott, Holiday Inn and Wyndham and consist of full and select service formats. The hotel portfolio represents 5,758 rooms.

AVERAGE OCCUPANCY LEVELS

COMPARATIVE AVERAGE OCCUPANCY LEVELS

	Suites/GLA Square Feet		Sep. 2020	June 2020	Mar. 2020	Dec. 2019	Sep. 2019
Multi-suite residential	17,339	(1)	**94.0%**	94.9%	96.8%	96.6%	96.9%
Retail	7,870,500	(2)	**90.7%**	91.2%	90.9%	91.4%	89.6%
Office	7,694,500		**91.8%**	91.8%	91.8%	91.8%	92.5%
Industrial	1,014,000		**91.1%**	91.3%	89.9%	89.9%	91.4%

(1) Excludes two properties, one property located in Los Angeles, California and one property under development in New Orleans, Louisiana.
(2) Retail occupancy has been adjusted to exclude development space (312,559 square feet of GLA) affected by either disclaimed or acquired Target and Sears leases.

The retail occupancy levels were adjusted to exclude development space (312,559 square feet of GLA) affected primarily by either disclaimed or acquired Target and Sears leases. As at September 30, 2020, this adjustment increased retail occupancy from 87.2% to 90.7%.

PART III

REVIEW OF OPERATIONAL RESULTS

The Company's operational results for the three and nine months ended September 30, 2020 and 2019 are summarized below:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Revenue from real estate properties	**$216,706**	$215,253	**$663,449**	$651,186
Revenue from hotel properties	**21,780**	65,525	**78,416**	184,351
Property operating expenses				
Property operating costs	**(53,584)**	(45,763)	**(150,977)**	(137,859)
Utilities	**(14,473)**	(14,019)	**(42,512)**	(43,786)
Realty taxes	**(23,316)**	(23,756)	**(114,061)**	(109,262)
Hotel operating expenses	**(16,845)**	(47,181)	**(70,272)**	(139,852)
Net operating income	**130,268**	150,059	**364,043**	404,778
OTHER REVENUE				
Management and advisory fees	**9,342**	13,910	**31,620**	37,991
Interest and other income	**3,641**	4,233	**11,199**	15,157
	12,983	18,143	**42,819**	53,148
EXPENSES				
Interest	**58,720**	57,477	**179,044**	173,408
Property management and corporate	**14,005**	24,133	**39,611**	73,195
Amortization of hotel properties	**6,610**	6,798	**20,615**	20,358
Amortization of capital assets and other	**1,964**	2,044	**5,949**	6,123
Provision for impairment	**7,588**	19,059	**31,479**	19,059
	88,887	109,511	**276,698**	292,143
OTHER INCOME (EXPENSE)				
Fair value gain (loss), net	**(102,386)**	(30,157)	**(313,710)**	113
Equity loss from investments	**(2,634)**	(28,448)	**(8,312)**	(31,660)
Other income	**2,253**	1,210	**1,118**	249
	(102,767)	(57,395)	**(320,904)**	(31,298)
Income (loss) before income taxes	**(48,403)**	1,296	**(190,740)**	134,485
Provision for (recovery of) income taxes				
Current	**354**	2,946	**10,076**	7,689
Deferred	**(11,155)**	641	**(49,306)**	20,786
	(10,801)	3,587	**(39,230)**	28,475
Net income (loss) for the period	**($37,602)**	($2,291)	**($151,510)**	$106,010
Net income (loss) attributable to:				
Common shareholders	**($4,606)**	($1,180)	**($36,590)**	$102,028
Non-controlling interest	**(32,996)**	(1,111)	**(114,920)**	3,982
	($37,602)	($2,291)	**($151,510)**	$106,010
Net income (loss) per common share attributable to:				
Common shareholders - basic and diluted	**($0.42)**	($0.10)	**($3.26)**	$9.04

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020

NET LOSS

Net loss for the three months ended September 30, 2020, was $37,602 compared to $2,291 in 2019. The increase in net loss of $35,311 for the three months ended September 30, 2020, was primarily due to the following:

- A decrease in net operating income of $19,791, primarily due to lower NOI from the hotel portfolio due to hotel closures and reduced occupancies. In addition, lower NOI from the retail, office and industrial portfolio was mainly caused by higher bad debt expense, partially offset by an increase in multi-suite residential NOI and from the net impact of acquisitions and dispositions completed during and subsequent to the three months ended September 30, 2019. Included in NOI is a provision for CEWS which partially offset the overall decline in NOI;
- A decrease in management and advisory fees of $4,568, mainly due to lower property management, asset management, leasing and disposition fees;
- A decrease in property management and corporate expense of $10,128, primarily due to a provision for CEWS and a decrease in non-cash compensation expense related to the Company's Stock Appreciation Rights ("SARs") plan;
- A decrease in provision for impairment of $11,471;
- An increase in non-cash net fair value loss of $72,229, mainly due to an increase in net fair value loss recorded on the Company's real estate properties and a lower fair value gain on the Company's investment in marketable securities, partially offset by a decrease in the fair value loss on Morguard Residential REIT Units;
- A decrease in equity loss from investments of $25,814, primarily due to a fair value loss recorded on the Company's investment in Marquee at Block 37 in 2019; and
- An increase in income tax recovery (current and deferred) of $14,388.

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

NET INCOME (LOSS)

Net loss for the nine months ended September 30, 2020, was $151,510, compared to net income of $106,010 in 2019. The decrease in net income of $257,520 for the nine months ended September 30, 2020, was primarily due to the following:

- A decrease in net operating income of $40,735, primarily due to lower NOI from the hotel portfolio due to hotel closures and reduced occupancies. In addition, lower NOI from the retail, office and industrial portfolio was mainly caused by higher bad debt expense, partially offset by an increase in multi-suite residential NOI and from the net impact of acquisitions and dispositions completed during and subsequent to the nine months ended September 30, 2019. Included in NOI is a provision for CEWS which partially offset the overall decline in NOI;
- A decrease in management and advisory fees of $6,371, mainly due to lower property management, asset management, leasing and disposition fees;
- A decrease in interest and other income of $3,958, mainly due to lower income earned from investments;
- An increase in interest expense of $5,636, mainly due to higher interest on Unsecured Debentures and amortization of deferred financing costs, partially offset by lower interest on convertible debentures and lower interest on mortgages payable;
- A decrease in property management and corporate expense of $33,584, primarily due to a decrease in non-cash compensation expense related to the Company's SARs plan, a provision for CEWS and other corporate expenses;
- An increase in provision for impairment of $12,420;
- An increase in non-cash net fair value loss of $313,823, mainly due to an increase in net fair value loss recorded on the Company's real estate properties and an increase in net fair value loss on the Company's marketable securities and other real estate fund investments, partially offset by an increase in the fair value gain on Morguard Residential REIT Units;
- A decrease in equity loss from investments of $23,348, primarily due to a fair value loss recorded on the Company's investment in Marquee at Block 37 in 2019; and
- An increase in income tax recovery (current and deferred) of $67,705.

COMPARATIVE NET OPERATING INCOME

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Multi-suite residential (in local currency)	**$44,207**	$45,768	**$138,874**	$133,753
Retail (in local currency)	**24,513**	32,981	**81,986**	98,078
Office	**29,537**	33,837	**91,801**	100,489
Industrial	**1,696**	1,597	**4,833**	4,736
Hotel	**4,957**	17,509	**8,382**	41,388
Exchange amount to Canadian dollars	**8,570**	8,668	**28,426**	26,121
Comparative NOI	**113,480**	140,360	**354,302**	404,565
Acquired properties	**5,531**	455	**20,073**	1,525
Dispositions	**(8)**	1,620	**(11)**	4,776
Realty tax expense accounted for under IFRIC 21	**10,436**	8,677	**(11,082)**	(10,152)
Lease cancellation fees	**1,018**	—	**1,018**	2,545
Canadian hotel development	**—**	—	**207**	1,819
Realty tax refund/reassessment	**135**	—	**762**	464
Other	**(324)**	(1,053)	**(1,226)**	(764)
NOI	**$130,268**	$150,059	**$364,043**	$404,778

The Company believes it is useful to provide an analysis of Comparative NOI, which eliminates non-recurring and non-cash items.

Comparative NOI for the three months ended September 30, 2020, decreased by $26,880, to $113,480 compared to $140,360 in 2019 due to the following reasons:

- Multi-suite residential decreased by $1,561 as a result of higher operating expenses and increased vacancy, partially offset by an increase in Canadian and U.S. rental rate growth;
- Retail decreased by $8,468 mainly due to increased bad debt expense of $5,345 in part from the 25% landlord portion of CECRA program and the economic impact of COVID-19 mainly at the Canadian properties;
- Office decreased by $4,300 mainly due to increased bad debt expense of $1,614 in part from the 25% landlord portion of CECRA program and the economic impact of COVID-19 and a decrease of $1,729 due to a rent abatement at a single tenant property located in Calgary, Alberta;
- Hotel decreased by $12,552 mainly as a result of hotel closures and reduced occupancies due to current economic conditions experienced as a result of COVID-19; and
- The change in the foreign exchange rate decreased Comparative NOI for the U.S. properties by $98.

Comparative NOI for the nine months ended September 30, 2020, decreased by $50,263, to $354,302 compared to $404,565 in 2019 due to the following:

- Multi-suite residential increased by $5,121 as a result of an increase in Canadian and U.S. rental rate growth and a provision for CEWS;
- Retail decreased by $16,092 mainly due to increased bad debt expense of $12,156 in part from the 25% landlord portion of CECRA program and the economic impact of COVID-19 mainly at the Canadian properties;
- Office decreased by $8,688 mainly due to increased bad debt expense of $2,743 in part from the 25% landlord portion of CECRA program and the economic impact of COVID-19 and a decrease of $4,322 due to a rent abatement at a single tenant property located in Calgary, Alberta ;
- Hotel decreased by $33,006 mainly as a result of hotel closures and reduced occupancies due to current economic conditions experienced as a result of COVID-19; and
- The change in the foreign exchange rate increased Comparative NOI for the U.S. properties by $2,305.

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020

NET OPERATING INCOME

Net operating income decreased by $19,791, or 13.2%, during the three months ended September 30, 2020, to $130,268 compared to $150,059 generated in 2019, and is further analyzed by asset type below.

ADJUSTED NOI BY ASSET TYPE

For the three months ended September 30	2020	2019
Multi-suite residential	**$54,551**	$52,343
Retail	**26,714**	34,690
Office	**31,921**	33,834
Industrial	**1,711**	2,171
Hotel	**4,935**	18,344
Adjusted NOI	**119,832**	141,382
IFRIC 21 adjustment - multi-suite residential	**9,044**	7,313
IFRIC 21 adjustment - retail	**1,392**	1,364
NOI	**$130,268**	$150,059

NOI from the multi-suite residential portfolio for the three months ended September 30, 2020, increased by $3,939, or 6.6% to $63,595, compared to $59,656 in 2019. The increase in NOI is due to the change in Adjusted NOI described below and an increase in IFRIC 21 adjustment of $1,731.

Adjusted NOI from the multi-suite residential portfolio for the three months ended September 30, 2020, increased by $2,208, or 4.2%, to $54,551, compared to $52,343 in 2019. The increase in Adjusted NOI is primarily due to the following reasons:

- A decrease in Canadian multi-suite residential properties of $992 primarily resulting from:
  - Higher operating expenses and bad debt expenses, partially offset by an increase in rental revenue from higher average monthly rent (“AMR”), net of increased vacancy and concessions given to existing tenants for the collection of rental increases during the pandemic through August 2020. The average rental rate increased by 4.3% when compared to the same period in 2019. During the three months ended September 30, 2020, the Company’s Canadian portfolio turned over 281 suites, or 3.5% of total suites and achieved average monthly rent growth of 13.3% on suite turnover;
- An increase in U.S. multi-suite residential properties of US$2,240 primarily resulting from;
  - An increase of US$2,468 predominantly due to the acquisition of the remaining 51% interest in Marquee at Block 37, Chicago, Illinois, and consolidation of its equity investment interest during the fourth quarter of 2019; and
  - A decrease of US$228 mainly due to higher operating expenses and increased bad debt expenses, partially offset by an increase in rental revenue from higher AMR, net of increased vacancy. The average rental rate increased by 1.5% when compared to the same period in 2019; and
- An increase of $960 due to the change in the U.S. dollar foreign exchange rate.

NOI from the retail portfolio for the three months ended September 30, 2020, decreased by $7,948, or 22.0% to $28,106, compared to $36,054 in 2019. The increase in NOI is due to an increase in IFRIC 21 adjustment of $28 and the change in Adjusted NOI described below.

Adjusted NOI from the retail portfolio for the three months ended September 30, 2020, decreased by $7,976, or 23.0%, to $26,714, compared to $34,690 in 2019. The decrease in Adjusted NOI is primarily due to the following reasons:

- A decrease in Canadian retail properties of $7,256 primarily resulting from:
  - A decrease of $5,309 due to bad debt expense resulting from failed tenants and an expected credit loss due to the economic impact of COVID-19. Included in bad debt expense is $2,175 from the 25% landlord portion of the CECRA program;
  - A decrease of $2,791 predominantly due to lower recoveries of operating expenses and lower basic rent;
  - An increase in lease cancellation fees of $434; and
  - An increase of $410 due to a provision for CEWS;

- A decrease in U.S. retail properties of US$579 primarily resulting from:
  - A decrease of US$159 due to the sale of a property during the fourth quarter of 2019;
  - A decrease of US$420 due to lower revenue due to loss of tenants, lower basic rent, lower recoveries of operating expenses; and
- A decrease of $141 due to the change in the U.S. dollar foreign exchange rate.

NOI from the office portfolio for the three months ended September 30, 2020, decreased by $1,913, or 5.7%, to $31,921, compared to $33,834 in 2019, primarily due to the following reasons:

- A decrease of $1,617 due to bad debt expense in part from the 25% landlord portion of CECRA program and the economic impact of COVID-19;
- A decrease of $1,729 due to a rent abatement at a single tenant property located in Calgary, Alberta;
- A decrease of $640 predominantly due to lower basic rent, occupancy and parking revenue;
- An increase of $1,783 due to the acquisition of 99 Metcalfe Street, Ottawa, Ontario and a 50% interest in Mississauga City Centre, a four building portfolio located in Mississauga, Ontario completed subsequent to second quarter of 2019; and
- An increase of $290 due to a provision for CEWS.

NOI from the industrial portfolio for the three months ended September 30, 2020, decreased by $460, or 21.2%, to $1,711, compared to $2,171 in 2019, primarily due to the following reasons:

- A decrease of $558 due to the sale of a property located in Salaberry-de-Valleyfield, Québec and a property located in Puslinch, Ontario subsequent to the second quarter of 2019.

NOI from the hotel portfolio for the three months ended September 30, 2020, decreased by $13,409, or 73.1% $4,935, compared to $18,344 in 2019, primarily due to the following:

- A decrease of $18,557 mainly due to current economic conditions experienced in all provinces as a result of the COVID-19 pandemic. During the three months ended September 30, 2020, hotel occupancy was 30.2%, compared to 70.0% during the same period in 2019. The average daily rate (“ADR”) decreased to $118.09 during the three months ended September 30, 2020, compared to $145.02 in 2019 as a result of revenue per available room (“RevPar”) decreased by $65.85 to $35.66 during the quarter, compared to $101.51 during the same period in 2019; partially offset by
- An increase of $5,148 due to a provision for CEWS.

MANAGEMENT AND ADVISORY FEES

Morguard’s management and advisory fee revenue for the three months ended September 30, 2020, decreased by $4,568, or 32.8%, to $9,342 compared to $13,910 in 2019. The decrease is mainly due to decrease in property management, asset management, leasing and disposition fees earned compared to 2019.

INTEREST AND OTHER INCOME

Interest and other income for the three months ended September 30, 2020, decreased by $592, or 14.0%, to $3,641 compared to $4,233 in 2019. The decrease was primarily due to lower income earned from investments.

INTEREST EXPENSE

Interest expense consists of the following:

For the three months ended September 30	2020	2019
Mortgages payable	**$40,613**	$40,703
Unsecured Debentures	**11,357**	8,941
Convertible debentures, net of accretion	**2,461**	2,455
Bank indebtedness	**1,028**	1,984
Loans payable and other	**301**	659
Lease liabilities	**2,356**	2,411
Amortization of mark-to-market adjustments on mortgages, net	**(1,148)**	(1,347)
Amortization of deferred financing costs	**1,916**	1,779
	58,884	57,585
Less: Interest capitalized to properties under development	**(164)**	(108)
	$58,720	$57,477

Interest expense for the three months ended September 30, 2020, increased by $1,243, or 2.2% to $58,720, compared to $57,477 in 2019, mainly due to higher interest on Unsecured Debentures resulting from the issuance of the Series F and Series G unsecured debentures in November 2019 and September 2020, respectively, partially offset by lower interest on bank indebtedness and loans payable and other.

PROPERTY MANAGEMENT AND CORPORATE

Property management and corporate expenses for the three months ended September 30, 2020, decreased by $10,128, or 42.0% to $14,005, compared to $24,133 in 2019, primarily due to a decrease in non-cash compensation expense related to the Company's SARs plan of $6,939, a provision for CEWS of $1,665 and a decrease in other corporate expenses.

AMORTIZATION OF HOTEL PROPERTIES, CAPITAL ASSETS AND OTHER

Amortization of hotel properties, capital assets and other for the three months ended September 30, 2020, decreased by $268 to $8,574, compared to $8,842 in 2019.

PROVISION FOR IMPAIRMENT

In accordance with IFRS, management assesses all hotel properties at the end of each reporting period to determine if there is any indication that an asset may be impaired.

During the three months ended September 30, 2020, impairment indicators were identified including interruptions to business operations at certain hotel properties resulting from emergency measures enacted to combat COVID-19. Since the outbreak of COVID-19 in March 2020, 21 of the Company's hotel properties were subject to temporary closure of which three hotels remain closed. During the third quarter of 2020, a recoverability analysis was completed in accordance with the procedures specified by IFRS, which indicated that an impairment provision of $7,588 should be recorded.

FAIR VALUE GAIN (LOSS) ON REAL ESTATE PROPERTIES

Fair value adjustments are determined based on the movement of various valuation parameters on a quarterly basis, including changes in projected cash flows as a result of leasing, capitalization rates, discount rates and terminal capitalization rates. During the three months ended September 30, 2020, the Company recognized a fair value loss of $95,300, compared to $4,787 in 2019.

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

For the three months ended September 30	2020	2019
Multi-suite residential	**$44,278**	$10,507
Retail	**(121,632)**	(2,956)
Office	**(17,695)**	(15,338)
Industrial	**(184)**	1,538
Properties under development	**—**	(3)
Land held for development	**(67)**	1,465
	($95,300)	($4,787)

For the three months ended September 30, 2020, the Company recognized a net fair value gain of $44,278 in the residential portfolio. The fair value gain is comprised of $57,513 at the Canadian properties as a result of an increase in stabilized NOI and a fair value loss of $13,235 at the U.S. properties, which was predominantly due to a decrease in stabilized NOI at two properties located in Chicago, Illinois, net of a $9,044 adjustment on realty taxes accounted for under IFRIC 21.

For the three months ended September 30, 2020, the Company recognized a net fair value loss of $121,632 in the retail portfolio. The fair value loss consists of $111,513 at the Canadian properties predominantly due to a 25 basis point increase in the capitalization rate and reductions in cash flow assumptions at most of the Company's enclosed malls due to COVID-19. A fair value loss of $10,119 was recorded at the U.S. properties which was predominantly due to a 25 basis point increase in capitalization rate at two properties and lower stabilized NOI, net of $1,392 on realty taxes accounted for under IFRIC 21.

For the three months ended September 30, 2020, the Company recognized a net fair value loss of $17,695 in the office portfolio. The fair value loss is mainly due to reductions in cash flow assumptions resulting from COVID-19.

FAIR VALUE LOSS ON MORGUARD RESIDENTIAL REIT UNITS

For the three months ended September 30, 2020, the Company recorded a fair value loss on the Morguard Residential REIT Units of $2,897, which includes a mark-to-market gain of $2,537 on the Units as a result of an downward trend in the trading price and the distributions made to external Unitholders of $5,434.

FAIR VALUE GAIN ON INVESTMENT IN MARKETABLE SECURITIES

Investment in marketable securities are classified as financial assets measured at fair value through profit and loss ("FVTPL"). For the three months ended September 30, 2020, the Company recorded a fair value gain on investment in marketable securities of $307 resulting from an increase in market value of the securities.

EQUITY LOSS FROM INVESTMENTS

Equity income (loss) from investments consist of the following:

For the three months ended September 30	2020	2019
Joint ventures	**($68)**	$782
Associates	**(2,566)**	(29,230)
	($2,634)	($28,448)

Equity loss from investments for the three months ended September 30, 2020, decreased by $25,814 to $2,634, compared to $28,448 in 2019. The decrease in equity loss is predominantly due to a fair value loss recorded on the Company's investment in Marquee at Block 37 in 2019.

OTHER INCOME

Other income for the three months ended September 30, 2020, increased by $1,043 to $2,253, compared to $1,210 in 2019, primarily due to gain on sale of hotel property of $2,067.

INCOME TAXES

For the three months ended September 30, 2020, the Company recorded total income tax recovery of $10,801, compared to income tax expense of $3,587 in 2019. The increase in income tax recovery of $14,388 comprises an increase of $11,796 in deferred tax recovery and a decrease of $2,592 in current tax expense.

The decrease in current tax expenses for the three months ended September 30, 2020 is primarily due to lower taxable income resulting from the impact of COVID-19. The increase in deferred tax recovery for the three months ended September 30, 2020, is primarily a result of fair value losses related to Canadian and U.S. properties compared to the fair value gains for the same period in 2019.

PENSION PLANS

The Company's accounting policy under IFRS is to recognize actuarial gains/losses in the period in which they occur, and these gains/losses are reflected in the consolidated statement of comprehensive income (loss). During the three months ended September 30, 2020, an actuarial loss of $6,485 was recorded in the consolidated statements of comprehensive income (loss), compared to an actuarial gain of $9,480 for the three months ended September 30, 2019.

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

NET OPERATING INCOME

Net operating income decreased by $40,735 or 10.1%, during the nine months ended September 30, 2020, to $364,043, compared to $404,778 generated in 2019, and is further analyzed by asset type below.

ADJUSTED NOI BY ASSET TYPE

For the nine months ended September 30	2020	2019
Multi-suite residential	**$175,300**	$155,692
Retail	**87,615**	106,546
Office	**98,783**	101,418
Industrial	**5,283**	6,775
Hotel	**8,144**	44,499
Adjusted NOI	**375,125**	414,930
IFRIC 21 adjustment - multi-suite residential	**(9,711)**	(8,762)
IFRIC 21 adjustment - retail	**(1,371)**	(1,390)
NOI	**$364,043**	$404,778

NOI from the multi-suite residential portfolio for the nine months ended September 30, 2020, increased by $18,659, or 12.7% to $165,589, compared to $146,930 in 2019. The increase in NOI is due to the change in Adjusted NOI described below, partially offset by an increase in the IFRIC 21 adjustment of $949.

Adjusted NOI from the multi-suite residential portfolio for the nine months ended September 30, 2020, increased by $19,608, or 12.6% to $175,300, compared to $155,692 in 2019. The increase in Adjusted NOI is primarily due to the following:

- An increase in Canadian multi-suite residential properties of $4,204 primarily resulting from:
  - An increase of $1,989 mainly from rental rate growth, net of bad debt expenses and increased vacancy and concessions given to existing tenants for the collection of rental increases during the pandemic through August 2020. The average rental rate increased by 4.3% when compared to the same period in 2019. During the nine months ended September 30, 2020, the Company’s Canadian portfolio turned over 621 suites, or 7.8% of total suites and achieved AMR growth of 15.2% on suite turnover;
  - An increase of $1,722 due to a provision for CEWS;
  - An increase of $493 due to a realty tax refund received at a property located in Mississauga, Ontario; and
- An increase in U.S. multi-suite residential properties of US$10,153 primarily resulting from:
  - An increase of US$1,592 mainly from rental rate growth, partially offset by increase in bad debt expenses. The average rental rate increased by 1.5% when compared to the same period in 2019; and
  - An increase of US$8,561 predominantly due to the acquisition of the remaining 51% interest in Marquee at Block 37, Chicago, Illinois, and consolidation of its equity investment interest during the fourth quarter of 2019; and
- An increase of $5,251 due to the change in the U.S. dollar foreign exchange rate.

NOI from the retail portfolio for the nine months ended September 30, 2020, decreased by $18,912, or 18.0%, to $86,244, compared to $105,156 in 2019. The decrease in NOI is due to the change in Adjusted NOI described below, partially offset by a decrease in the IFRIC 21 adjustment of $19.

Adjusted NOI from the retail portfolio for the nine months ended September 30, 2020, decreased by $18,931, or 17.8%, to $87,615, compared to $106,546 in 2019. The decrease in Adjusted NOI is primarily due to the following:

- A decrease in Canadian retail properties of $17,548 primarily resulting from:
  - A decrease of $12,183 due to bad debt expense resulting from failed tenants and an expected credit loss due to the economic impact of COVID-19. Included in bad debt expense is $4,004 from the 25% landlord portion of the CECRA program;

- A decrease of $4,612 predominantly due to bad debt expense stemming from closure of businesses due to COVID-19, as well as lower recoveries of operating expenses, lower basic rent and increased non-recoverable operating expenses;
- A decrease of $1,369 in lease cancellation fees received;
- A decrease of $1,064 due to non-recurring income from a prior year realty tax refund and a settlement of disputed charges received in 2019; and
- An increase of $1,680 due to a provision for CEWS;

- A decrease in U.S. retail properties of US$1,273 primarily resulting from;
  - A decrease of US$434 due to the sale of a property during the fourth quarter of 2019;
  - A decrease of US$250 in lease cancellation fees received; and
- A decrease of $110 due to the change in the U.S. dollar foreign exchange rate.

NOI from the office portfolio for the nine months ended September 30, 2020, decreased by $2,635, or 2.6%, to $98,783, compared to $101,418 in 2019, primarily due to the following:

- A decrease of $2,742 due to bad debt expense in part from the 25% landlord portion of CECRA program and the economic impact of COVID-19;
- A decrease of $4,322 due to rent abatement at a single tenant property located in Calgary, Alberta;
- A decrease of $3,270 lower basic rent and parking revenue;
- An increase of $6,309 due to the acquisition of 99 Metcalfe Street, Ottawa, Ontario and a 50% interest in Mississauga City Centre, a four building portfolio located in Mississauga, Ontario completed subsequent to first quarter of 2019; and
- An increase of $1,390 due to a provision for CEWS.

NOI from the industrial portfolio for the nine months ended September 30, 2020, decreased by $1,492, or 22.0%, to $5,283, compared to $6,775 in 2019, primarily due to the following:

- A decrease of $164 due to bad debt expense in part from the 25% landlord portion of CECRA program and the economic impact of COVID-19; and
- A decrease of $1,671 due to the sale of a property located in Salaberry-de-Valleyfield, Québec and a property located in Puslinch, Ontario subsequent to the first quarter of 2019.

NOI from the hotel portfolio for the nine months ended September 30, 2020, decreased by $36,355, or 81.7%, to $8,144, compared to $44,499 in 2019, primarily due to the following:

- A decrease of $45,958 mainly due to During the three months ended September 30, 2020, hotel occupancy was 30.8%, compared to 64.3% during the same period in 2019. The ADR decreased to $131.18 during the three months ended September 30, 2020, compared to $144.85 in 2019 as a result of RevPar decreased by $54.74 to $39.98 during the quarter, compared to $94.72 during the same period in 2019; partially offset by
- An increase of $9,603 due to a provision for CEWS.

MANAGEMENT AND ADVISORY FEES

Morguard's management and advisory fee revenue for the nine months ended September 30, 2020, decreased by $6,371, or 16.8%, to $31,620, compared to $37,991 in 2019, primarily due to lower property management, asset management, leasing and disposition fees earned compared to 2019.

INTEREST AND OTHER INCOME

Interest and other income for the nine months ended September 30, 2020, decreased by $3,958, or 26.1%, to $11,199, compared to $15,157 in 2019. The decrease was primarily due to lower income earned from investments.

INTEREST EXPENSE

Interest expense consists of the following:

For the nine months ended September 30	2020	2019
Mortgages payable	**$122,599**	$123,206
Unsecured Debentures	**33,699**	25,804
Convertible debentures, net of accretion	**7,332**	9,640
Bank indebtedness	**4,396**	3,990
Loans payable and other	**1,405**	2,162
Lease liabilities	**7,093**	7,254
Amortization of mark-to-market adjustments on mortgages, net	**(3,633)**	(4,199)
Amortization of deferred financing costs	**6,642**	5,413
Loss on extinguishment of mortgage payable	**—**	561
	179,533	173,831
Less: Interest capitalized to properties under development	**(489)**	(423)
	$179,044	$173,408

Interest expense for the nine months ended September 30, 2020, increased by $5,636, or 3.3%, to $179,044, compared to $173,408 in 2019, mainly due to higher interest on Unsecured Debentures resulting from the issuance of the Series E, Series F and Series G unsecured debentures in January 2019, November 2019 and September 2020, respectively, higher interest on bank indebtedness and higher amortization of deferred financing cost, partially offset by lower interest on convertible debentures due to the repayment of Temple's Series E convertible debentures in April 2019, lower interest on loans payable and other, and lower interest on mortgages payable.

PROPERTY MANAGEMENT AND CORPORATE

Property management and corporate expenses for the nine months ended September 30, 2020, decreased by $33,584, to $39,611, compared to $73,195 in 2019, primarily due to a decrease in non-cash compensation expense related to the Company's SARs plan of $20,559, a provision for CEWS of $6,506 and a decrease in other corporate expenses.

AMORTIZATION OF HOTEL PROPERTIES, CAPITAL ASSETS AND OTHER

Amortization of hotel properties, capital assets and other for the nine months ended September 30, 2020, increased by $83 to $26,564, compared to $26,481 in 2019.

PROVISION FOR IMPAIRMENT

During the nine months ended September 30, 2020, impairment indicators were identified including interruptions to business operations at certain hotel properties resulting from emergency measures enacted to combat COVID-19. Since the outbreak of COVID-19 in March 2020, 21 of the Company's hotel properties were subject to temporary closure of which three hotels remain closed. A recoverability analysis was completed in accordance with the procedures specified by IFRS, which indicated that an impairment provision of $31,479 should be recorded.

FAIR VALUE GAIN (LOSS) ON REAL ESTATE PROPERTIES

Fair value adjustments are determined based on the movement of various valuation parameters on a quarterly basis, including changes in projected cash flows as a result of leasing, capitalization rates, discount rates and terminal capitalization rates. During the nine months ended September 30, 2020, the Company recognized a net fair value loss on real estate properties of $359,161, compared to a net fair value gain of $59,482 in 2019.

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

For the nine months ended September 30	2020	2019
Multi-suite residential	**$90,695**	$99,696
Retail	**(369,539)**	(29,627)
Office	**(90,855)**	(15,200)
Industrial	**7,843**	1,771
Properties under development	**—**	(60)
Land held for development	**2,695**	2,902
	($359,161)	$59,482

For the nine months ended September 30, 2020, the Company recognized a net fair value gain of $90,695 in the residential portfolio. The fair value gain is comprised of $84,578 at the Canadian properties as a result of an increase in stabilized NOI and $6,117 at the U.S. properties, which was predominantly due to an $9,711 adjustment on realty taxes accounted for under IFRIC 21.

For the nine months ended September 30, 2020, the Company recognized a net fair value loss of $369,539 in the retail portfolio. The fair value loss consists of $335,512 at the Canadian properties predominantly due to a 25 - 50 basis point increase in the capitalization rate and reductions in cash flow assumptions at most of the Company's enclosed malls due to COVID-19, and a fair value loss of $34,027 at U.S. properties which was predominantly due to a 50 basis point increase in the capitalization rate at a property located Louisiana and due to lower stabilized NOI, net of $1,371 on realty taxes accounted for under IFRIC 21.

For the nine months ended September 30, 2020, the Company recognized a net fair value loss of $90,855 in the office portfolio. The fair value loss was mainly due to a 75 basis point increase in the capitalization rate and reductions in cash flow assumptions resulting from a lease amendment that provided rent abatement at a property located in Calgary, Alberta, and due to assumptions on the collectibility of rental revenue on cash flows due to COVID-19.

FAIR VALUE GAIN ON MORGUARD RESIDENTIAL REIT UNITS

For the nine months ended September 30, 2020, the Company recorded a fair value gain on the Morguard Residential REIT Units of $95,234, which includes a mark-to-market gain of $111,527 on the Units as a result of a downward trend in the trading price and the distributions made to external Unitholders of $16,293.

FAIR VALUE LOSS ON INVESTMENT IN MARKETABLE SECURITIES

Investment in marketable securities are classified as financial assets measured at FVTPL. For the nine months ended September 30, 2020, the Company recorded a fair value loss on investment in marketable securities of $47,747 resulting from a decrease in market value of the securities.

EQUITY LOSS FROM INVESTMENTS

Equity loss from investments consists of the following:

For the nine months ended September 30	2020	2019
Joint ventures	**($157)**	($3,272)
Associates	**(8,155)**	(28,388)
	($8,312)	($31,660)

Equity loss from investments for the nine months ended September 30, 2020, increased by $23,348 to $8,312, compared to $31,660 in 2019. The decrease in equity loss is predominantly due to a fair value loss recorded on the Company's investment in Marquee at Block 37 in 2019 and a higher fair value loss on the Company's investment in Sunset & Gordon compared to 2019.

OTHER INCOME

Other income for the nine months ended September 30, 2020, increased by $869 to $1,118, compared to $249 in 2019, primarily due to an increase in gain on sale of hotel property of $1,559 and an increase in foreign exchange gain of $2,618, partially offset by lower income on insurance proceeds.

INCOME TAXES

For the nine months ended September 30, 2020, the Company recorded an income tax recovery of $39,230, compared to an income tax expense of $28,475 in 2019. The increase in income tax recovery of $67,705 comprises an increase of $70,092 in deferred tax recovery, partially offset by increase of $2,387 in current tax expenses.

The increase in current tax expenses for the nine months ended September 30, 2020 is primarily due to the disposition of an industrial property comprising 284,000 square feet located in Puslinch, Ontario during the first quarter of 2020, partially offset by lower taxable income resulting from the impact of COVID-19. The increase in deferred tax recovery for the nine months ended September 30, 2020, is primarily a result of fair value losses related to Canadian and U.S. properties compared to the fair value gains for the same period in 2019.

PENSION PLANS

The Company's accounting policy under IFRS is to recognize actuarial gains/losses in the period in which they occur, and these gains/losses are reflected in the consolidated statements of comprehensive income (loss). During the nine months ended September 30, 2020, an actuarial loss of $41,517 was recorded in the consolidated statements of comprehensive income (loss), compared to an actuarial gain of $14,801 for the nine months ended September 30, 2019.

FUNDS FROM OPERATIONS

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Multi-suite residential	**$54,551**	$52,343	**$175,300**	$155,692
Retail	**26,714**	34,690	**87,615**	106,546
Office	**31,921**	33,834	**98,783**	101,418
Industrial	**1,711**	2,171	**5,283**	6,775
Hotel	**4,935**	18,344	**8,144**	44,499
Adjusted NOI(1)	**119,832**	141,382	**375,125**	414,930
Other Revenue				
Management and advisory fees	**9,342**	13,910	**31,620**	37,991
Interest and other income	**3,641**	4,233	**11,199**	15,157
Equity-accounted FFO(2)	**1,285**	1,779	**3,842**	3,549
	14,268	19,922	**46,661**	56,697
Expenses and Other				
Interest	**(58,720)**	(57,477)	**(179,044)**	(173,408)
Principal repayment of lease liabilities	**(306)**	(537)	**(1,284)**	(537)
Property management and corporate	**(14,005)**	(24,133)	**(39,611)**	(73,195)
Internal leasing costs	**806**	841	**2,379**	2,466
Amortization of capital assets	**(798)**	(1,002)	**(2,625)**	(2,992)
Current income taxes(3)	**(354)**	(2,946)	**(5,706)**	(7,689)
Non-controlling interests' share of FFO	**(6,961)**	(12,685)	**(22,872)**	(34,668)
Non-controlling interest - Morguard Residential REIT	**(5,969)**	(5,845)	**(20,177)**	(16,842)
Unrealized changes in the fair value of financial instruments	**(4,383)**	12,818	**(52,445)**	20,133
Other income (expense)	**(306)**	565	**(1,423)**	1,885
FFO	**$43,104**	$70,903	**$98,978**	$186,780
FFO per common share amounts – basic and diluted	**$3.84**	$6.29	**$8.81**	$16.55
Weighted average number of common shares outstanding (in thousands):				
Basic and diluted	**11,203**	11,283	**11,236**	11,286

(1) For the three and nine months ended September 30, 2020, an IFRIC 21 adjustment of $10,436 (2019 - $8,677) was added and $11,082 (2019 - $10,152) was deducted, respectively, from the IFRS presentation of realty taxes.

(2) Equity-accounted FFO exclude fair value adjustments on real estate properties and amortization of hotel properties.

(3) Current income taxes for the three and nine months ended September 30, 2020, excludes $nil (2019 - $nil) and $4,370 (2019 - $nil), respectively, of income tax relating to the disposal of property.

For the three months ended September 30, 2020, the Company recorded FFO of $43,104 ($3.84 per common share), compared to $70,903 ($6.29 per common share) in 2019. The decrease in FFO of $27,799 is mainly due to the following:

- A decrease in Adjusted NOI of $21,550, primarily due to lower Adjusted NOI from the hotel portfolio due to hotel closures and reduced occupancies from the impact of COVID-19. In addition, lower Adjusted NOI from the retail, office and industrial portfolio was mainly due to higher bad debt expense, which was partially offset by higher Adjusted NOI from the residential portfolio, the net impact of acquisitions and dispositions and a provision for CEWS;
- A decrease in management and advisory fees of $4,568, primarily due to lower property management, asset management, leasing and disposition fees earned compared to 2019;
- An increase in interest expense of $1,243, mainly due to higher interest on Unsecured Debentures, partially offset by lower interest on bank indebtedness;
- A decrease in property management and corporate expenses of $10,128, primarily due to a provision for CEWS and a decrease in non-cash compensation expense related to the Company's SARs plan;
- A decrease in current income taxes of $2,592;
- A decrease in the non-controlling interests' share of FFO of $5,724; and
- A decrease of $17,201 in unrealized changes in the fair value of the Company's financial instruments.

The change in foreign exchange rate had a positive impact on FFO of $146 ($0.01 per common share).

For the nine months ended September 30, 2020, the Company recorded FFO of $98,978 ($8.81 per common share), compared to $186,780 ($16.55 per common share) in 2019. The decrease in FFO of $87,802 is mainly due to the following:

- A decrease in Adjusted NOI of $39,805, primarily due to lower Adjusted NOI from the hotel portfolio due to hotel closures and reduced occupancies from the impact of COVID-19. In addition, lower Adjusted NOI from the retail, office and industrial portfolio was mainly due to higher bad debt expense, which was partially offset by higher Adjusted NOI from the residential portfolio, the net impact of acquisitions and dispositions and a provision for CEWS;
- A decrease in management and advisory fee of $6,371, primarily due to lower property management, asset management, leasing and disposition fees earned compared to 2019;
- A decrease in interest and other income of $3,958, mainly due to lower income earned from investments;
- An increase in interest expense of $5,636, mainly due to higher interest on Unsecured Debentures and amortization of deferred financing costs, partially offset by lower interest on convertible debentures and lower interest on mortgages payable;
- A decrease in property management and corporate expenses of $33,584, primarily due to a decrease in non-cash compensation expense related to the Company's SARs plan, a provision for CEWS and other corporate expenses;
- A decrease in current income taxes of $1,983;
- A decrease in the non-controlling interests' share of FFO of $11,796;
- A decrease in non-controlling interest at Morguard Residential REIT of $3,335;
- A decrease of $72,578 in unrealized changes in the fair value of the Company's financial instruments; and
- A decrease in other income of $3,308, mainly due to insurance proceeds received in 2019.

The change in foreign exchange rate had a positive impact on FFO of $787 ($0.07 per common share).

The Company believes it is useful to provide an analysis of Normalized FFO which excludes non-recurring items on a net of tax basis and other fair value adjustments excluded from REALpac's definition of FFO.

Normalized FFO	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
FFO (from above)	**$43,104**	$70,903	**$98,978**	$186,780
Add/(deduct):				
Unrealized loss (gain) in the fair value of financial instruments	**4,383**	(12,818)	**52,445**	(20,133)
SARs plan increase (decrease) in compensation expense	**(3,073)**	3,866	**(13,993)**	6,566
Insurance proceeds	**—**	(410)	**—**	(2,576)
Lease cancellation fee	**(658)**	—	**(658)**	(2,255)
	43,756	61,541	**136,772**	168,382
Tax effect	**—**	—	**—**	391
Normalized FFO	**$43,756**	$61,541	**$136,772**	$168,773
Per common share amounts – basic and diluted	**$3.91**	$5.45	**$12.17**	$14.95

Normalized FFO for the three months ended September 30, 2020, was $43,756, or $3.91 per common share, versus $61,541, or $5.45 per common share, for the same period in 2019, which represents a decrease of $17,785, or 28.9%.

Normalized FFO for the nine months ended September 30, 2020, was $136,772, or $12.17 per common share, versus $168,773, or $14.95 per common share, for the same period in 2019, which represents a decrease of $32,001, or 19.0%.

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Net income (loss) attributable to common shareholders	**($4,606)**	($1,180)	**($36,590)**	$102,028
Add/(deduct):				
Fair value loss (gain) on real estate properties, net[1]	**99,008**	34,798	**370,662**	(24,922)
Non-controlling interests' share of fair value loss on real estate properties, net	**(40,563)**	(7,285)	**(136,517)**	(19,667)
Fair value loss (gain) on Morguard Residential REIT Units	**(2,537)**	30,987	**(111,527)**	61,886
Distribution to Morguard Residential REIT's external Unitholders	**5,434**	5,044	**16,293**	14,233
Non-controlling interest - Morguard Residential REIT	**(5,969)**	(5,845)	**(20,177)**	(16,842)
Fair value loss (gain) on conversion option of MRG convertible debentures	**(194)**	2,157	**(2,662)**	3,383
Amortization of intangible asset	**1,166**	1,042	**3,324**	3,131
Amortization of hotel properties[2]	**6,821**	7,014	**21,268**	21,007
Non-controlling interests' share of amortization of hotel properties	**—**	(1,289)	**(676)**	(4,522)
Foreign exchange loss (gain)	**(492)**	(645)	**(474)**	2,144
Deferred income taxes	**(11,155)**	641	**(49,306)**	20,786
Non-controlling interests' share of deferred income tax provision	**—**	(515)	**—**	(677)
Current tax on disposition of property	**—**	—	**4,370**	—
Principal repayment of lease liabilities	**(306)**	(537)	**(1,284)**	(537)
Internal leasing costs	**806**	841	**2,379**	2,466
Realty taxes accounted for under IFRIC 21[3]	**(9,830)**	(8,162)	**10,483**	9,554
Provision for impairment	**7,588**	19,059	**31,479**	19,059
Non-controlling interests' share of provision for impairment	**—**	(5,222)	**—**	(5,222)
Gain on sale of hotel property	**(2,067)**	—	**(2,067)**	(508)
FFO	**$43,104**	$70,903	**$98,978**	$186,780
FFO per common share – basic and diluted	**$3.84**	$6.29	**$8.81**	$16.55
Weighted average number of common shares outstanding (in thousands):				
Basic and diluted	**11,203**	11,283	**11,236**	11,286

(1) Includes fair value adjustments on real estate properties for equity-accounted investments.
(2) Includes amortization of hotel properties for equity-accounted investments.
(3) Realty taxes accounted for under IFRIC 21 exclude non-controlling interests' share.

PART IV

BALANCE SHEET ANALYSIS

REAL ESTATE PROPERTIES

The Company's real estate properties, together with hotel properties and equity-accounted investments, represent approximately 94% of Morguard's total assets. Real estate properties include multi-suite residential, retail, office and industrial properties held to earn rental income and for capital appreciation. Real estate properties also include properties or land that is being constructed or developed for future use as income producing properties.

The following table details the Company's real estate assets:

As at	September 30, 2020	December 31, 2019
Real estate properties		
Multi-suite residential	**$5,026,450**	$4,838,483
Retail	**2,361,248**	2,702,613
Office	**2,293,332**	2,372,524
Industrial	**129,856**	160,555
	9,810,886	10,074,175
Properties under development	**50,917**	43,650
Land held for development	**87,583**	83,458
Real estate properties	**$9,949,386**	$10,201,283

Real estate properties decreased by $251,897 at September 30, 2020, to $9,949,386, compared to $10,201,283 at December 31, 2019. The decrease is primarily the result of the following:

- Capitalization of property enhancements, including capital expenditures and tenant improvements totalling $38,643;
- Development expenditures of $24,799;
- Dispositions real estate properties totalling $45,377 as a result of the following asset sales:

Property	Date of Disposition	Asset Type	Sq. Ft.	Net Proceeds
7474 McLean (50%)	March 25, 2020	Industrial	284,000	$38,577
Home Base	August 18, 2020	Retail	10,000	6,800
				$45,377

- A fair value loss on real estate properties of $359,161; and
- An increase of $83,643 due to the change in the U.S. dollar foreign exchange rate.

APPRAISAL CAPITALIZATION AND DISCOUNT RATES

The Company's internal valuation team consists of Appraisal Institute of Canada ("AIC") designated Accredited Appraiser Canadian Institute ("AACI") members who are qualified to offer valuation and consulting services and expertise for all types of real property, all of whom are knowledgeable and have recent experience in the fair value techniques for investment properties. AACI designated members must adhere to AIC's Canadian Uniform Standards of Professional Appraisal Practice ("CUSPAP") and undertake ongoing professional development. The Company's appraisal division is responsible for determining the fair value of investment properties every quarter, which include co-owned properties and properties classified as equity-accounted investments. The appraisal team's valuation processes and results are reviewed by members of the Company's senior management at least once every quarter, in line with the Company's quarterly reporting dates.

During March 2020, the outbreak of COVID-19 resulted in governments enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, closure of non-essential businesses, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. As at September 30, 2020, the duration and impact of the COVID-19 pandemic is unknown. The impact of COVID-19 on estimating fair values for the Company's properties at September 30, 2020, required judgment based on evolving facts and available information, particularly for the retail properties, which have experienced significantly lower collections and higher tenant failure rates. During the nine months ended September 30, 2020, the Company recorded a fair value loss relating to its retail properties of $367,975, predominantly due to an increase in capitalization rates at most of the Company's enclosed malls as well as assumptions on the collectability of rental revenue. In addition, it is not possible to estimate the long-term impacts COVID-19 will have on the Company's valuation of income producing properties as the length and severity of these developments are subject to significant uncertainty.

As at September 30, 2020, using the direct capitalization approach, the multi-suite residential, retail, office and industrial properties were valued using capitalization rates in the range of 3.5% to 9.0% (December 31, 2019 - 3.5% to 8.5%), resulting in an overall weighted average capitalization rate of 5.5% (December 31, 2019 - 5.5%).

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

	September 30, 2020					December 31, 2019				
As at	**Occupancy Rates**		**Capitalization Rates**			Occupancy Rates		Capitalization Rates		
	Max.	**Min.**	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Max.	Min.	Weighted Average
Multi-suite residential	**98.0%**	**92.0%**	**6.8%**	**3.5%**	**4.5%**	98.0%	92.0%	6.8%	3.5%	4.5%
Retail	**99.0%**	**85.0%**	**9.0%**	**5.3%**	**7.0%**	100.0%	85.0%	8.5%	5.3%	6.5%
Office	**100.0%**	**90.0%**	**8.5%**	**4.3%**	**6.1%**	100.0%	90.0%	8.5%	4.3%	6.1%
Industrial	**100.0%**	**95.0%**	**6.8%**	**5.0%**	**5.4%**	100.0%	95.0%	6.8%	5.0%	5.2%

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

As at	**September 30, 2020**			December 31, 2019		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
Retail						
Discount rate	**10.0%**	**6.0%**	**7.3%**	9.3%	6.0%	7.0%
Terminal cap rate	**9.0%**	**5.3%**	**6.2%**	8.5%	5.3%	5.9%
Office						
Discount rate	**8.0%**	**5.3%**	**6.4%**	8.0%	5.3%	6.5%
Terminal cap rate	**7.3%**	**4.3%**	**5.7%**	7.3%	4.3%	5.7%
Industrial						
Discount rate	**6.5%**	**6.0%**	**6.1%**	6.5%	6.0%	6.1%
Terminal cap rate	**6.0%**	**5.0%**	**5.4%**	6.0%	5.0%	5.4%

Fair values are most sensitive to changes in discount rates, capitalization rates and stabilized or forecast net operating income. Generally, an increase in 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 net operating income, with a lower capitalization rate resulting in a greater impact on the fair value of the property than a higher capitalization rate.

The sensitivity of the fair values of the Company’s income producing properties as at September 30, 2020, and December 31, 2019, is set out in the table below:

As at	**September 30, 2020**		December 31, 2019	
Change in capitalization rate:	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Multi-suite residential	**($257,403)**	**$287,152**	($246,954)	$275,369
Retail	**(74,039)**	**79,575**	(89,687)	96,807
Office	**(92,721)**	**100,847**	(89,194)	96,766
Industrial	**(5,335)**	**5,856**	(6,944)	7,649
	($429,498)	**$473,430**	($432,779)	$476,591

HOTEL PROPERTIES

Hotel properties consist of the following:

As at	September 30, 2020	December 31, 2019
Cost	**$794,499**	$800,838
Accumulated impairment provision	**(108,660)**	(77,181)
Accumulated amortization	**(113,449)**	(94,874)
Hotel properties	**$572,390**	$628,783

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

During the nine months ended September 30, 2020, impairment indicators were identified including interruptions to business operations at certain hotel properties resulting from emergency measures enacted to combat COVID-19. Since the outbreak of COVID-19 in March 2020, 21 of the Company's hotel properties were subject to temporary closure of which three remain closed. A recoverability analysis was completed in accordance with the procedures specified by IFRS, which indicated that an impairment provision for the three and nine months ended September 30, 2020, of $7,588 and $31,479, respectively, should be recorded. The tables below provide details of first year net operating income (loss) and the discount rates used for valuing the hotel properties.

	Northwest Territories	Alberta	Saskatchewan	Ontario	Nova Scotia
Recoverable amount	$8,800	$56,200	$51,500	$38,850	$44,800
Impairment provision	$1,550	$13,667	$8,407	$4,024	$3,831
Cumulative impairment provision	$1,550	$46,234	$35,937	$4,024	$3,831
Projected first year net operating loss	($248)	($2,951)	($2,097)	($1,172)	($1,471)
Discount rate (range)	9.3%	9.3% - 11.8%	9.8% - 10.8%	7.3% - 8.8%	9.3%

EQUITY-ACCOUNTED AND OTHER FUND INVESTMENTS

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

As at	September 30, 2020	December 31, 2019
Joint ventures	**$50,428**	$53,118
Associates	**79,392**	85,835
Equity-accounted investments	**129,820**	138,953
Other real estate fund investments	**110,680**	109,712
Equity-accounted and other fund investments	**$240,500**	$248,665

The following are the Company's significant equity-accounted investments as at September 30, 2020, and December 31, 2019:

				Company's Ownership		Carrying Value	
Property/Investment	Principal Place of Business	Investment Type	Asset Type	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Petroleum Plaza	Edmonton, AB	Joint Venture	Office	**50.0%**	50.0%	**$21,898**	$23,705
Quinte Courthouse	Belleville, ON	Joint Venture	Office	**50.0%**	50.0%	**2,931**	2,994
Greypoint Capital L.P.(1)	Toronto, ON	Joint Venture	Other	**22.5%**	22.6%	**11,905**	12,028
Courtyard by Marriott	Ottawa, ON	Joint Venture	Hotel	**50.0%**	50.0%	**8,902**	9,595
Marriott Residence Inn	London, ON	Joint Venture	Hotel	**50.0%**	50.0%	**4,792**	4,796
Sunset & Gordon	Los Angeles, CA	Associate	Residential	**59.1%**	59.1%	**65,166**	63,803
MIL Industrial Fund II LP(2)(3)	Various	Associate	Industrial	**18.8%**	18.8%	**14,226**	22,032
						$129,820	$138,953

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

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

As at	September 30, 2020	December 31, 2019
Balance, beginning of period	**$138,953**	$177,480
Additions	**10,416**	64,914
Transfer[1]	**—**	(63,504)
Share of net loss	**(8,312)**	(28,825)
Distributions received	**(12,874)**	(6,778)
Foreign exchange gain (loss)	**1,637**	(4,334)
Balance, end of period	**$129,820**	$138,953

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

MORTGAGES PAYABLE

Mortgages payable totalled $4,395,132 at September 30, 2020, compared to $4,365,279 at December 31, 2019, an increase of $29,853. The increase was predominantly due to net proceeds from new financing of $281,582 and an increase of $37,699 from the change in the foreign exchange rate, partially offset by the repayment of mortgages discharged and matured of $207,333 and scheduled principal repayments of $82,794.

MORTGAGE CONTINUITY SCHEDULE

As at	September 30, 2020	December 31, 2019
Opening mortgage balance	**$4,365,279**	$4,362,701
New mortgage financing	**283,737**	475,981
New mortgage financing costs	**(2,155)**	(3,275)
Mortgages discharged and matured	**(207,333)**	(401,044)
Scheduled principal repayments	**(82,794)**	(110,771)
Transfer of mortgage from equity-accounted investment	**—**	109,189
Change in foreign exchange rate	**37,699**	(66,678)
Mortgages mark-to-market adjustment, net	**(3,633)**	(5,501)
Deferred financing costs (including extinguishment)	**4,332**	4,677
Closing mortgage balance	**$4,395,132**	$4,365,279

MORTGAGE REPAYMENT SCHEDULE

As at September 30, 2020	Principal Instalment Repayments	Balance Maturing	Total	Weighted Average Contractual Interest Rate
2020 (remainder of the year)	$27,921	$293,352	$321,273	4.92%
2021	110,124	382,300	492,424	4.07%
2022	107,711	399,210	506,921	3.52%
2023	85,074	651,764	736,838	3.57%
2024	72,130	324,242	396,372	3.75%
Thereafter	225,159	1,728,370	1,953,529	3.48%
	$628,119	$3,779,238	4,407,357	3.67%
Mark-to-market adjustment, net			8,315	
Deferred financing costs			(20,540)	
			$4,395,132	

The Company's first mortgages are registered against specific real estate assets and hotel properties. As at September 30, 2020, mortgages payable bear interest at rates ranging between 2.03% and 7.08% per annum with a weighted average interest rate of 3.67% (December 31, 2019 - 3.80%), mature between 2020 and 2058 with a weighted average term to maturity of 4.8 years (December 31, 2019 - 5.1 years) and approximately 97% 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 September 30, 2020, and December 31, 2019, the Company was not in compliance with five debt ratio covenants affecting five mortgage loans, all of which are secured by hotel properties amounting to $143,054 (December 31, 2019 - $80,877). None of the lenders have demanded payment of the mortgage loans. However, IFRS requires that the loan balance of mortgages payable in breach of debt covenants be included in the current portion of mortgages payable. As a result, the current portion of debt includes $91,410 scheduled to retire after September 30, 2021.

MORTGAGE MATURITY SCHEDULE

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

	2020			2021		
Asset Type	Number of Properties	Principal Maturing	Weighted Average Interest Rate	Number of Properties	Principal Maturing	Weighted Average Interest Rate
Multi-suite residential	—	$—	—%	5	$99,014	4.03%
Retail	1	28,436	4.07%	5	199,260	4.38%
Office	2	69,135	5.44%	4	79,414	3.29%
Hotels(1)	6	104,567	5.23%	3	49,396	3.96%
	9	$202,138	5.14%	17	$427,084	4.05%

(1) The Company mortgages payable in breach of debt covenants required under IFRS to be included in the current portion of mortgages payable have been presented in the above table based on their contractual maturity.

The following table details the new and refinancing activities completed during the nine months ended September 30, 2020:

Date	Asset Type	Location	New Interest Rate	Maturing Interest Rate	Term (years)	Mortgage Amount
January 15, 2020	Office	Mississauga, ON	3.53%	—%	7.0	$100,000
September 1, 2020	Office	Ottawa, ON	2.70%	4.27%	5.1	23,500
September 1, 2020	Office	Toronto, ON	3.05%	4.96%	10.0	76,000
May 1, 2020	Residential	Boynton Beach, FL	3.08%	—%	10.0	36,976
June 3, 2020	Residential	Mississauga, ON	2.03%	4.25%	10.0	25,151
July 8, 2020	Retail	Calgary, AB	3.25%	3.89%	5.1	19,000
Weighted Averages and Total			**3.12%**	**4.34%**	**8.2**	**$280,627**

During the nine months ended September 30, 2020, the Company received deferrals of principal and interest payments at most of its hotel properties of which $3,110 have been capitalized to the mortgage balance.

The following table details the mortgages repaid at maturity and extinguished prior to maturity during the nine months ended September 30, 2020:

Date	Asset Type	Location	Mortgage Amount
January 15, 2020	Office	Mississauga, ON	$20,661
September 1, 2020	Office	Ottawa, ON	18,372
September 1, 2020	Office	Toronto, ON	14,741
March 25, 2020	Industrial	Puslinch, ON	10,498
February 18, 2020	Hotel	Fort McMurray, AB	9,009
February 18, 2020	Hotel	Fort McMurray, AB	4,146
February 19, 2020	Hotel	Yellowknife, NT	14,498
February 19, 2020	Hotel	Mississauga, ON	13,341
February 19, 2020	Hotel	Winnipeg, MB	7,713
February 21, 2020	Hotel	Lloydminster, AB	1,675
February 21, 2020	Hotel	Fort McMurray, AB	4,176
February 21, 2020	Hotel	Saskatoon, SK	20,298
February 21, 2020	Hotel	Red Deer, AB	23,688
March 1, 2020	Hotel	Fort McMurray, AB	13,230
July 6, 2020	Hotel	Sydney, NS	6,666
June 3, 2020	Residential	Mississauga, ON	8,757
July 8, 2020	Retail	Calgary, AB	15,864
Total			**$207,333**

UNSECURED DEBENTURES

The Company's Unsecured Debentures consist of the following:

As at	Maturity Date	Coupon Interest Rate	September 30, 2020	December 31, 2019
Series B senior unsecured debentures	November 18, 2020	4.013%	**$200,000**	$200,000
Series C senior unsecured debentures	September 15, 2022	4.333%	**200,000**	200,000
Series D senior unsecured debentures	May 14, 2021	4.085%	**200,000**	200,000
Series E senior unsecured debentures	January 25, 2024	4.715%	**225,000**	225,000
Series F senior unsecured debentures	November 27, 2024	4.204%	**225,000**	225,000
Series G senior unsecured debentures	September 28, 2023	4.402%	**175,000**	—
Unamortized financing costs			**(3,222)**	(3,556)
			$1,221,778	$1,046,444

On November 18, 2016, the Company issued $200,000 (net proceeds including issuance costs - $199,198) of Series B senior unsecured debentures due on November 18, 2020. Interest on the Series B senior unsecured debentures is payable semi-annually, not in advance, on May 18 and November 18 of each year. The Company has the option to redeem the Series B senior unsecured debentures at a redemption price equal to the greater of the Canada Yield Price or par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada Bond Yield with an equal term to maturity plus a spread of 0.785%.

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

On May 14, 2018, the Company issued $200,000 (net proceeds including issuance costs - $198,805) of Series D senior unsecured debentures due on May 14, 2021. Interest on the Series D senior unsecured debentures is payable semi-annually, not in advance, on May 14 and November 14 of each year. The Company has the option to redeem the

Series D senior unsecured debentures at a redemption price equal to the greater of the Canada Yield Price or par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada Bond Yield with an equal term to maturity plus a spread of 0.50%.

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

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

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

For the three and nine months ended September 30, 2020, interest on the Unsecured Debentures of $11,357 (2019 - $8,941) and $33,699 (2019 - $25,804), respectively, are included in interest expense.

The covenants that govern the Unsecured Debentures are calculated using the Company’s published results prepared in accordance with IFRS adjusted as required to account for the Company’s Public Entity Investments using the equity method of accounting and other adjustments defined by the Indenture. The presentation of the Non-Consolidated balance sheet does not classify short-term and long-term assets and liabilities. In addition, other assets as presented in the Non-Consolidated balance sheet group the following items that are presented as a separate financial statement line in the Company’s consolidated balance sheet: amounts receivable; prepaid expenses and other; and cash.

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

Non-Consolidated Basis adjustments include the following:

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

- An adjustment (as defined in the Indenture) to the statement of income (loss) to exclude other non-cash items (such as the Company's SARs expense, IFRIC 21 and any gain or loss attributed to the sale or disposition of any asset or liability), non-recurring items (such as acquisition-related costs and debt settlement or other costs), and to include the distributions received from Morguard REIT and Morguard Residential REIT.

The covenants computed on a Non-Consolidated Basis are as follows:

Non-Consolidated Basis	Covenant Requirements	September 30, 2020	September 30, 2019
Interest coverage ratio(1)	1.65	**2.25**	2.75
Indebtedness to aggregate assets ratio(2)	Less than or equal to 65%	**47.8%**	41.5%
Adjusted shareholders' equity(3)	Not less than $300,000	**$3,494,004**	$3,669,988

(1) Calculated on a trailing twelve month basis.
(2) As defined in the Indenture, adjusted to exclude goodwill and deferred income tax assets and to add back accumulated amortization of hotel properties.
(3) As defined in the Indenture, adjusted to exclude deferred income tax assets and liabilities and to add back accumulated amortization of hotel properties.

The Company's unencumbered properties on a Non-Consolidated Basis as at September 30, 2020, are $589,875 (December 31, 2019 - $459,277).

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

MORGUARD NON-CONSOLIDATED FINANCIAL STATEMENTS
BALANCE SHEET

As at September 30, 2020	Morguard Consolidated	Morguard REIT	Morguard Residential REIT	Adjustments	Morguard Non-Consolidated Basis
ASSETS					
Real estate properties	$9,949,386	($2,577,346)	($3,009,942)	($257,987)	$4,104,111
Hotel properties	572,390	—	—	113,449	685,839
Equity-accounted and other fund investments	240,500	(21,898)	(106,768)	1,364,854	1,476,688
Investment in Class C LP Units	—	—	—	84,720	84,720
Other assets	703,873	(47,884)	(60,505)	22,254	617,738
Total assets	$11,466,149	($2,647,128)	($3,177,215)	$1,327,290	$6,969,096
LIABILITIES					
Mortgage payable and Class C LP Units	$4,395,132	($1,110,111)	($1,251,796)	($79,129)	$1,954,096
Construction financing, loans and bank indebtedness	49,895	(65,627)	(553)	16,553	268
Class B LP Units	—	—	(249,735)	249,735	—
Unsecured Debentures	1,221,778	—	—	—	1,221,778
Convertible debentures	192,873	(172,301)	(84,220)	63,648	—
Lease Liabilities	165,152	(11,025)	(9,537)	278	144,868
Morguard Residential REIT Units	405,402	—	—	(405,402)	—
Deferred income tax liabilities	681,728	—	(129,323)	(552,405)	—
Accounts payable and accrued liabilities	267,004	(60,091)	(57,442)	4,611	154,082
Total liabilities	7,378,964	(1,419,155)	(1,782,606)	(702,111)	3,475,092
Equity / Adjusted shareholders' equity	4,087,185	(1,227,973)	(1,394,609)	2,029,401	3,494,004
Total liabilities and equity	$11,466,149	($2,647,128)	($3,177,215)	$1,327,290	$6,969,096

COMPUTATION FOR INTEREST COVERAGE RATIO

Twelve months ended September 30, 2020	Morguard Consolidated	Morguard REIT	Morguard Residential REIT	Temple	Adjustments	Morguard Non-Consolidated Basis
Revenue from real estate properties	$884,486	($255,518)	($248,901)	$—	($17,879)	$362,188
Revenue from hotel properties	139,347	—	—	(57,430)	—	81,917
Property operating expenses	(388,239)	126,236	112,562	—	(5,616)	(155,057)
Hotel operating expenses	(120,148)	—	—	48,064	—	(72,084)
Net operating income	515,446	(129,282)	(136,339)	(9,366)	(23,495)	216,964
Management and advisory fees and distributions	46,030	—	—	—	39,230	85,260
Interest and other income	15,309	1	(1,507)	(22)	8,957	22,738
Property management and corporate[1]	(60,545)	3,796	15,369	684	(33,938)	(74,634)
Other income (expense)[2]	(1,569)	—	—	367	—	(1,202)
Distributions from Morguard REIT and Morguard Residential REIT	—	—	—	—	44,889	44,889
EBITDA	$514,671	($125,485)	($122,477)	($8,337)	$35,643	$294,015
Interest expense	$236,531	($57,066)	($59,250)	($7,785)	$18,264	$130,694
Interest capitalized to development projects	629	(629)	—	—	—	—
Interest expense for interest coverage ratio	$237,160	($57,695)	($59,250)	($7,785)	$18,264	$130,694

(1) Morguard consolidated property management and corporate expense for the twelve months ended September 30, 2020, includes a non-cash fair value adjustment relating to the Company's SARs liability and has been adjusted to add back the decrease in SARs expense of $15,961.

(2) Excludes acquisition-related costs, debt settlement or other costs, any gain or loss attributed to the sale or disposition of any asset or liability, other non-cash items and non-recurring items.

CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

As at	Maturity Date	Conversion Price	Coupon Interest Rate	Principal Balance	Principal Owned by the Company	September 30, 2020	December 31, 2019
Morguard REIT	December 31, 2021	$20.40	4.50%	$175,000	$60,000	**$113,653**	$112,105
Morguard Residential REIT(1)	March 31,2023	$20.20	4.50%	$85,500	$5,000	**79,220**	81,398
						$192,873	$193,503

(1) As at September 30, 2020, the liability includes the fair value of the conversion option of $810 (December 31, 2019 - $3,472).

MORGUARD REIT

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

MORGUARD RESIDENTIAL REIT

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

For the three and nine months ended September 30, 2020, interest on convertible debentures net of accretion of $2,461 (2019 - $2,455) and $7,332 (2019 - $9,640), respectively, are included in interest expense.

MORGUARD RESIDENTIAL REIT UNITS

As at September 30, 2020, and December 31, 2019, the Company owned a 44.8% effective interest in Morguard Residential REIT through its ownership of 7,944,166 Units and 17,223,090 Class B LP Units. Although the Company owns less than 50% of Morguard Residential REIT, it continues to consolidate its investment on the basis of *de facto* control.

The non-controlling interest in Morguard Residential REIT Units has been presented as a liability. Morguard Residential REIT Units are redeemable at any time, in whole or in part, on demand by the holders. Upon receipt of the redemption notice by Morguard Residential REIT, all rights to and under the Units tendered for redemption shall be surrendered, and the holder shall be entitled to receive a price per Unit equal to the lesser of: (i) 90% of the market price of the Units on the principal exchange market on which the Units are listed or quoted for trading during the 10 consecutive trading days ending immediately prior to the date on which the Units were surrendered for redemption; or (ii) 100% of the closing market price on the principal exchange market on which the Units are listed or quoted for trading on the redemption date.

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

As at September 30, 2020, the Company valued the non-controlling interest in Morguard Residential REIT Units at $405,402 (December 31, 2019 - $516,462) and classified the Units as a liability on the consolidated balance sheets. Due to the change in the market value of the Units and the distributions paid to external Unitholders, the Company recorded a fair value loss for the three months ended September 30, 2020 of $2,897 (2019 - $36,031) and a fair value gain for the nine months ended September 30, 2020 of $95,234 (2019 - loss of $76,119), in the consolidated statements of income (loss).

BANK INDEBTEDNESS

As at September 30, 2020, the Company has operating lines of credit totalling $516,500 (December 31, 2019 - $374,000), the majority of which can be borrowed in either Canadian or United States dollars and are subject to floating interest rates based on bankers' acceptance or LIBOR rates. As at September 30, 2020, the maximum amount that can be borrowed on the operating lines of credit is $507,758 (December 31, 2019 - $356,169), which includes deducting issued letters of credit in the amount of $8,742 (December 31, 2019 - $13,790) related to these facilities. The Company's investments in Morguard REIT and Morguard Residential REIT, marketable securities, amounts receivable, inventory, capital assets and a fixed-charge security on specific properties have been pledged as collateral on these operating lines of credit. As at September 30, 2020, the Company had borrowed $49,895 (December 31, 2019 - $101,100) on its operating lines of credit.

During the three months ended June 30, 2020, the Company amended bank credit agreements under two of its existing credit facilities to provide for an additional availability of $100,000 and to allow for a higher margin calculation.

The bank credit agreements include certain restrictive undertakings by the Company. As at September 30, 2020, other than as described above, the Company is in compliance with all undertakings.

LEASE LIABILITIES

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

As at	September 30, 2020	December 31, 2019
Balance, beginning of period	**$166,144**	$9,754
Adoption of IFRS 16	**—**	161,614
Interest on lease liabilities	**7,093**	9,679
Payments	**(8,377)**	(11,778)
Additions	**—**	725
Dispositions	**—**	(684)
Extinguishment[1]	**—**	(2,664)
Foreign exchange loss (gain)	**292**	(502)
Balance, end of period	**$165,152**	$166,144

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

Future minimum lease payments under lease liabilities are as follows:

As at	September 30, 2020	December 31, 2019
Within 12 months	**$11,152**	$11,127
2 to 5 years	**42,881**	43,335
Over 5 years	**356,672**	364,195
Total minimum lease payments	**410,705**	418,657
Less: future interest costs	**(245,553)**	(252,513)
Present value of minimum lease payments	**$165,152**	$166,144

EQUITY

Total equity decreased by $218,532 to $4,087,185 at September 30, 2020, compared to $4,305,717 at December 31, 2019.

The decrease in equity was primarily the result of:

- Net loss for the nine months ended September 30, 2020 of $151,510;
- An actuarial loss on defined benefit pension plans of $41,517;
- Change in ownership of Temple Hotels Inc. of $44,149;
- Repurchase of common shares through the Company's NCIB (defined below) amounting to $17,986;
- Non-controlling interest distributions of $14,526; and
- Dividends paid of $5,050; partially offset by
- Unrealized foreign currency translation gain of $47,898.

During the nine months ended September 30, 2020, 131,131 common shares were repurchased through the Company's normal course issuer bid ("NCIB") for cash consideration of $17,986.

As at September 30, 2020, 11,151,986 common shares were outstanding. As at November 5, 2020, 11,108,786 common shares were outstanding.

PART V

LIQUIDITY

Morguard uses a combination of existing cash, cash generated from operations, mortgages, bank indebtedness, project-specific financing and equity to finance its activities. For the three and nine months ended September 30, 2020, Morguard received approximately $9,921 and $44,932, respectively, in recurring distributions and dividends from subsidiaries and affiliated entities.

Net cash flows provided by operating activities represent the primary source of liquidity to fund dividends and maintenance capital expenditures (excluding new acquisition and development spending) on the Company's real estate properties. The Company's net cash flows provided by operating activities are dependent upon the occupancy level of its rental properties, rental rates on its leases, collectibility of rent from its tenants, level of operating expenses and other factors. Material changes in these factors may adversely affect the Company's cash flows provided by operating activities and liquidity. The Company's cash dividend policy reflects a strategy of maintaining a relatively constant debt level as a percentage of total gross assets. Accordingly, the Company does not repay maturing debt from cash flow but rather with proceeds from refinancing such debt or financing unencumbered properties.

THREE MONTHS ENDED SEPTEMBER 30, 2020

Cash Provided by Operating Activities

Cash provided by operating activities during the three months ended September 30, 2020, was $54,059, compared to $76,444 in 2019. The cash provided by operating activities has been used to meet the Company's liquidity requirements, which consisted primarily of property re-leasing costs, maintenance costs and dividends to shareholders.

Cash Used in Investing Activities

Cash used in investing activities during the three months ended September 30, 2020, totalled $11,980, compared to cash used in investing activities of $168,100 in 2019. The cash used in investing activities reflects:

- Additions to real estate properties and tenant improvements of $12,420;
- Additions to hotel properties of $933;
- Additions to capital and intangible assets of $375;
- Net proceeds from the sale of real estate properties of $6,800;
- Net proceeds from the sale of hotel properties of $2,973;
- Investment in properties under development of $6,041; and
- Investment in equity-accounted and other fund investments, net of $1,984.

Cash Provided by Financing Activities

Cash provided by financing activities during the three months ended September 30, 2020, totalled $61,121, compared to cash provided by financing activities of $32,291 in 2019. The cash provided by financing activities reflects:

- Proceeds from new mortgages, net financing cost of $119,721;
- Repayment of mortgages on maturity of $48,977;
- Mortgage principal repayments of $26,960;
- Principal payment of lease liabilities of $306;
- Net repayment of bank indebtedness of $122,144;
- Proceeds from issuance of unsecured debentures, net of costs of $174,303;
- Net repayment of loans payable of $22,001;
- Dividends paid of $1,650;
- Distributions to non-controlling interest of $3,177;
- Common shares repurchased for cancellation of $9,328; and
- Decrease in restricted cash of $1,640.

NINE MONTHS ENDED SEPTEMBER 30, 2020

Cash Provided by Operating Activities

Cash provided by operating activities during the nine months ended September 30, 2020, was $134,700, compared to $186,535 in 2019. The cash provided by operating activities has been used to meet the Company's liquidity requirements, which consisted primarily of property re-leasing costs, maintenance costs and dividends to shareholders.

Cash Used in Investing Activities

Cash used in investing activities during the nine months ended September 30, 2020, totalled $42,865, compared to cash used in investing activities of $192,896 in 2019. The cash used in investing activities reflects:

- Additions to real estate properties and tenant improvements of $36,930;
- Additions to hotel properties of $3,773;
- Additions to capital and intangible assets of $1,997;
- Net proceeds from the sale of real estate properties of $34,879;
- Net proceeds from the sale of hotel properties of $2,973;
- Investment in properties under development of $24,799; and
- Investment in equity-accounted and other fund investments, net of $13,218.

Cash Provided by Financing Activities

Cash provided by financing activities during the nine months ended September 30, 2020, totalled $16,279, compared to cash provided by financing of $26,882 in 2019. The cash provided by financing activities reflects:

- Proceeds from new mortgages, net financing cost of $281,582;
- Repayment of mortgages on maturity of $78,395;
- Repayment of mortgages due to extinguishments of $111,774;
- Mortgage principal repayments of $82,794;
- Principal payment of lease liabilities of $1,284;
- Net repayment of bank indebtedness of $51,205;
- Proceeds from issuance of unsecured debentures, net of costs of $174,303;
- Net repayment of loans payable of $35,234;
- Dividends paid of $4,977;
- Distributions to non-controlling interest of $13,071;
- Common shares repurchased for cancellation of $17,986;
- Investment in Temple Hotels Inc. of $44,149; and
- Decrease in restricted cash of $1,263.

PART VI

TRANSACTIONS WITH RELATED PARTIES

Related party transactions that are in the normal course of operations are subject to the same processes and controls as other transactions; that is, they are subject to standard approval procedures and management oversight, but are also considered by management for reasonability against fair value. Related party transactions that are found to be material are subject to review and approval by the Company's Audit Committee, which comprises Independent Directors.

PAROS ENTERPRISES LIMITED

Paros is the majority shareholder and ultimate parent of the Company. Paros is owned by the Company's Chairman and Chief Executive Officer, Mr. K. Rai Sahi. On January 25, 2019, Paros acquired $12,500 aggregate principal amount of the Company's Series E unsecured debentures. The Company entered into a demand loan agreement with Paros that provides for the Company to borrow up to $22,000. The total loan payable outstanding from Paros as at September 30, 2020 was $nil (December 31, 2019 - $nil). During the three and nine months ended September 30, 2020, the Company incurred net interest expense of $nil (2019 - $nil) and $nil (2019 - $30), respectively.

TWC ENTERPRISES LIMITED

The Company provides TWC with managerial and consulting services for its business and the business of its subsidiaries. Mr. K. Rai Sahi is Chairman and Chief Executive Officer and the majority shareholder of TWC through his personal holding companies, which include Paros. Pursuant to contractual agreements between the Company and TWC, for the three and nine months ended September 30, 2020, the Company received a management fee of $327 (2019 - $326) and $988 (2019 - $979), respectively, and for three and nine months ended September 30, 2020 paid rent and operating expenses of $168 (2019 - $166) and $496 (2019 - $511), respectively.

The Company has a revolving demand loan agreement with TWC that provides for either party to borrow up to $50,000 at either the prime rate or the bankers' acceptance rate plus applicable stamping fees. The total loan payable as at September 30, 2020 was $nil (December 31, 2019 - $33,679). During the three and nine months ended September 30, 2020, the Company paid net interest of $96 (2019 - $386) and $408 (2019 - $1,186), respectively.

SHARE/UNIT PURCHASE AND OTHER LOANS

As at September 30, 2020, share/Unit purchase and other loans to officers and employees of the Company and its subsidiaries of $5,475 (December 31, 2019 - $5,504) are outstanding. The loans are collateralized by their common shares of the Company, Units of Morguard REIT and Units of Morguard Residential REIT and are interest-bearing computed at the Canadian prime interest rate and are due on January 10, 2024. Other loans are secured against the underlying asset. The loans are classified as amounts receivable on the consolidated balance sheets. As at September 30, 2020, the fair market value of the common shares/Units held as collateral is $53,353.

PART VII

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Company's condensed consolidated financial statements for the three and nine months ended September 30, 2020 and 2019, have been prepared in accordance with IAS 34, *Interim Financial Reporting,* as issued by the IASB. The condensed consolidated financial statements use the same accounting policies and methods of their application as the most recent annual audited consolidated financial statements and should be read in conjunction with the most recent annual audited consolidated financial statements.

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

The MD&A for the year ended December 31, 2019, contains a discussion of the significant accounting policies most affected by estimates and judgments used in the preparation of the consolidated financial statements, being the accounting policies relating to *de facto* control, estimates of fair value of real estate properties; estimating deferred tax assets and liabilities, revenue recognition, valuation of financial instruments and the determination of whether an acquisition represents a business combination or an asset acquisition. Management determined that as at September 30, 2020, there is no change to the assessment of the significant accounting policies most affected by estimates and judgments as detailed in the MD&A for the year ended December 31, 2019.

FINANCIAL INSTRUMENTS

The following describes the Company's recognized and unrecognized financial instruments.

The Company's financial assets and financial liabilities comprise cash, restricted cash, amounts receivable, finance lease receivable, accounts payable and accrued liabilities, bank indebtedness, mortgages payable, loans payable, lease liabilities, Unsecured Debentures and convertible debentures (excluding any conversion option).

Financial assets must be classified and measured on the basis of both the business model in which the assets are managed and the contractual cash flow characteristics of the asset. Financial assets subsequent to initial recognition are classified and measured based on three categories: amortized cost, fair value through other comprehensive income ("FVTOCI") and FVTPL. Financial liabilities are classified and measured based on two categories: amortized cost and FVTPL. Fair values of financial assets and financial liabilities are presented as follows:

Fair Value of Financial Assets and Financial Liabilities

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

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

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using September 30, 2020, market rates for debts of similar terms. Based on these assumptions, the fair value as at September 30, 2020, of the mortgages payable before deferred financing costs and mark-to-market adjustments is estimated at $4,669,917 (December 31, 2019 - $4,406,348), compared with the carrying value of $4,407,357 (December 31, 2019 - $4,375,947). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

The fair value of the Unsecured Debentures liability is based on its closing bid price. As at September 30, 2020, the fair value of the Unsecured Debentures has been estimated at $1,225,772 (December 31, 2019 - $1,070,033) compared with the carrying value of $1,225,000 (December 31, 2019 - $1,050,000).

The fair value of the convertible debentures liability is based on their market trading prices. As at September 30, 2020, the fair value of the convertible debentures before deferred financing costs has been estimated at $187,917 (December 31, 2019 - $202,838), compared with the carrying value of $195,500 (December 31, 2019 - $195,500).

The fair value of the finance lease receivable is determined by discounting the cash flows of the financial receivable using September 30, 2020, market rates for debt on similar terms. Based on these assumptions, as at September 30, 2020, the fair value of the finance lease receivable has been estimated at $57,036 (December 31, 2019 - $56,574).

RISKS AND UNCERTAINTIES

All investment properties are subject to a degree of risk and uncertainty. Income from real estate assets is affected by various factors, including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand particularly affect income property investments. The major categories of risk the Company encounters in conducting its business and some of the actions it takes to mitigate these risks are outlined in the Company’s MD&A for the year ended December 31, 2019 and the Company’s most recent Annual Information Form, dated February 20, 2020 and provide a more detailed discussion of these and other risks.

COVID-19 AND OTHER PANDEMIC OR EPIDEMIC

The outbreak COVID-19 resulted in governments worldwide enacting emergency measures to contain the spread of the virus. Outbreaks, or the threat of outbreaks of viruses or other contagions or epidemic or pandemic diseases, including the recent COVID-19 pandemic, may lead to prolonged voluntary or mandatory building closures, business closures, government restrictions on travel and gatherings, quarantines, self-isolation and physical distancing. The impact of these measures may lead to a general shutdown of economic activity and disrupt workforce and business operations both in North America and other parts of the World. Such occurrences could have a material adverse effect on debt and capital markets, the demand for real estate and the ability of tenants to pay rent. The duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. The pace of recovery following such occurrences cannot be accurately predicted, nor can the impact on the the Company's real estate and hotel property valuations, equity markets, cash flows, results of operations and the Company's ability to obtain additional financing or re-financing and ability to make distributions to shareholders.

Specifically, such enhanced risks associated with COVID-19 may include, but are not limited to:

(a) the negative impact on Canadian and global debt and equity capital markets, including both pricing and availability;
(b) ability to access capital markets at a reasonable cost;
(c) the trading price of the Company's securities;
(d) material reduction in rental revenue and related collections due to associated financial hardship and non-essential business orders governing the closure of certain businesses;
(e) a material increase in vacancy potentially caused by both the resulting economic crisis and the inability of businesses to operate;
(f) uncertainty of real estate and hotel valuations resulting from the impact of potential decline in revenue and/or lack of market activity and demand;
(g) uncertainty delivering services due to illness, Company or government imposed isolation programs, restrictions on the movement of personnel, closures and supply chain disruptions;
(h) uncertainty associated with costs, delays and availability of resources required to complete major maintenance and expansion projects on time and budget;

(i) material reduction in revenue and related collections due to the impact that oil price challenges have on tenants that rely on this industry for their business success;

(j) the impact of additional legislation, regulation, fiscal and monetary policy responses and other government interventions.

The foregoing is not an exhaustive list of all risk factors.

Developments since March 2020 regarding the COVID-19 pandemic have resulted in a substantive shift in management's focus towards ensuring the continued health and safety of our employees and service partners, compliance with guidelines and requirements issued by various health authorities and government organizations, and continuity of other critical business operations. We remain focused on delivering our key business operations.

CONTROLS AND PROCEDURES CONCERNING FINANCIAL INFORMATION

The financial certification process project team has documented and assessed the design of the internal controls in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. This undertaking has enabled the Chief Executive Officer and Chief Financial Officer to attest that the design of the internal controls with regard to financial information are effective using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control - Integrated Framework (2013). In order to ensure that the consolidated financial statements and MD&A present fairly, in all material respects, the financial position of the Company and the results of its operations, management is responsible for establishing and maintaining disclosure controls and procedures, as well as internal control over financial reporting.

The Company's management has evaluated the effectiveness of the Company's disclosure controls and procedures and, based on such evaluation, has concluded that their design is adequate and effective as of and for the nine months ended September 30, 2020. The Company's management has also evaluated the effectiveness of the internal controls over financial reporting and has concluded that their design is effective as of and for the nine months ended September 30, 2020.

An information disclosure policy constitutes the framework for the information disclosure process with regard to the annual and interim filings, as well as to other reports filed or submitted under securities legislation. This policy aims in particular at identifying material information and validating the related reporting. The Disclosure Committee, established in 2005, is responsible for ensuring compliance with this policy. Senior management acts as the Disclosure Committee, ensuring compliance with this policy and reviewing main documents to be filed with regulatory authorities to ensure that all significant information regarding operations is communicated in a timely manner.

PART VIII

SUMMARY OF QUARTERLY INFORMATION

(In thousands of dollars, except per common share amounts)	Total Revenue	NOI	Adjusted NOI	FFO	Net Income (Loss)	Net Income (Loss) Attributable to Common Shareholders	Net Income (Loss) to Common Shareholders per Share - Basic/Diluted
September 30, 2020	**$251,469**	**$130,268**	**$119,832**	**$43,104**	**($37,602)**	**($4,606)**	**($0.42)**
June 30, 2020	240,905	131,174	120,842	48,881	(105,038)	(65,396)	(5.81)
March 31, 2020	292,310	102,601	134,451	6,993	(8,870)	33,412	2.97
December 31, 2019	301,532	151,403	141,396	64,091	82,786	84,911	7.53
September 30, 2019	299,410	150,059	141,382	70,903	(2,291)	(1,180)	(0.10)
June 30, 2019	301,386	150,145	140,673	62,311	69,342	69,722	6.17
March 31, 2019	290,645	104,574	132,875	53,566	38,959	33,486	2.97
December 31, 2018	301,302	142,611	134,863	52,410	68,451	80,889	7.13

SUMMARY OF QUARTERLY RESULTS

A significant portion of the Company’s real estate properties are located in the United States. As a result, the Company is exposed to foreign currency exchange rate fluctuations with respect to its quarterly results derived from its properties located in the U.S.

Quarterly results fluctuate due to acquisitions and dispositions, the impact of foreign exchange rate fluctuations and new mortgage financing as well as mortgage refinancing. In addition, net income (loss) includes a number of non-cash components, such as, fair value gain/loss on Morguard Residential REIT Units, fair value gain/loss on real estate properties, fair value gain (loss) on investments in marketable securities and other fund investments, an IFRIC 21 adjustment to realty taxes, equity income (loss) from investment, provision for impairment and deferred taxes.

During March 2020, the outbreak of the COVID-19 resulted in governments enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, closure of non-essential businesses, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. During the nine months ended September 30, 2020, the Company temporarily closed 21 hotels of which three hotels remain closed.

During the first quarter of 2019, the Company adopted IFRS 16, *Leases,* using a modified retrospective approach. The adoption of the standard on January 1, 2019, resulted in the initial recognition of land and office right-of-use assets and their corresponding lease liabilities of $161,614. The Company recognized lease liabilities for those leases previously classified as operating leases and as a result the lease payments that were previously being recorded as operating expenses are now being classified under interest expense.

Significant Real Estate Property Transactions During the Nine Months Period Ended September 30, 2020

During the first quarter of 2020, the Company disposed of it’s 50% interest it held in one industrial property in Canada comprising 284,000 square feet of commercial leasable area.

During the third quarter of 2020, the Company disposed of one hotel property in Canada consisting of 145 rooms.

During the third quarter of 2020, the Company disposed of a retail property and an adjacent parcel of land classified as held for development in Canada consisting of approximately 10,000 square feet of commercial area.

Significant Real Estate Property Transactions During the Year Ended December 31, 2019

During the first quarter of 2019, the Company disposed of four multi-suite residential properties in the U.S. consisting of 795 suites.

During the second quarter of 2019, the Company disposed of one multi-suite residential property in the U.S. consisting of 48 suites.

During the third quarter of 2019, the Company disposed of one industrial property in Canada consisting of 242,521 square feet of commercial leasable area.

During the third quarter of 2019, the Company acquired an office property in Canada consisting of approximately 157,350 square feet of commercial area.

During the fourth quarter of 2019, the Company acquired the remaining 51% interest in a multi-suite residential property in the U.S. consisting of 690 suites.

During the fourth quarter of 2019, the Company acquired the remaining 50% co-ownership interest in an office property in Canada consisting of 398,500 square feet of commercial leasable area.

During the fourth quarter of 2019, the Company disposed of one retail property in the U.S. consisting of 167,500 square feet of commercial leasable area and an adjacent parcel of land classified as held for development.

Significant Real Estate Property Transactions During the Three Months Ended December 31, 2018

During the fourth quarter of 2018, the Company acquired 49.9% co-ownership interest in an office property consisting of approximately 552,000 square feet of commercial area.

During the fourth quarter of 2018, the Company completed the re-development of a dual-branded Hilton Garden Inn and Homewood Suites by Hilton totalling 346 rooms in downtown Ottawa, Ontario, and the hotel was transferred from properties under development to hotel properties.

Revenue and Net Operating Income

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

The Company has seen stable revenue during the last eight quarters except for the second and third quarter of 2020 which declined due to the impact of COVID-19 mainly at hotel and retail properties. The change in foreign exchange rates and the impact of acquisition net of disposal of properties (described above) also contributed to the increase in revenue during the last eight quarters. Lower revenue during the first quarter of 2019 and 2020 was largely attributed to hotel revenues that are seasonally impacted by the colder months.

Similar to the reasons described above, NOI has been stable over the last eight quarters resulting from an increase in revenue and the Company's ability to control expenses as a percentage of revenue. The decline in NOI during the second and third quarter of 2020 in addition to lower revenue (as described above) was due to higher bad debt expense due to the impact of COVID-19. The impact of foreign exchange rates and of acquisitions and dispositions also factor into the variance from quarter to quarter. The first quarter results (three months ended March 31) are impacted by IFRIC 21, whereby the Company records the entire annual realty tax expense for its U.S. properties on January 1, except for U.S. properties acquired during the year in which the realty taxes are not recorded in the year of acquisition. As a result, the second, third and fourth quarters typically have no realty tax expense which results in higher NOI and NOI margins. Adjusted NOI which excludes IFRIC 21 is presented in the table above to illustrate a more comparable quarter-to-quarter analysis.

Net Income (Loss) Attributable to Common Shareholders

Taking into account the above factors for revenue and NOI variations, the change in net income (loss) is predominantly due to higher mortgage interest from the financing of acquisitions completed during and subsequent to the fourth quarter of 2018, and on the Company's Unsecured Debentures resulting from the issuance of the Series E and Series F unsecured debentures in January 2019 and November 2019, respectively, net of the Series A unsecured debentures repayment in December 2018. In addition, the change in net income (loss) resulted from the following non-cash components described below:

- The Company valued the Morguard Residential Units (presented as a liability under IFRS) based on the market value of the TSX-listed Units; During the nine months ended September 30, 2020, the volatility of the stock market from the impact of the global health crisis resulted in a significant decline in the Unit price of Morguard Residential that resulted in a fair value gain. Prior and subsequent to the first quarter of 2020, there has been an upward trend in the trading price of the Morguard Residential Units resulting in a fair value loss recorded to net income (loss);
- The Company recorded fair value loss on real estate properties for the nine months ended September 30, 2020, due to increase in the capitalization rates at the Company's enclosed malls which have experienced lower collections and higher tenant failures. The Company recorded a fair value gain on real estate properties for the years ended December 31, 2019 and 2018 due to an overall increase in stabilized NOI and compression in capitalization rates;
- The Company has recorded lower non-cash compensation expense related to the Company's SARs plan;
- The Company has recorded deferred tax recovery during 2020 coinciding with the fair value loss recorded on the Company's real estate properties;
- The Company recorded an impairment provision on hotel properties of $7,588, $23,891, $19,059 and $23,007 during the third quarter of 2020, first quarter of 2020, third quarter of 2019, and fourth quarter of 2018, respectively.

SUBSEQUENT EVENTS

On October 1, 2020, the Company completed the refinancing of a U.S. multi-suite residential property located in Lake Worth, Florida, in the amount of $35,895 (US$27,005) at an interest rate of 2.17% and for a term of 10 years. The maturing mortgage amounted to $23,842 (US$17,937) was open and prepayable at no penalty before its scheduled maturity on January 1, 2021 and had an interest rate of 4.24%.

On October 9, 2020, the Company completed the refinancing of an office property located in Saint-Laurent, Québec, in the amount of $80,000 at an interest rate of 2.89% and for a term of 4 years. The maturing mortgage amounted to $65,474 and had an interest rate of 5.48%

On November 2, 2020, the Company sold a hotel located in Red Deer, Alberta, for gross proceeds of $19,000 (including a promissory note receivable of $14,500), resulting in net proceeds of $4,500, before closing costs and working capital adjustments.

The Company substantially completed the redevelopment of its mid-rise property, 1643 Josephine Street, New Orleans, Louisiana. Due to COVID-19 social distancing requirements, virtual pre-leasing has begun with first occupancies taking place in late-October.

Subsequent to September 30, 2020, the Company acquired 43,200 common shares under it's NCIB for cash consideration of $4,563 at a weighted average price of $105.63 per common share.

CONDESNED CONSOLIDATED FINANCIAL STATEMENTS

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BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	September 30, 2020	December 31, 2019
ASSETS			
Non-current assets			
Real estate properties	4	**$9,949,386**	$10,201,283
Hotel properties	5	**572,390**	628,783
Equity-accounted and other fund investments	6	**240,500**	248,665
Other assets	7	**312,332**	404,018
		11,074,608	11,482,749
Current assets			
Amounts receivable	8	**120,783**	78,071
Prepaid expenses and other		**40,613**	19,096
Cash		**230,145**	123,168
		391,541	220,335
		$11,466,149	$11,703,084
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable	9	**$3,784,474**	$3,781,668
Unsecured debentures	10	**822,060**	846,666
Convertible debentures	11	**192,873**	193,503
Lease liabilities	13	**163,364**	164,441
Morguard Residential REIT Units	12	**405,402**	516,462
Deferred income tax liabilities		**681,728**	733,786
		6,049,901	6,236,526
Current liabilities			
Mortgages payable	9	**610,658**	583,611
Unsecured debentures	10	**399,718**	199,778
Loans payable	21	**—**	33,679
Accounts payable and accrued liabilities	14	**268,792**	242,673
Bank indebtedness	15	**49,895**	101,100
		1,329,063	1,160,841
Total liabilities		**7,378,964**	7,397,367
EQUITY			
Shareholders' equity		**3,493,876**	3,548,906
Non-controlling interest		**593,309**	756,811
Total equity		**4,087,185**	4,305,717
		$11,466,149	$11,703,084

Contingencies 25

See accompanying notes to the condensed consolidated financial statements.

On behalf of the Board:

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

K. Rai Sahi,
Director

Bruce K. Robertson,
Director

STATEMENTS OF INCOME (LOSS)

In thousands of Canadian dollars, except per common share amounts

	Note	Three months ended September 30 2020	Three months ended September 30 2019	Nine months ended September 30 2020	Nine months ended September 30 2019
Revenue from real estate properties	17	**$216,706**	$215,253	**$663,449**	$651,186
Revenue from hotel properties	17	**21,780**	65,525	**78,416**	184,351
Property operating expenses					
Property operating costs	8(a), 8(b)	**(53,584)**	(45,763)	**(150,977)**	(137,859)
Utilities		**(14,473)**	(14,019)	**(42,512)**	(43,786)
Realty taxes		**(23,316)**	(23,756)	**(114,061)**	(109,262)
Hotel operating expenses	8(b)	**(16,845)**	(47,181)	**(70,272)**	(139,852)
Net operating income		**130,268**	150,059	**364,043**	404,778
OTHER REVENUE					
Management and advisory fees	17	**9,342**	13,910	**31,620**	37,991
Interest and other income		**3,641**	4,233	**11,199**	15,157
		12,983	18,143	**42,819**	53,148
EXPENSES					
Interest	18	**58,720**	57,477	**179,044**	173,408
Property management and corporate	16(c), 8(b)	**14,005**	24,133	**39,611**	73,195
Amortization of hotel properties	5	**6,610**	6,798	**20,615**	20,358
Amortization of capital assets and other		**1,964**	2,044	**5,949**	6,123
Provision for impairment	5	**7,588**	19,059	**31,479**	19,059
		88,887	109,511	**276,698**	292,143
OTHER INCOME (EXPENSE)					
Fair value gain (loss), net	19	**(102,386)**	(30,157)	**(313,710)**	113
Equity loss from investments	6	**(2,634)**	(28,448)	**(8,312)**	(31,660)
Other income	20	**2,253**	1,210	**1,118**	249
		(102,767)	(57,395)	**(320,904)**	(31,298)
Income (loss) before income taxes		**(48,403)**	1,296	**(190,740)**	134,485
Provision for (recovery of) income taxes	22				
Current		**354**	2,946	**10,076**	7,689
Deferred		**(11,155)**	641	**(49,306)**	20,786
		(10,801)	3,587	**(39,230)**	28,475
Net income (loss) for the period		**($37,602)**	($2,291)	**($151,510)**	$106,010
Net income (loss) attributable to:					
Common shareholders		**($4,606)**	($1,180)	**($36,590)**	$102,028
Non-controlling interest		**(32,996)**	(1,111)	**(114,920)**	3,982
		($37,602)	($2,291)	**($151,510)**	$106,010
Net income (loss) per common share attributable to:					
Common shareholders - basic and diluted	23	**($0.42)**	($0.10)	**($3.26)**	$9.04

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

In thousands of Canadian dollars

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Net income (loss) for the period	**($37,602)**	($2,291)	**($151,510)**	$106,010
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to net income (loss):				
Unrealized foreign currency translation gain (loss)	**(36,797)**	17,364	**47,898**	(42,628)
Deferred income tax recovery (provision)	**93**	(51)	**(121)**	141
	(36,704)	17,313	**47,777**	(42,487)
Items that will not be reclassified subsequently to net income (loss):				
Actuarial gain (loss) on defined benefit pension plans	**(6,485)**	9,480	**(41,517)**	14,801
Deferred income tax recovery (provision)	**1,706**	(2,181)	**10,933**	(3,814)
	(4,779)	7,299	**(30,584)**	10,987
Other comprehensive income (loss)	**(41,483)**	24,612	**17,193**	(31,500)
Total comprehensive income (loss) for the period	**($79,085)**	$22,321	**($134,317)**	$74,510
Total comprehensive income (loss) attributable to:				
Common shareholders	**($44,220)**	$22,417	**($21,770)**	$73,160
Non-controlling interest	**(34,865)**	(96)	**(112,547)**	1,350
	($79,085)	$22,321	**($134,317)**	$74,510

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Canadian dollars

	Note	Retained Earnings	Accumulated Other Comprehensive Income	Share Capital	Total Shareholders' Equity	Non-controlling Interest	Total
Shareholders' equity, January 1, 2019		$3,055,576	$273,354	$102,436	$3,431,366	$797,432	$4,228,798
Changes during the period:							
Net income		102,028	—	—	102,028	3,982	106,010
Other comprehensive loss		—	(28,868)	—	(28,868)	(2,632)	(31,500)
Dividends		(5,080)	—	—	(5,080)	—	(5,080)
Distributions		—	—	—	—	(20,660)	(20,660)
Issuance of common shares		—	—	70	70	—	70
Repurchase of common shares		(1,993)	—	(100)	(2,093)	—	(2,093)
Contribution from non-controlling interest		—	—	—	—	15,930	15,930
Increase in subsidiary ownership interest		—	—	—	—	(15,497)	(15,497)
Change in ownership of Temple Hotels Inc.		(2,498)	—	—	(2,498)	2,485	(13)
Change in ownership of Morguard REIT		3,544	—	—	3,544	(7,552)	(4,008)
Tax impact of increase in subsidiary ownership interest		1,771	—	—	1,771	—	1,771
Shareholders' equity, September 30, 2019		$3,153,348	$244,486	$102,406	$3,500,240	$773,488	$4,273,728
Changes during the period:							
Net income (loss)		84,911	—	—	84,911	(2,125)	82,786
Other comprehensive loss		—	(36,582)	—	(36,582)	(1,665)	(38,247)
Dividends		(1,690)	—	—	(1,690)	—	(1,690)
Distributions		—	—	—	—	(7,369)	(7,369)
Issuance of common shares		—	—	20	20	—	20
Change in ownership of Temple Hotels Inc.		—	—	—	—	(36)	(36)
Change in ownership of Morguard REIT		2,874	—	—	2,874	(5,482)	(2,608)
Tax impact of increase in subsidiary ownership interest		(867)	—	—	(867)	—	(867)
Shareholders' equity, December 31, 2019		$3,238,576	$207,904	$102,426	$3,548,906	$756,811	$4,305,717
Changes during the period:							
Net loss		**(36,590)**	**—**	**—**	**(36,590)**	**(114,920)**	**(151,510)**
Other comprehensive income		**—**	**14,820**	**—**	**14,820**	**2,373**	**17,193**
Dividends	16(a)	**(5,050)**	**—**	**—**	**(5,050)**	**—**	**(5,050)**
Distributions		**—**	**—**	**—**	**—**	**(14,526)**	**(14,526)**
Issuance of common shares	16(a)	**—**	**—**	**73**	**73**	**—**	**73**
Repurchase of common shares	16(a)	**(16,795)**	**—**	**(1,191)**	**(17,986)**	**—**	**(17,986)**
Change in ownership of Temple Hotels Inc.	16(b)	**(23,235)**	**—**	**—**	**(23,235)**	**(20,914)**	**(44,149)**
Change in ownership of Morguard REIT	16(b)	**15,515**	**—**	**—**	**15,515**	**(15,515)**	**—**
Tax impact of increase in subsidiary ownership interest		**(2,577)**	**—**	**—**	**(2,577)**	**—**	**(2,577)**
Shareholders' equity, September 30, 2020		**$3,169,844**	**$222,724**	**$101,308**	**$3,493,876**	**$593,309**	**$4,087,185**

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

		Three months ended September 30		Nine months ended September 30	
	Note	**2020**	2019	**2020**	2019
OPERATING ACTIVITIES					
Net income (loss) for the period		**($37,602)**	($2,291)	**($151,510)**	$106,010
Add items not affecting cash	24(a)	**93,256**	75,110	**328,937**	99,174
Distributions from equity-accounted investments	6	**1,021**	860	**12,874**	2,565
Additions to tenant incentives and leasing commissions	4	**(1,509)**	(1,996)	**(4,561)**	(4,507)
Net change in operating assets and liabilities	24(b)	**(1,107)**	4,761	**(51,040)**	(16,707)
Cash provided by operating activities		**54,059**	76,444	**134,700**	186,535
INVESTING ACTIVITIES					
Additions to real estate properties and tenant improvements	4	**(12,420)**	(71,277)	**(36,930)**	(99,055)
Additions to hotel properties	5	**(933)**	(2,507)	**(3,773)**	(14,229)
Additions to capital and intangible assets		**(375)**	(1,134)	**(1,997)**	(1,722)
Proceeds from the sale of real estate properties, net	4	**6,800**	15,914	**34,879**	54,630
Proceeds from the sale of hotel properties, net	5	**2,973**	—	**2,973**	1,849
Investment in properties under development	4	**(6,041)**	(15,901)	**(24,799)**	(32,360)
Investment in equity-accounted and other fund investments, net		**(1,984)**	(5,528)	**(13,218)**	(14,342)
Investment in marketable securities		**—**	(87,667)	**—**	(87,667)
Cash used in investing activities		**(11,980)**	(168,100)	**(42,865)**	(192,896)
FINANCING ACTIVITIES					
Proceeds from new mortgages		**120,368**	158,239	**283,737**	169,492
Financing costs on new mortgages		**(647)**	(793)	**(2,155)**	(1,099)
Repayment of mortgages					
Repayments on maturity		**(48,977)**	(129,639)	**(78,395)**	(145,892)
Repayments due to mortgage extinguishments		**—**	(25,795)	**(111,774)**	(46,626)
Principal instalment repayments		**(26,960)**	(27,829)	**(82,794)**	(82,542)
Principal payment of lease liabilities		**(306)**	(537)	**(1,284)**	(1,555)
Proceeds from bank indebtedness		**12,959**	83,737	**298,854**	290,385
Repayment of bank indebtedness		**(135,103)**	(94,969)	**(350,059)**	(379,883)
Proceeds from issuance of Morguard Residential REIT Units, net of cost	12	**—**	74,528	**—**	74,528
Proceeds from issuance of unsecured debentures, net of costs	10	**174,303**	—	**174,303**	223,575
Redemption of convertible debentures		**—**	—	**—**	(39,636)
Proceeds from (repayment of) loans payable, net		**(22,001)**	7,000	**(35,234)**	(11,732)
Dividends paid		**(1,650)**	(1,670)	**(4,977)**	(5,010)
Distributions to non-controlling interest		**(3,177)**	(6,338)	**(13,071)**	(17,910)
Contribution from non-controlling interest	16(b)	**—**	—	**—**	15,930
Common shares repurchased for cancellation	16(a)	**(9,328)**	—	**(17,986)**	(2,093)
Investment in Temple Hotels Inc.	3, 16(b)	**—**	(13)	**(44,149)**	(13)
Investment in Morguard REIT	16(b)	**—**	—	**—**	(4,008)
Increase in subsidiary ownership interest		**—**	—	**—**	(8,014)
Decrease (increase) in restricted cash		**1,640**	(3,630)	**1,263**	(1,015)
Cash provided by financing activities		**61,121**	32,291	**16,279**	26,882
Net increase (decrease) in cash during the period		**103,200**	(59,365)	**108,114**	20,521
Net effect of foreign currency translation on cash balance		**(9,504)**	495	**(1,137)**	314
Cash, beginning of period		**136,449**	190,106	**123,168**	110,401
Cash, end of period		**$230,145**	$131,236	**$230,145**	$131,236

See accompanying notes to the condensed consolidated financial statements.

NOTES

For the three and nine months ended September 30, 2020 and 2019

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

NOTE 1

NATURE AND DESCRIPTION OF COMPANY

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

NOTE 2

STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

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

The condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on November 5, 2020.

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

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

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

	2020	2019
Canadian dollar to United States dollar exchange rates:		
- As at September 30	**$0.7497**	$0.7551
- As at December 31	—	0.7699
- Average for the three months ended September 30	**0.7507**	0.7573
- Average for the nine months ended September 30	**0.7385**	0.7523
United States dollar to Canadian dollar exchange rates:		
- As at September 30	**1.3339**	1.3243
- As at December 31	—	1.2988
- Average for the three months ended September 30	**1.3321**	1.3204
- Average for the nine months ended September 30	**1.3541**	1.3292

NOTE 3

SUBSIDIARIES WITH NON-CONTROLLING INTEREST

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

As at September 30, 2020, and December 31, 2019, the Company owned a 44.8% effective interest in Morguard Residential REIT through its ownership of 7,944,166 Units and 17,223,090 Class B LP Units. The Company continues to consolidate its investment in Morguard Residential REIT on the basis of *de facto* control in accordance with IFRS 10, *Consolidated Financial Statements* ("IFRS 10"). Refer to the Company's most recent annual audited consolidated financial statements for the factors that continue to support the conclusion that the Company has *de facto* control of Morguard Residential REIT.

During the three months ended September 30, 2020, Morguard Residential REIT recorded distributions of $6,822, or $0.1749 per Unit (2019 - $6,322, or $0.1698 per Unit), of which $1,388 was paid to the Company (2019 - $1,278) and $5,434 was paid to the remaining Unitholders (2019 - $5,044). In addition, during the three months ended September 30, 2020, Morguard Residential REIT paid distributions to the Company on the Class B LP Units of $3,012 (2019 - $2,924).

During the nine months ended September 30, 2020, Morguard Residential REIT recorded distributions of $20,461, or $0.5247 per Unit (2019 - $17,777, or $0.5094 per Unit), of which $4,168 was paid to the Company (2019 - $3,544) and $16,293 was paid to the remaining Unitholders (2019 - $14,233). In addition, during the nine months ended September 30, 2020, Morguard Residential REIT paid distributions to the Company on the Class B LP Units of $9,037 (2019 - $8,773).

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

As at September 30, 2020, the Company owned 37,804,595 Units (December 31, 2019 - 35,520,482 Units) of Morguard REIT, which represents a 59.9% (December 31, 2019 - 58.5%) ownership interest.

During the three months ended September 30, 2020, Morguard REIT recorded distributions of $7,492 or $0.12 per Unit (2019 - $14,571, or $0.24 per Unit), of which $4,500 was received through MRT's distribution reinvestment program ("MRT DRIP") by the Company (2019 - $8,471) and $2,992 was paid to the remaining Unitholders (2019 - $6,100).

During the nine months ended September 30, 2020, Morguard REIT recorded distributions of $31,953 or $0.52 per Unit (2019 - $43,707, or $0.72 per Unit), of which $18,853 was paid to or received through MRT DRIP by the Company (2019 - $25,277) and $13,100 was paid to the remaining Unitholders (2019 - $18,430).

Temple Hotels Inc. ("Temple")

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

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

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

As at	September 30, 2020		December 31, 2019		
	MRT	**MRG**	MRT	MRG	Temple
Non-current assets	**$2,598,083**	**$3,116,710**	$2,914,709	$2,979,179	$443,789
Current assets	**47,540**	**60,505**	21,127	54,248	20,681
Total assets	**$2,645,623**	**$3,177,215**	$2,935,836	$3,033,427	$464,470
Non-current liabilities	**$1,088,335**	**$1,617,722**	$1,093,403	$1,729,489	$128,844
Current liabilities	**338,580**	**164,884**	318,289	78,145	255,036
Total liabilities	**$1,426,915**	**$1,782,606**	$1,411,692	$1,807,634	$383,880
Equity	**$1,218,708**	**$1,394,609**	$1,524,144	$1,225,793	$80,590
Non-controlling interest	**$490,241**	**$770,382**	$634,841	$676,895	$22,056

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

For the three months ended September 30	2020		2019		
	MRT	**MRG**	MRT	MRG	Temple
Revenue	**$60,596**	**$62,159**	$66,363	$61,135	$41,403
Expenses	**(46,017)**	**(51,378)**	(43,680)	(47,755)	(59,806)
Fair value gain (loss) on real estate properties, net	**(101,415)**	**41,141**	(14,928)	9,842	—
Fair value gain (loss) on Class B LP Units	**—**	**1,550**	—	(24,629)	—
Net income (loss) for the period	**($86,836)**	**$53,472**	$7,755	($1,407)	($18,403)
Non-controlling interest	**($34,754)**	**$29,538**	$3,244	$186	($5,054)

For the three months ended September 30	2020		2019		
	MRT	**MRG**	MRT	MRG	Temple
Cash provided by operating activities	**$15,481**	**$11,681**	$23,689	$11,141	$3,605
Cash provided by (used in) investing activities	**917**	**(6,762)**	2,624	(10,397)	(1,413)
Cash provided by (used in) financing activities	**(13,817)**	**(1,550)**	(30,526)	(4,824)	7,976
Net increase (decrease) in cash during the period	**$2,581**	**$3,369**	($4,213)	($4,080)	$10,168

For the nine months ended September 30	2020		2019		
	MRT	**MRG**	MRT	MRG	Temple
Revenue	**$186,269**	**$187,658**	$203,825	$184,353	$116,532
Expenses	**(137,733)**	**(160,710)**	(135,484)	(162,047)	(143,117)
Fair value gain (loss) on real estate properties, net	**(333,962)**	**74,228**	(45,210)	68,427	—
Fair value gain (loss) on Class B LP Units	**—**	**68,720**	—	(46,502)	—
Net income (loss) for the period	**($285,426)**	**$169,896**	$23,131	$44,231	($26,585)
Non-controlling interest	**($116,270)**	**$93,851**	$9,859	$24,422	($8,225)

For the nine months ended September 30	2020		2019		
	MRT	**MRG**	MRT	MRG	Temple
Cash provided by operating activities	**$29,705**	**$40,952**	$57,460	$37,385	$4,261
Cash provided by (used in) investing activities	**(18,317)**	**(20,613)**	(14,488)	15,099	(1,932)
Cash provided by (used in) financing activities	**(8,333)**	**(3,193)**	(43,150)	(48,903)	8,058
Net increase (decrease) in cash during the period	**$3,055**	**$17,146**	($178)	$3,581	$10,387

NOTE 4
REAL ESTATE PROPERTIES

Real estate properties consist of the following:

As at	September 30, 2020	December 31, 2019
Income producing properties	**$9,810,886**	$10,074,175
Properties under development	**50,917**	43,650
Land held for development	**87,583**	83,458
	$9,949,386	$10,201,283

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

	Income Producing Properties	Properties Under Development	Land Held for Development	Total
Balance as at December 31, 2019	**$10,074,175**	**$43,650**	**$83,458**	**$10,201,283**
Additions:				
Acquisitions	**2,848**	**—**	**—**	**2,848**
Capital expenditures	**26,686**	**—**	**—**	**26,686**
Development expenditures	**—**	**24,629**	**170**	**24,799**
Tenant improvements, incentives and leasing commissions	**11,957**	**—**	**—**	**11,957**
Transfers	**11,900**	**(17,900)**	**6,000**	**—**
Dispositions	**(40,185)**	**—**	**(5,192)**	**(45,377)**
Fair value gain (loss), net	**(361,856)**	**—**	**2,695**	**(359,161)**
Foreign currency translation	**82,653**	**538**	**452**	**83,643**
Other	**2,708**	**—**	**—**	**2,708**
Balance as at September 30, 2020	**$9,810,886**	**$50,917**	**$87,583**	**$9,949,386**

Transactions completed during the nine months ended September 30, 2020

Acquisitions

On September 11, 2020, the Company acquired an additional 12.8% interest in an office property, comprising 233,000 square feet located in Toronto, Ontario, for a net purchase price of $2,848, including closing costs.

Dispositions

On March 25, 2020, the Company sold its 50% interest in an industrial property, comprising 284,000 square feet located in Puslinch, Ontario, for gross proceeds of $38,577, including closing costs, and the purchaser assumed the mortgage secured by the property in the amount of $10,498. In addition, the Company’s equity-accounted investment, MIL Industrial Fund II LP, sold its interest in the property (Note 6(a)).

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

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

	Income Producing Properties	Properties Under Development	Land Held for Development	Total
Balance as at December 31, 2018	$9,511,302	$56,717	$77,577	$9,645,596
Additions:				
Acquisitions	320,061	—	—	320,061
Capital expenditures	60,555	—	—	60,555
Development expenditures	—	49,891	154	50,045
Tenant improvements, incentives and leasing commissions	18,207	—	—	18,207
Transfers	61,948	(61,948)	—	—
Transfer from equity-accounted investment (Note 6(a))	172,597	—	—	172,597
Dispositions	(89,342)	—	(494)	(89,836)
Adoption of IFRS 16	153,610	—	—	153,610
Fair value gain (loss), net	19,643	(61)	7,067	26,649
Foreign currency translation	(144,267)	(949)	(846)	(146,062)
Other	(10,139)	—	—	(10,139)
Balance as at December 31, 2019	$10,074,175	$43,650	$83,458	$10,201,283

Transactions completed during the year ended December 31, 2019

Acquisitions

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

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

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

(2) The total purchase price of the office acquisition is $96,138, including closing costs, of which $9,444 has been allocated to capital assets (Note 7) relating to owner occupied space, based on square feet.

Dispositions

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

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

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

Capitalization Rates

As at September 30, 2020, and December 31, 2019, the Company had its portfolio internally appraised. In addition, the Company's U.S. portfolio is appraised by independent U.S. real estate appraisal firms on a three-year cycle.

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

During March 2020, the outbreak of COVID-19 resulted in governments enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, closure of non-essential businesses, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. As at September 30, 2020, the duration and impact of the COVID-19 pandemic is unknown. The impact of COVID-19 on estimating fair values for the Company's properties at September 30, 2020, required judgment based on evolving facts and available information, particularly for the retail properties, which have experienced significantly lower collections and higher tenant failure rates. During the nine months ended September 30, 2020, the Company recorded a fair value loss relating to its retail properties of $367,975, predominantly due to an increase in capitalization rates at most of the Company's enclosed malls as well as assumptions on the collectability of rental revenue. In addition, it is not possible to estimate the long-term impacts COVID-19 will have on the Company's valuation of income producing properties as the length and severity of these developments are subject to significant uncertainty.

As at September 30, 2020, using the direct capitalization approach, the multi-suite residential, retail, office and industrial properties were valued using capitalization rates in the range of 3.5% to 9.0% (December 31, 2019 - 3.5% to 8.5%), resulting in an overall weighted average capitalization rate of 5.5% (December 31, 2019 - 5.5%).

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

	September 30, 2020					December 31, 2019				
As at	**Occupancy Rates**		**Capitalization Rates**			Occupancy Rates		Capitalization Rates		
	Max.	**Min.**	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Max.	Min.	Weighted Average
Multi-suite residential	**98.0%**	**92.0%**	**6.8%**	**3.5%**	**4.5%**	98.0%	92.0%	6.8%	3.5%	4.5%
Retail	**99.0%**	**85.0%**	**9.0%**	**5.3%**	**7.0%**	100.0%	85.0%	8.5%	5.3%	6.5%
Office	**100.0%**	**90.0%**	**8.5%**	**4.3%**	**6.1%**	100.0%	90.0%	8.5%	4.3%	6.1%
Industrial	**100.0%**	**95.0%**	**6.8%**	**5.0%**	**5.4%**	100.0%	95.0%	6.8%	5.0%	5.2%

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

As at	**September 30, 2020**			December 31, 2019		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
Retail						
Discount rate	**10.0%**	**6.0%**	**7.3%**	9.3%	6.0%	7.0%
Terminal cap rate	**9.0%**	**5.3%**	**6.2%**	8.5%	5.3%	5.9%
Office						
Discount rate	**8.0%**	**5.3%**	**6.4%**	8.0%	5.3%	6.5%
Terminal cap rate	**7.3%**	**4.3%**	**5.7%**	7.3%	4.3%	5.7%
Industrial						
Discount rate	**6.5%**	**6.0%**	**6.1%**	6.5%	6.0%	6.1%
Terminal cap rate	**6.0%**	**5.0%**	**5.4%**	6.0%	5.0%	5.4%

Fair values are most sensitive to changes in discount rates, capitalization rates and stabilized or forecast net operating income. Generally, an increase in stabilized net operating income will result in an increase in the fair value of the income producing properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in stabilized net operating income, with a lower capitalization rate resulting in a greater impact on the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rates were to increase or decrease by 25 basis points (assuming no change in stabilized net operating income), the value of the income producing properties as at September 30, 2020, would decrease by $429,498 and increase by $473,430, respectively.

The sensitivity of the fair values of the Company's income producing properties as at September 30, 2020, and December 31, 2019, is set out in the table below:

As at	**September 30, 2020**		December 31, 2019	
Change in capitalization rate:	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Multi-suite residential	**($257,403)**	**$287,152**	($246,954)	$275,369
Retail	**(74,039)**	**79,575**	(89,687)	96,807
Office	**(92,721)**	**100,847**	(89,194)	96,766
Industrial	**(5,335)**	**5,856**	(6,944)	7,649
	($429,498)	**$473,430**	($432,779)	$476,591

NOTE 5
HOTEL PROPERTIES

Hotel properties consist of the following:

As at September 30, 2020	**Cost**	**Accumulated Impairment Provision**	**Accumulated Amortization**	**Net Book Value**
Land	**$95,661**	**($2,407)**	**$—**	**$93,254**
Buildings	**587,261**	**(92,912)**	**(56,405)**	**437,944**
Furniture, fixtures, equipment and other	**109,981**	**(13,341)**	**(56,943)**	**39,697**
Right-of-use asset - land lease	**1,596**	**—**	**(101)**	**1,495**
	$794,499	**($108,660)**	**($113,449)**	**$572,390**

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

Transactions in hotel properties for the nine months ended September 30, 2020, are summarized as follows:

As at September 30, 2020	**Opening Net Book Value**	**Additions**	**Impairment Provision**	**Dispositions**	**Amortization**	**Closing Net Book Value**
Land	**$94,704**	**$—**	**$—**	**($1,450)**	**$—**	**$93,254**
Buildings	**476,360**	**1,603**	**(25,388)**	**(5,096)**	**(9,535)**	**437,944**
Furniture, fixtures, equipment and other	**56,181**	**2,170**	**(6,091)**	**(1,526)**	**(11,037)**	**39,697**
Right-of-use asset - land lease	**1,538**	**—**	**—**	**—**	**(43)**	**1,495**
	$628,783	**$3,773**	**($31,479)**	**($8,072)**	**($20,615)**	**$572,390**

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

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

Transactions completed during the nine months ended September 30, 2020

Dispositions

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

Impairment Provision

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

During the nine months ended September 30, 2020, impairment indicators were identified including interruptions to business operations at certain hotel properties resulting from emergency measures enacted to combat COVID-19. Since the outbreak of COVID-19 in March 2020, 21 of the Company's hotel properties were subject to temporary closure of which three remain closed. A recoverability analysis was completed in accordance with the procedures specified by IFRS, which indicated that an impairment provision for the three and nine months ended September 30, 2020, of $7,588 and $31,479, respectively, should be recorded. The tables below provide details of first year net operating income (loss) and the discount rates used for valuing the hotel properties.

	Northwest Territories	Alberta	Saskatchewan	Ontario	Nova Scotia
Recoverable amount	$8,800	$56,200	$51,500	$38,850	$44,800
Impairment provision	$1,550	$13,667	$8,407	$4,024	$3,831
Cumulative impairment provision	$1,550	$46,234	$35,937	$4,024	$3,831
Projected first year net operating loss	($248)	($2,951)	($2,097)	($1,172)	($1,471)
Discount rate (range)	9.3%	9.3% - 11.8%	9.8% - 10.8%	7.3% - 8.8%	9.3%

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

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

NOTE 6
EQUITY-ACCOUNTED AND OTHER FUND INVESTMENTS
(a) Equity-accounted and Other Real Estate Fund Investments consist of the following:

As at	September 30, 2020	December 31, 2019
Joint ventures	**$50,428**	$53,118
Associates	**79,392**	85,835
Equity-accounted investments	**129,820**	138,953
Other real estate fund investments	**110,680**	109,712
Equity-accounted and other fund investments	**$240,500**	$248,665

The following are the Company's significant equity-accounted investments as at September 30, 2020, and December 31, 2019:

				Company's Ownership		Carrying Value	
Property/Investment	Principal Place of Business	Investment Type	Asset Type	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Petroleum Plaza	Edmonton, AB	Joint Venture	Office	**50.0%**	50.0%	**$21,898**	$23,705
Quinte Courthouse	Belleville, ON	Joint Venture	Office	**50.0%**	50.0%	**2,931**	2,994
Greypoint Capital L.P.[(1)]	Toronto, ON	Joint Venture	Other	**22.5%**	22.6%	**11,905**	12,028
Courtyard by Marriott	Ottawa, ON	Joint Venture	Hotel	**50.0%**	50.0%	**8,902**	9,595
Marriott Residence Inn	London, ON	Joint Venture	Hotel	**50.0%**	50.0%	**4,792**	4,796
Sunset & Gordon	Los Angeles, CA	Associate	Residential	**59.1%**	59.1%	**65,166**	63,803
MIL Industrial Fund II LP[(2)(3)]	Various	Associate	Industrial	**18.8%**	18.8%	**14,226**	22,032
						$129,820	$138,953

(1) Comprises an investment in Greypoint Capital L.P. of 36.4% and Greypoint Capital L.P. II of 17.1%.
(2) The Company accounts for its investment using the equity method since the Company has the ability to exercise significant influence as a result of its role as general partner; however, it does not control the fund.
(3) The fund disposed of its 50% interest in one industrial property on March 25, 2020, for net proceeds of $28,079 (Note 4).

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

As at	September 30, 2020	December 31, 2019
Balance, beginning of period	**$138,953**	$177,480
Additions	**10,416**	64,914
Transfer[(1)]	**—**	(63,504)
Share of net loss	**(8,312)**	(28,825)
Distributions received	**(12,874)**	(6,778)
Foreign exchange gain (loss)	**1,637**	(4,334)
Balance, end of period	**$129,820**	$138,953

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

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

As at	September 30, 2020			December 31, 2019		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Non-current assets	**$187,815**	**$333,353**	**$521,168**	$193,504	$354,148	$547,652
Current assets	**59,049**	**11,874**	**70,923**	63,988	12,237	76,225
Total assets	**$246,864**	**$345,227**	**$592,091**	$257,492	$366,385	$623,877
Non-current liabilities	**$62,862**	**$43,047**	**$105,909**	$64,007	$32,584	$96,591
Current liabilities	**53,740**	**117,497**	**171,237**	56,967	108,861	165,828
Total liabilities	**$116,602**	**$160,544**	**$277,146**	$120,974	$141,445	$262,419
Net assets	**$130,262**	**$184,683**	**$314,945**	$136,518	$224,940	$361,458
Equity-accounted investments	**$50,428**	**$79,392**	**$129,820**	$53,118	$85,835	$138,953

For the three months ended September 30	2020			2019		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Revenue	**$7,006**	**$2,217**	**$9,223**	$9,185	$9,951	$19,136
Expenses	**(4,327)**	**(1,214)**	**(5,541)**	(6,089)	(7,750)	(13,839)
Fair value loss on real estate properties, net	**(2,156)**	**(4,914)**	**(7,070)**	(1,094)	(75,817)	(76,911)
Net income (loss) for the period	**$523**	**($3,911)**	**($3,388)**	$2,002	($73,616)	($71,614)
Income (loss) in equity-accounted investments	**($68)**	**($2,566)**	**($2,634)**	$782	($29,230)	($28,448)

For the nine months ended September 30	2020			2019		
	Joint Venture	Associate	Total	Joint Venture	Associate	Total
Revenue	**$21,943**	**$7,102**	**$29,045**	$26,079	$29,371	$55,450
Expenses	**(14,165)**	**(3,639)**	**(17,804)**	(17,730)	(26,188)	(43,918)
Fair value loss on real estate properties, net	**(6,058)**	**(10,709)**	**(16,767)**	(14,200)	(76,134)	(90,334)
Net income (loss) for the period	**$1,720**	**($7,246)**	**($5,526)**	($5,851)	($72,951)	($78,802)
Income (loss) in equity-accounted investments	**($157)**	**($8,155)**	**($8,312)**	($3,272)	($28,388)	($31,660)

(b) Income Recognized from Other Fund Investments:

Other Real Estate Fund Investments

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Distribution income	**$135**	$713	**$237**	$2,181
Fair value gain (loss) for the period (Note 19)	**(4,690)**	(215)	**(4,698)**	4,115
Income (loss) from other real estate fund investments	**($4,555)**	$498	**($4,461)**	$6,296

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

NOTE 7
OTHER ASSETS

Other assets consist of the following:

As at	September 30, 2020	December 31, 2019
Accrued pension benefit asset	**$41,677**	$83,554
Goodwill	**24,488**	24,488
Capital assets, net	**19,872**	20,435
Right-of-use asset - office lease	**2,108**	2,603
Intangible assets, net	**33,679**	36,501
Inventory	**2,826**	3,016
Inventory - development properties	**451**	451
Finance lease receivable	**57,036**	56,574
Investment in marketable securities	**98,505**	142,911
Restricted cash	**28,933**	30,449
Other	**2,757**	3,036
	$312,332	$404,018

NOTE 8
AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

As at	September 30, 2020	December 31, 2019
Tenant receivables	**$51,271**	$17,487
Unbilled other tenant receivables	**9,423**	12,639
Receivables from related parties (Note 21(c))	**5,475**	5,504
Income taxes receivable	**4,218**	8,120
Other receivables	**43,031**	37,040
Allowance for expected credit loss (“ECL”)	**(12,515)**	(2,719)
	$100,903	$78,071
Canada Emergency Commercial Rent Assistance (“CECRA”)	**4,389**	—
Canada Emergency Wage Subsidy (“CEWS”)	**15,491**	—
	$120,783	$78,071

Allowance for expected credit loss

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.

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the same periods that the related costs, for which it is intended to compensate, are expensed. The Company has chosen to present grants received as a deduction of the related expense.

(a) Canada Emergency Commercial Rent Assistance

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

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

The Company applied judgement that best reflects the economic substance of the assistance to determine that a lease modification relating to the CECRA program does not represent a substantial lease modification and has been remeasured by the application of IFRS 9. As such, the change in future cash flows is a remeasurement event resulting in a gain or loss within profit or loss.

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Total CECRA applications	**$8,544**	$—	**$15,150**	$—
Government of Canada loan forgiveness	**(5,696)**	—	**(10,100)**	—
Landlord portion, net bad debt expense	**$2,848**	$—	**$5,050**	$—

(b) Canada Emergency Wage Subsidy

On April 11, 2020, the Canada Emergency Wage Subsidy was enacted, which provides a subsidy for each employee employed between March 15 to June 6, 2020. Subsequently, the Government of Canada extended CEWS to December 19, 2020 and announced its intention to further extend the program until June 2021. The subsidy for the claim periods ending on July 4, 2020 is equal to 75% of an employee's weekly remuneration, up to a maximum of $847 (in actual dollars) per week per employee and the subsidy rate varies, depending on the decline in revenue for subsequent claim periods. A company, or a group of companies under common control, will become eligible for the program if they've experienced a reduction in revenue during the qualification period.

The Company and associated related party group under common control with the Company, including Morguard's parent company, Paros Enterprises Limited, have satisfied certain eligibility criteria, including (among others) a significant decline in revenue due to the temporary closures of non-essential services. The Company will continue to assess its eligibility to December 19, 2020.

For the three months ended September 30, 2020, the Company recorded $7,526 as a deduction of the related expense, of which $713, $5,148 and $1,665 is a deduction of property operating costs, hotel operating expenses and property management and corporate expenses, respectively.

For the nine months ended September 30, 2020, the Company recorded $20,946 as a deduction of the related expense, of which $4,837, $9,603 and $6,506 is a deduction of property operating costs, hotel operating expenses and property management and corporate expenses, respectively.

NOTE 9

MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at	September 30, 2020	December 31, 2019
Mortgages payable	**$4,407,357**	$4,375,947
Mark-to-market adjustments, net	**8,315**	11,948
Deferred financing costs	**(20,540)**	(22,616)
	$4,395,132	$4,365,279
Current	**$610,658**	$583,611
Non-current	**3,784,474**	3,781,668
	$4,395,132	$4,365,279
Range of interest rates	**2.03 - 7.08%**	2.25 - 8.95%
Weighted average contractual interest rate	**3.67%**	3.80%
Estimated fair value of mortgages payable	**$4,669,917**	$4,406,348

The aggregate principal repayments and balances maturing of the mortgages payable as at September 30, 2020, together with the weighted average contractual interest rate on debt maturing in the next five years and thereafter, are as follows:

	Principal Instalment Repayments	Balances Maturing	Total	Weighted Average Contractual Interest Rate
2020 (remainder of year)	$27,921	$293,352	$321,273	4.92%
2021	110,124	382,300	492,424	4.07%
2022	107,711	399,210	506,921	3.52%
2023	85,074	651,764	736,838	3.57%
2024	72,130	324,242	396,372	3.75%
Thereafter	225,159	1,728,370	1,953,529	3.48%
	$628,119	$3,779,238	$4,407,357	3.67%

The Company's first mortgages are registered against specific real estate assets and hotel properties. As at September 30, 2020, mortgages payable mature between 2020 and 2058 and have a weighted average term to maturity of 4.8 years (December 31, 2019 - 5.1 years) and approximately 97% of the Company's mortgages have fixed interest rates.

As at September 30, 2020, approximately 91% of the Company's real estate and hotel properties, and related rental revenue have been pledged as collateral for the mortgages payable.

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 September 30, 2020, and December 31, 2019, the Company was not in compliance with five debt ratio covenants affecting five mortgage loans, all of which are secured by hotel properties amounting to $143,054 (December 31, 2019 - $80,877). None of the lenders have demanded payment of the mortgage loans. However, IFRS requires that the loan balance of mortgages payable in breach of debt covenants be included in the current portion of mortgages payable. As a result, the current portion of debt includes $91,410 scheduled to retire after September 30, 2021.

NOTE 10
UNSECURED DEBENTURES

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

As at	Maturity Date	Coupon Interest Rate	September 30, 2020	December 31, 2019
Series B senior unsecured debentures	November 18, 2020	4.013%	**$200,000**	$200,000
Series C senior unsecured debentures	September 15, 2022	4.333%	**200,000**	200,000
Series D senior unsecured debentures	May 14, 2021	4.085%	**200,000**	200,000
Series E senior unsecured debentures	January 25, 2024	4.715%	**225,000**	225,000
Series F senior unsecured debentures	November 27, 2024	4.204%	**225,000**	225,000
Series G senior unsecured debentures	September 28, 2023	4.402%	**175,000**	—
Unamortized financing costs			**(3,222)**	(3,556)
			$1,221,778	$1,046,444
Current			**$399,718**	$199,778
Non-current			**822,060**	846,666
			$1,221,778	$1,046,444

On November 18, 2016, the Company issued $200,000 (net proceeds including issuance costs - $199,198) of Series B senior unsecured debentures due on November 18, 2020. Interest on the Series B senior unsecured debentures is payable semi-annually, not in advance, on May 18 and November 18 of each year. The Company has the option to redeem the Series B senior unsecured debentures at a redemption price equal to the greater of the Canada Yield Price or par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada Bond Yield with an equal term to maturity plus a spread of 0.785%.

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

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

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

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

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

For the three and nine months ended September 30, 2020, interest on the Unsecured Debentures of $11,357 (2019 - $8,941) and $33,699 (2019 - $25,804), respectively, is included in interest expense (Note 18).

NOTE 11

CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

As at	Maturity Date	Conversion Price	Coupon Interest Rate	Principal Balance	Principal Owned by the Company	September 30, 2020	December 31, 2019
Morguard REIT	December 31, 2021	$20.40	4.50%	$175,000	$60,000	**$113,653**	$112,105
Morguard Residential REIT(1)	March 31, 2023	20.20	4.50%	$85,500	$5,000	**79,220**	81,398
						$192,873	$193,503

(1) As at September 30, 2020, the liability includes the fair value of the conversion option of $810 (December 31, 2019 - $3,472).

Morguard REIT

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

Morguard Residential REIT

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

For the three and nine months ended September 30, 2020, interest on convertible debentures net of accretion of $2,461 (2019 - $2,455) and $7,332 (2019 - $9,640), respectively, is included in interest expense (Note 18).

NOTE 12

MORGUARD RESIDENTIAL REIT UNITS

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

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

As at September 30, 2020, the Company valued the non-controlling interest in the Morguard Residential REIT Units at $405,402 (December 31, 2019 - $516,462) and classified the Units as a liability on the consolidated balance sheets. Due to the change in the market value of the Units and the distributions paid to external Unitholders, the Company recorded a fair value loss for the three months ended September 30, 2020 of $2,897 (2019 - $36,031) and a fair value gain for the nine months ended September 30, 2020 of $95,234 (2019 - loss of $76,119), in the consolidated statements of income (loss) (Note 19).

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Fair value gain (loss) on Morguard Residential REIT Units	**$2,537**	($30,987)	**$111,527**	($61,886)
Distributions to external Unitholders (Note 3)	**(5,434)**	(5,044)	**(16,293)**	(14,233)
Fair value gain (loss) on Morguard Residential REIT Units	**($2,897)**	($36,031)	**$95,234**	($76,119)

NOTE 13
LEASE LIABILITIES

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

As at	September 30, 2020	December 31, 2019
Balance, beginning of period	**$166,144**	$9,754
Adoption of IFRS 16	**—**	161,614
Interest on lease liabilities (Note 18)	**7,093**	9,679
Payments	**(8,377)**	(11,778)
Additions	**—**	725
Dispositions	**—**	(684)
Extinguishment[1]	**—**	(2,664)
Foreign exchange loss (gain)	**292**	(502)
Balance, end of period	**$165,152**	$166,144
Current (Note 14)	**$1,788**	$1,703
Non-current	**163,364**	164,441
	$165,152	$166,144
Weighted average borrowing rate	**5.72%**	5.72%

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

Future minimum lease payments under lease liabilities are as follows:

As at	September 30, 2020	December 31, 2019
Within 12 months	**$11,152**	$11,127
2 to 5 years	**42,881**	43,335
Over 5 years	**356,672**	364,195
Total minimum lease payments	**$410,705**	$418,657
Less: future interest costs	**(245,553)**	(252,513)
Present value of minimum lease payments	**$165,152**	$166,144

NOTE 14
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	September 30, 2020	December 31, 2019
Accounts payable and accrued liabilities	**$228,191**	$185,904
Tenant deposits	**28,811**	27,850
Stock appreciation rights (“SARs”) liability	**8,947**	24,525
Lease liability (Note 13)	**1,788**	1,703
Other	**1,055**	2,691
	$268,792	$242,673

NOTE 15
BANK INDEBTEDNESS

As at September 30, 2020, the Company has operating lines of credit totalling $516,500 (December 31, 2019 - $374,000), the majority of which can be borrowed in either Canadian or United States dollars and are subject to floating interest rates based on bankers’ acceptance or LIBOR rates. As at September 30, 2020, the maximum amount that can be borrowed on the operating lines of credit is $507,758 (December 31, 2019 - $356,169), which includes deducting issued letters of credit in the amount of $8,742 (December 31, 2019 - $13,790) related to these facilities. The Company’s investments in Morguard REIT and Morguard Residential REIT, marketable securities, amounts receivable, inventory, capital assets and a fixed-charge security on specific properties have been pledged as collateral on these operating lines of credit. As at September 30, 2020, the Company had borrowed $49,895 (December 31, 2019 - $101,100) on its operating lines of credit.

During the three months ended June 30, 2020, the Company amended bank credit agreements under two of its existing credit facilities to provide for an additional availability of $100,000 and to allow for a higher margin calculation.

The bank credit agreements include certain restrictive undertakings by the Company. As at September 30, 2020, other than as described above, the Company is in compliance with all undertakings.

NOTE 16
SHAREHOLDERS' EQUITY
(a) Share Capital Authorized

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

Issued and Fully Paid Common Shares	Number (000s)	Amount
Balance, December 31, 2018	11,294	$102,436
Common shares repurchased through the Company's NCIB	(11)	(100)
Dividend reinvestment plan	—	90
Balance, December 31, 2019	11,283	$102,426
Common shares repurchased through the Company's NCIB	**(131)**	**(1,191)**
Dividend reinvestment plan	**—**	**73**
Balance, September 30, 2020	**11,152**	**$101,308**

The Company had the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 564,117 common shares. The program expired on September 21, 2020. On September 17, 2020, the Company obtained the approval of the TSX under its NCIB to purchase up to 557,812 common shares, being approximately 5% of the issued and outstanding common shares, and the program expires on September 21, 2021. The daily repurchase restriction for the common shares is 1,000. During the nine months ended September 30, 2020, 131,131 common shares were purchased for cash consideration of $17,986 at a weighted average price of $137.16 per common share.

Total dividends declared during the three and nine months ended September 30, 2020 amounted to $1,676, or $0.15 per common share (2019 - $1,695, or $0.15 per common share) and $5,050, or $0.45 per common share (2019 - $5,080, or $0.45 per common share), respectively. On November 5, 2020, the Company declared a common share dividend of $0.15 per common share to be paid in the fourth quarter of 2020.

(b) Contributed Surplus

During the nine months ended September 30, 2020, the Company acquired 20,668,856 common shares of Temple for cash consideration of $44,149. The difference between the cash consideration and the carrying value of the non-controlling interest acquired for the nine months ended September 30, 2020, amounted to $23,235 and the amount has been recorded within retained earnings.

During the nine months ended September 30, 2019, Temple issued 50,044,658 common shares through two rights offering in aggregate amounting to net proceeds of $80,902, of which, the Company acquired 39,807,004 common shares of Temple for cash consideration of $64,972. The non-controlling interest share relating to Temple's rights offerings, net of transaction costs, amounted to $15,930. The difference between the cash consideration and the carrying value of the non-controlling interest share amounted to $2,498 and the amount has been recorded within retained earnings.

During the three and nine months ended September 30, 2019, Temple purchased for cancellation 7,200 common shares for cash consideration of $13 and the amount has been recorded within retained earnings.

During the three months ended September 30, 2020, the Company acquired 902,225 Units of Morguard REIT (2019 – nil Units) under its distribution reinvestment program for non-cash consideration of $4,463 (2019 - $nil) and for the nine months ended September 30, 2020, the Company acquired 2,284,113 of Morguard REIT (2019 – nil Units) for non-cash consideration of $11,657 (2019 - $nil). The difference between the non-cash consideration and the carrying value of the non-controlling interest acquired for the three months ended September 30, 2020 amounted to $5,590 (2019 - $nil) and for the nine months ended September 30, 2020 amounted to $15,515 (2019 - $nil) and the amounts have been recorded within retained earnings.

During the three months ended September 30, 2020, the Company acquired nil Units of Morguard REIT (2019 – nil Units) for cash consideration of $nil (2019 - $nil) and for the nine months ended September 30, 2020, the Company acquired nil Units of Morguard REIT (2019 – 338,048 Units) for cash consideration of $nil (2019 - $4,008). The difference between the cash consideration and the carrying value of the non-controlling interest acquired for the three months ended September 30, 2020 amounted to $nil (2019 - $nil) and for the nine months ended September 30, 2020 amounted to $nil (2019 - $3,544) 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 September 30, 2020

Date of Grant	Exercise Price	Issued	Redeemed	Cancelled	Outstanding
March 20, 2008	$30.74	200,000	(66,000)	(61,500)	72,500
November 2, 2010	$43.39	55,000	(7,000)	(8,000)	40,000
May 13, 2014	$137.90	25,000	(2,000)	(8,000)	15,000
May 13, 2015	$153.82	10,000	—	—	10,000
January 11, 2017	$179.95	90,000	(1,500)	(3,500)	85,000
May 18, 2018	$163.59	125,000	—	—	125,000
August 8, 2018	$168.00	20,000	—	—	20,000
November 8, 2018	$184.00	10,000	—	—	10,000
Total		**535,000**	**(76,500)**	**(81,000)**	**377,500**

During the three and nine months ended September 30, 2020, the Company recorded a fair value adjustment to reduce compensation expense of $3,073 (2019 - increase in compensation expense of $3,866) and $13,993 (2019 - increase compensation expense of $6,566), respectively. The expense is included in property management and corporate expenses in the consolidated statements of income (loss), and the liability is classified as accounts payable and accrued liabilities (Note 14).

The fair value for the SARs was calculated using the Black-Scholes option pricing model. In determining the fair value of the SARs, management is required to make assumptions that could have a material impact on the valuation. The following are the assumptions that were used in determining the fair value as at September 30, 2020: a dividend yield of 0.57% (2019 - 0.29%), expected volatility of approximately 28.99% (2019 - 21.70%) and the 10-year Bank of Canada Bond Yield of 0.57% (2019 - 1.39%).

(d) Accumulated Other Comprehensive Income

As at September 30, 2020, and December 31, 2019, accumulated other comprehensive income consists of the following amounts:

As at	September 30, 2020	December 31, 2019
Actuarial gain on defined benefit pension plans	**$18,826**	$49,410
Unrealized foreign currency translation gain	**203,898**	158,494
	$222,724	$207,904

NOTE 17

REVENUE

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Rental income	**$121,577**	$120,268	**$375,060**	$361,834
Realty taxes and insurance	**35,190**	34,775	**106,719**	103,027
Common area maintenance recoveries	**21,506**	24,474	**68,858**	77,005
Property management and ancillary income	**38,433**	35,736	**112,812**	109,320
	$216,706	$215,253	**$663,449**	$651,186

The components of revenue from hotel properties are as follows:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Room revenue	**$17,777**	$52,526	**$59,494**	$141,656
Other hotel revenue	**4,003**	12,999	**18,922**	42,695
	$21,780	$65,525	**$78,416**	$184,351

The components of management and advisory fees are as follows:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Property and asset management fees	**$8,039**	$9,704	**$25,737**	$29,176
Other fees	**1,303**	4,206	**5,883**	8,815
	$9,342	$13,910	**$31,620**	$37,991

NOTE 18
INTEREST EXPENSE

The components of interest expense are as follows:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Interest on mortgages	**$40,613**	$40,703	**$122,599**	$123,206
Interest on Unsecured Debentures (Note 10)	**11,357**	8,941	**33,699**	25,804
Interest on convertible debentures, net of accretion (Note 11)	**2,461**	2,455	**7,332**	9,640
Interest on bank indebtedness	**1,028**	1,984	**4,396**	3,990
Interest on loans payable and other	**301**	659	**1,405**	2,162
Interest on lease liabilities (Note 13)	**2,356**	2,411	**7,093**	7,254
Amortization of mark-to-market adjustments on mortgages, net	**(1,148)**	(1,347)	**(3,633)**	(4,199)
Amortization of deferred financing costs	**1,916**	1,779	**6,642**	5,413
Loss on extinguishment of mortgages payable	**—**	—	**—**	561
	58,884	57,585	**179,533**	173,831
Less: Interest capitalized to properties under development	**(164)**	(108)	**(489)**	(423)
	$58,720	$57,477	**$179,044**	$173,408

NOTE 19
FAIR VALUE GAIN (LOSS), NET

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Fair value gain (loss) on real estate properties, net (Note 4)	**($95,300)**	($4,787)	**($359,161)**	$59,482
Financial assets (liabilities):				
Fair value gain (loss) on conversion option of MRG convertible debentures (Note 11)	**194**	(2,157)	**2,662**	(3,383)
Fair value gain (loss) on MRG Units (Note 12)	**(2,897)**	(36,031)	**95,234**	(76,119)
Fair value gain (loss) on other real estate fund investments (Note 6(b))	**(4,690)**	(215)	**(4,698)**	4,115
Fair value gain (loss) on investment in marketable securities	**307**	13,033	**(47,747)**	16,018
Total fair value gain (loss), net	**($102,386)**	($30,157)	**($313,710)**	$113

NOTE 20
OTHER INCOME (EXPENSE)

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Foreign exchange gain (loss)	**$492**	$645	**$474**	($2,144)
Gain on sale of hotel property (Note 5)	**2,067**	—	**2,067**	508
Other income (expense)	**(306)**	565	**(1,423)**	1,885
	$2,253	$1,210	**$1,118**	$249

NOTE 21
RELATED PARTY TRANSACTIONS

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

(a) Paros Enterprises Limited ("Paros")

Paros is the majority shareholder and ultimate parent of the Company. Paros is owned by the Company's Chairman and Chief Executive Officer, Mr. K. Rai Sahi. The Company entered into a demand loan agreement with Paros that provides for the Company to borrow up to $22,000. The total loan payable outstanding from Paros as at September 30, 2020 was $nil (December 31, 2019 - $nil). During the three and nine months ended September 30, 2020, the Company incurred net interest expense of $nil (2019 - $nil) and $nil (2019 - $30), respectively.

(b) TWC Enterprises Limited ("TWC")

The Company provides TWC with managerial and consulting services for its business and the business of its subsidiaries. Mr. K. Rai Sahi is Chairman and Chief Executive Officer and the majority shareholder of TWC through his personal holding companies, which include Paros. Pursuant to contractual agreements between the Company and TWC, for the three and nine months ended September 30, 2020, the Company received a management fee of $327 (2019 - $326) and $988 (2019 - $979), respectively, and paid rent and operating expenses of $168 (2019 - $166) and $496 (2019 - $511), respectively.

The Company has a revolving demand loan agreement with TWC that provides for either party to borrow up to $50,000 at either the prime rate or the bankers' acceptance rate plus applicable stamping fees. The total loan payable as at September 30, 2020 was $nil (December 31, 2019 - $33,679). During the three and nine months ended September 30, 2020, the Company paid net interest of $96 (2019 - $386) and $408 (2019 - $1,186), respectively.

(c) Share/Unit Purchase and Other Loans

As at September 30, 2020, share/Unit purchase and other loans to officers and employees of the Company and its subsidiaries of $5,475 (December 31, 2019 - $5,504) are outstanding. The loans are collateralized by their common shares of the Company, Units of Morguard REIT and Units of Morguard Residential REIT and are interest-bearing computed at the Canadian prime interest rate and are due on January 10, 2024. Other loans are secured against the underlying asset. The loans are classified as amounts receivable in the consolidated balance sheets. As at September 30, 2020, the fair market value of the common shares/Units held as collateral is $53,353.

NOTE 22
INCOME TAXES

(a) Tax Provision

For the three and nine months ended September 30, 2020, the Company recorded an income tax recovery of $10,801 (2019 - provision for $3,587) and $39,230 (2019 - provision for $28,475), respectively.

(b) Unrecognized Deductible Temporary Differences

As at September 30, 2020, the Company's U.S. subsidiaries have total net operating losses of US$102,710 (December 31, 2019 - US$81,266) of which no deferred tax assets were recognized in respect of US$77,454 (December 31, 2019 - US$68,362) net operating losses as it is not probable that taxable income will be available against which the deductible temporary difference can be utilized. The net operating losses expire in varying years commencing 2030.

As at September 30, 2020, the Company's Canadian subsidiaries have total net operating losses of $217,244 (December 31, 2019 - $205,433) of which no deferred tax assets were recognized as it is not probable that taxable income will be available against which they can be utilized. These losses expire in various years commencing 2022. As at September 30, 2020, the Company has other Canadian temporary differences for which no deferred tax asset was recognized of $72,230 (December 31, 2019 - $43,952). These other temporary differences have no expiration date.

(c) Recognized Deductible Temporary Differences

As at September 30, 2020, the Company's U.S. subsidiaries have total net operating losses of US$25,256 (December 31, 2019 - US$12,904) of which deferred tax assets were recognized. These net operating losses have no expiration date.

As at September 30, 2020, the Company's U.S. subsidiaries have total unutilized interest expense deductions of US$2,896 (December 31, 2019 - US$14,329) of which deferred tax assets were recognized.

NOTE 23

NET INCOME (LOSS) PER COMMON SHARE

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Net income (loss) attributable to common shareholders	**($4,606)**	($1,180)	**($36,590)**	$102,028
Weighted average number of common shares outstanding (000s) - basic and diluted	**11,203**	11,283	**11,236**	11,286
Net income (loss) per common share - basic and diluted	**($0.42)**	($0.10)	**($3.26)**	$9.04

NOTE 24

CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Items Not Affecting Cash

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Fair value loss (gain) on real estate properties, net	**$84,864**	($3,890)	**$370,243**	($49,330)
Fair value loss (gain) on conversion option of MRG convertible debentures (Note 19)	**(194)**	2,157	**(2,662)**	3,383
Fair value loss (gain) on MRG Units (Note 12)	**(2,537)**	30,987	**(111,527)**	61,886
Fair value loss (gain) on other real estate investment funds (Note 19)	**4,690**	215	**4,698**	(4,115)
Fair value loss (gain) on investment in marketable securities (Note 19)	**(307)**	(13,033)	**47,747**	(16,018)
Equity loss (income) from investments	**2,634**	28,448	**8,312**	31,660
Amortization of hotel properties	**6,610**	6,798	**20,615**	20,358
Amortization of capital assets and other	**1,964**	2,044	**5,949**	6,123
Amortization of deferred financing costs (Note 18)	**1,916**	1,779	**6,642**	5,413
Amortization of mark-to-market adjustments on mortgages, net (Note 18)	**(1,148)**	(1,347)	**(3,633)**	(4,199)
Loss on extinguishment of mortgages payable (Note 18)	**—**	—	**—**	561
Amortization of tenant incentive	**674**	553	**1,951**	1,486
Stepped rent - adjustment for straight-line method	**(522)**	468	**(258)**	345
Deferred income taxes	**(11,155)**	641	**(49,306)**	20,786
Accretion of convertible debentures	**246**	231	**754**	2,284
Gain on sale of hotel property (Note 20)	**(2,067)**	—	**(2,067)**	(508)
Provision for impairment	**7,588**	19,059	**31,479**	19,059
	$93,256	$75,110	**$328,937**	$99,174

(b) Net Change in Operating Assets and Liabilities

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Amounts receivable	**($10,103)**	$10,664	**($44,655)**	$5,111
Prepaid expenses and other	**(6,953)**	(1,292)	**(19,188)**	(24,304)
Accounts payable and accrued liabilities	**15,949**	(4,611)	**12,803**	2,486
Net change in operating assets and liabilities	**($1,107)**	$4,761	**($51,040)**	($16,707)

(c) Supplemental Cash Flow Information

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Interest paid	**$54,417**	$56,881	**$169,958**	$172,291
Interest received	**622**	1,506	**1,578**	4,178
Income taxes paid	**2,496**	4,101	**7,475**	18,492

During the three and nine months ended September 30, 2020, the Company issued non-cash dividends under the distribution reinvestment plan of $26 (2019 - $24) and $73 (2019 - $70), respectively.

(d) Reconciliation of Liabilities Arising from Financing Activities

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

	Mortgages payable	Unsecured debentures	Convertible debentures	Lease liabilities	Loans payable	Bank indebtedness	Total
Balance, beginning of period	$4,365,279	$1,046,444	$193,503	$166,144	$33,679	$101,100	$5,906,149
Repayments	(82,794)	—	—	(1,284)	(35,234)	(350,059)	(469,371)
New financing, net	281,582	174,303	—	—	—	298,854	754,739
Lump-sum repayments	(190,169)	—	—	—	—	—	(190,169)
Non-cash changes	(16,465)	1,031	(630)	—	—	—	(16,064)
Foreign exchange	37,699	—	—	292	1,555	—	39,546
Balance, September 30, 2020	**$4,395,132**	**$1,221,778**	**$192,873**	**$165,152**	**$—**	**$49,895**	**$6,024,830**

NOTE 25

CONTINGENCIES

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

NOTE 26
MANAGEMENT OF CAPITAL

Refer to the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2019, for an explanation of the Company's capital management policy.

The total managed capital for the Company as at September 30, 2020, and December 31, 2019, is summarized below:

As at	September 30, 2020	December 31, 2019
Mortgages payable, principal balance	**$4,407,357**	$4,375,947
Unsecured Debentures, principal balance	**1,225,000**	1,050,000
Convertible debentures, principal balance	**195,500**	195,500
Loans payable	**—**	33,679
Bank indebtedness	**49,895**	101,100
Lease liabilities	**165,152**	166,144
Shareholders' equity	**3,493,876**	3,548,906
	$9,536,780	$9,471,276

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

The Company's Unsecured Debentures contain covenants that are calculated on a non-consolidated basis, which represents the Company's consolidated results prepared in accordance with IFRS as shown on the Company's most recently published annual audited consolidated financial statements, adjusted, as required, to account for the Company's public entity investments in Morguard Residential REIT, Morguard REIT and Temple (until the Company's privatization of Temple on February 18, 2020) using the equity method. The covenants that the Company must maintain are a non-consolidated interest coverage ratio above 1.65 times, a non-consolidated debt to gross book value ratio not to exceed 65% and a minimum non-consolidated equity requirement of at least $300,000. If the Company does not meet these covenants, the Unsecured Debentures will become immediately due and payable unless the Company is able to remedy the default or obtain a waiver from debenture holders. The Company is in compliance with all Unsecured Debenture covenants.

NOTE 27
FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer to the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2019, for an explanation of the Company's risk management policy as it relates to financial instruments.

Fair Value of Financial Assets and Financial Liabilities

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

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

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using September 30, 2020, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at September 30, 2020, of the mortgages payable before deferred financing costs and mark-to-market adjustments is estimated at $4,669,917 (December 31, 2019 - $4,406,348), compared with the carrying value of $4,407,357 (December 31, 2019 - $4,375,947). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

The fair value of the Unsecured Debentures liability is based on its closing bid price (Level 1). As at September 30, 2020, the fair value of the Unsecured Debentures has been estimated at $1,225,772 (December 31, 2019 - $1,070,033) compared with the carrying value of $1,225,000 (December 31, 2019 - $1,050,000).

The fair value of the convertible debentures liability is based on their market trading prices (Level 1). As at September 30, 2020, the fair value of the convertible debentures before deferred financing costs has been estimated at $187,917 (December 31, 2019 - $202,838), compared with the carrying value of $195,500 (December 31, 2019 - $195,500).

The fair value of the finance lease receivable is determined by discounting the cash flows of the finance lease receivable using September 30, 2020, market rates for debt on similar terms (Level 3). Based on these assumptions, as at September 30, 2020, the fair value of the finance lease receivable has been estimated at $57,036 (December 31, 2019 - $56,574).

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

	September 30, 2020			December 31, 2019		
As at	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$9,949,386**	$—	$—	$10,201,283
Investments in marketable securities	**98,505**	**—**	**—**	142,911	—	—
Investments in real estate funds	**—**	**—**	**110,680**	—	—	109,712
Financial liabilities:						
Morguard Residential REIT Units	**—**	**405,402**	**—**	—	516,462	—
Conversion option on MRG convertible debentures	**—**	**810**	**—**	—	3,472	—

NOTE 28

SEGMENTED INFORMATION

(a) Operating Segments

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

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

For the three months ended September 30, 2020	**Multi-suite Residential**	**Retail**	**Office**	**Industrial**	**Hotel**	**Total**
Revenue from real estate/hotel properties	**$97,922**	**$58,132**	**$58,017**	**$2,635**	**$21,780**	**$238,486**
Property/hotel operating expenses	**(34,327)**	**(30,026)**	**(26,096)**	**(924)**	**(16,845)**	**(108,218)**
Net operating income	**$63,595**	**$28,106**	**$31,921**	**$1,711**	**$4,935**	**$130,268**

For the three months ended September 30, 2019	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
Revenue from real estate/hotel properties	$90,982	$61,809	$59,346	$3,116	$65,525	$280,778
Property/hotel operating expenses	(31,326)	(25,755)	(25,512)	(945)	(47,181)	(130,719)
Net operating income	$59,656	$36,054	$33,834	$2,171	$18,344	$150,059

For the nine months ended September 30, 2020	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
Revenue from real estate/hotel properties	**$298,406**	**$177,846**	**$179,023**	**$8,174**	**$78,416**	**$741,865**
Property/hotel operating expenses	**(132,817)**	**(91,602)**	**(80,240)**	**(2,891)**	**(70,272)**	**(377,822)**
Net operating income	**$165,589**	**$86,244**	**$98,783**	**$5,283**	**$8,144**	**$364,043**

For the nine months ended September 30, 2019	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
Revenue from real estate/hotel properties	$273,596	$188,910	$178,788	$9,892	$184,351	$835,537
Property/hotel operating expenses	(126,666)	(83,754)	(77,370)	(3,117)	(139,852)	(430,759)
Net operating income	$146,930	$105,156	$101,418	$6,775	$44,499	$404,778

	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
As at September 30, 2020						
Real estate/hotel properties	**$5,083,550**	**$2,407,041**	**$2,324,210**	**$134,585**	**$572,390**	**$10,521,776**
Mortgages payable	**$2,157,741**	**$892,109**	**$1,091,047**	**$19,997**	**$234,238**	**$4,395,132**
For the nine months ended September 30, 2020						
Additions to real estate/hotel properties	**$27,772**	**$25,372**	**$13,011**	**$135**	**$3,773**	**$70,063**
Fair value gain (loss) on real estate properties	**$91,128**	**($367,975)**	**($90,357)**	**$8,043**	**$—**	**($359,161)**

	Multi-suite Residential	Retail	Office	Industrial	Hotel	Total
As at December 31, 2019						
Real estate/hotel properties	$4,889,129	$2,744,442	$2,402,757	$164,955	$628,783	$10,830,066
Mortgages payable	$2,099,509	$909,400	$973,631	$30,970	$351,769	$4,365,279
For the nine months ended September 30, 2019						
Additions to real estate/hotel properties	$30,210	$36,395	$68,751	$566	$14,229	$150,151
Fair value gain (loss) on real estate properties	$99,598	($28,527)	($13,660)	$2,071	$—	$59,482

(b) Regional Segments

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

As at	September 30, 2020	December 31, 2019
Real estate and hotel properties		
Canada	**$7,354,033**	$7,740,218
United States	**3,167,743**	3,089,848
	$10,521,776	$10,830,066

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Revenue from real estate and hotel properties				
Canada	**$169,798**	$218,443	**$531,311**	$645,790
United States	**68,688**	62,335	**210,554**	189,747
	$238,486	$280,778	**$741,865**	$835,537

NOTE 29
SUBSEQUENT EVENTS

As at November 5, 2020, the Company's collection of October rental revenue is summarized below by asset class:

Asset Class	% Collected	% of Rental Revenue
Multi-suite residential	95.8%	45.0%
Retail	78.3%	26.8%
Office	95.3%	27.0%
Industrial	95.9%	1.2%
Total	**90.5%**	**100.0%**

On October 1, 2020, the Company completed the refinancing of a U.S. multi-suite residential property located in Lake Worth, Florida, in the amount of $35,895 (US$27,005) at an interest rate of 2.17% and for a term of 10 years. The maturing mortgage amounted to $23,842 (US$17,937) was open and prepayable at no penalty before its scheduled maturity on January 1, 2021 and had an interest rate of 4.24%.

On October 9, 2020, the Company completed the refinancing of an office property located in Saint-Laurent, Québec, in the amount of $80,000 at an interest rate of 2.89% and for a term of 4 years. The maturing mortgage amounted to $65,474 and had an interest rate of 5.48%.

On November 2, 2020, the Company sold a hotel located in Red Deer, Alberta, for gross proceeds of $19,000 (including a promissory note receivable of $14,500), resulting in net proceeds of $4,500, before closing costs and working capital adjustments.

The Company substantially completed the redevelopment of its mid-rise property, 1643 Josephine Street, New Orleans, Louisiana. Due to COVID-19 social distancing requirements, virtual pre-leasing has begun with first occupancies taking place in late-October.

Subsequent to September 30, 2020, the Company acquired 43,200 common shares under its NCIB for cash consideration of $4,563 at a weighted average price of $105.63 per common share.