Interim Consolidated Financial Statements of

ARTIS REAL ESTATE INVESTMENT TRUST

Three months and nine months ended September 30, 2011 and 2010
(Unaudited)

(In Canadian dollars)

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Consolidated Balance Sheets
(Unaudited)

(In thousands of Canadian dollars)

	September 30, 2011	December 31, 2010 (note 25)	January 1, 2010 (note 25)
ASSETS			
Non-current assets:			
Investment properties (note 4)	$ 2,894,110	$ 2,052,780	$ 1,111,586
Investment properties under construction (note 4)	11,475	5,405	-
Other assets (note 5)	343	348	434
Notes receivable (note 6)	24,177	23,788	27,133
	2,930,105	2,082,321	1,139,153
Current assets:			
Deposits on investment properties	6,415	16,081	1,350
Prepaid expenses	8,089	3,040	2,613
Notes receivable (note 6)	1,671	3,354	1,929
Accounts receivable and other receivables	12,963	6,510	3,434
Investment in equity securities	1,007	11,184	-
Cash held in trust	1,343	782	355
Cash and cash equivalents	58,484	88,324	35,907
	89,972	129,275	45,588
	$ 3,020,077	$ 2,211,596	$ 1,184,741
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities:			
Mortgages and loans payable (note 7)	$ 1,396,395	$ 1,097,402	$ 541,857
Convertible debentures (note 8)	224,638	153,889	100,193
Deferred taxes (note 17)	9,130	201	-
Trust units liability	-	-	426,645
	1,630,163	1,251,492	1,068,695
Current liabilities:			
Mortgages and loans payable (note 7)	133,909	58,690	70,406
Convertible debentures (note 8)	-	-	3,032
Trust units liability	-	-	360
Security deposits and prepaid rent	13,078	9,494	4,572
Accounts payable and other liabilities (note 9)	45,937	29,690	14,390
Bank indebtedness (note 10)	37,900	8,000	30,700
	230,824	105,874	123,460
	1,860,987	1,357,366	1,192,155
Unitholders' equity (deficit)	1,159,090	854,230	(7,414)
Commitments, contingencies and guarantees (note 20)			
Subsequent events (note 23)			
	$ 3,020,077	$ 2,211,596	$ 1,184,741

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statements of Operations
Three months and nine months ended September 30, 2011 and 2010
(Unaudited)

(In thousands of Canadian dollars, except unit and per unit amounts)

	Three months ended September 30, 2011	Three months ended September 30, 2010 (note 25)	Nine months ended September 30, 2011	Nine months ended September 30, 2010 (note 25)
Revenue (note 13)	$ 78,427	$ 46,184	$ 207,572	$ 119,151
Property operating expenses	29,316	16,256	76,920	40,779
	49,111	29,928	130,652	78,372
Interest income	599	668	2,063	1,635
	49,710	30,596	132,715	80,007
Expenses:				
Interest	21,336	14,443	56,999	53,824
Corporate	2,663	2,536	7,749	5,242
Foreign currency translation loss	5,131	553	3,209	457
	29,130	17,532	67,957	59,523
Income before other items	20,580	13,064	64,758	20,484
Income tax expense (note 17)	(7,700)	-	(10,238)	-
Transaction costs (notes 3 and 8)	(1,684)	(4,286)	(12,012)	(12,874)
Gain (loss) on financial instruments (note 14)	16,785	(14,525)	12,128	(24,119)
Gain on disposal of investment properties (note 3)	481	-	736	-
Unrealized fair value gain on investment properties (note 4)	35,043	14,434	199,178	25,151
Income for the period	63,505	8,687	254,550	8,642
Other comprehensive income:				
Unrealized foreign currency translation gain (loss)	10,497	(184)	6,150	(184)
Comprehensive income for the period	$ 74,002	$ 8,503	$ 260,700	$ 8,458
Basic income per unit (note 11 (c))	$ 0.76	$ 0.14	$ 3.25	$ 0.17
Diluted income per unit (note 11 (c))	$ 0.49	$ 0.14	$ 2.74	$ 0.17
Weighted-average number of units outstanding:				
Basic (note 11 (c))	83,380,489	60,492,541	78,416,311	51,268,165
Diluted (note 11 (c))	97,400,063	60,492,541	90,577,881	51,268,165

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statements of Changes in Unitholders' Equity
Nine months ended September 30, 2011 and 2010
(Unaudited)

(In thousands of Canadian dollars, except unit amounts)

	Number of units	Capital contributions	Equity (deficit)	Accumulated other comprehensive (loss) income	Total
Unitholders' deficit, January 1, 2010 (note 25)	-	$ -	$ (7,414)	$ -	$ (7,414)
Reclassification of trust units liability to equity	50,076,978	575,885	-	-	575,885
Issuance of units	15,129,578	167,882	-	-	167,882
Conversion of convertible debentures	1,050,632	12,722	-	-	12,722
Income for the period	-	-	8,642	-	8,642
Other comprehensive loss for the period	-	-	-	(184)	(184)
Distributions for the period	-	-	(26,161)	-	(26,161)
Unitholders' equity, September 30, 2010 (note 25)	66,257,188	756,489	(24,933)	(184)	731,372
Issuance of units	8,928,694	114,922	-	-	114,922
Conversion of convertible debentures	291,426	3,823	-	-	3,823
Income for the period	-	-	24,582	-	24,582
Other comprehensive loss for the period	-	-	-	(126)	(126)
Distributions for the period	-	-	(20,343)	-	(20,343)
Unitholders' equity, December 31, 2010 (note 25)	75,477,308	875,234	(20,694)	(310)	854,230
Issuance of units	7,635,675	102,553	-	-	102,553
Conversion of convertible debentures	417,396	5,729	-	-	5,729
Income for the period	-	-	254,550	-	254,550
Other comprehensive income for the period	-	-	-	6,150	6,150
Distributions for the period	-	-	(64,122)	-	(64,122)
Unitholders' equity, September 30, 2011	83,530,379	$ 983,516	$ 169,734	$ 5,840	$1,159,090

See accompanying notes to interim consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statements of Cash Flows
Three months and nine months ended September 30, 2011 and 2010
(Unaudited)

(In thousands of Canadian dollars)

	Three months ended September 30, 2011	Three months ended September 30, 2010 (note 25)	Nine months ended September 30, 2011	Nine months ended September 30, 2010 (note 25)
Cash provided by (used in):				
Operating activities:				
Income for the period	$ 63,505	$ 8,687	$ 254,550	$ 8,642
Adjustments for non-cash items:				
Unrealized fair value gain on investment properties	(35,043)	(14,434)	(199,178)	(25,151)
Depreciation of office equipment and software	31	29	88	85
Amortization:				
Tenant inducements amortized to revenue	1,199	904	3,313	1,834
Above- and below-market mortgages, net	(241)	(107)	(572)	(198)
Straight-line rent adjustment	(1,479)	(772)	(4,006)	(1,884)
Unrealized foreign currency translation loss (gain)	4,890	(599)	3,629	(599)
Gain on disposal of investment properties	(481)	-	(736)	-
Unrealized fair value (gain) loss on financial instruments	(16,530)	14,525	(10,524)	24,119
Unit-based compensation expense	(204)	678	263	621
Accretion of financing costs included in interest	564	281	1,412	738
Deferred tax expense	6,817	-	8,558	-
	23,028	9,192	56,797	8,207
Additions to tenant inducements	(2,568)	(5,724)	(6,697)	(8,095)
Changes in non-cash operating items (note 15)	7,037	2,277	5,013	9,678
	27,497	5,745	55,113	9,790
Investing activities:				
Acquisition of investment properties, net of related debt	(66,116)	(43,116)	(256,260)	(201,757)
Proceeds from disposition of investment properties, net of costs and related debt	1,366	-	8,146	-
Additions to investment properties	(3,502)	(270)	(4,500)	(2,687)
Additions to investment properties under construction	(2,546)	(1,951)	(10,620)	(2,963)
Purchase of investment in equity securities	-	-	(5,683)	-
Proceeds from sale of equity securities	2,321	-	13,863	-
Notes receivable principal repayments	405	404	1,294	1,247
Net change to office equipment and software	(83)	-	(83)	(27)
Additions to leasing costs	(945)	(610)	(3,314)	(1,478)
Change in deposits on investment properties	5,875	(4,233)	9,900	(5,383)
	(63,225)	(49,776)	(247,257)	(213,048)
Financing activities:				
Issuance of units, net of issue costs	2,942	90,086	102,479	279,232
Issuance of convertible debentures	-	-	83,767	86,250
Repayment on convertible debentures	-	(620)	-	(620)
Change in bank indebtedness	-	-	29,900	(22,700)
Distributions paid on REIT units	(22,528)	(16,425)	(64,122)	(26,161)
Mortgages and loans principal repayments	(7,828)	(4,607)	(20,945)	(11,661)
Repayment of mortgages and loans payable	-	-	(4,828)	(30,125)
Advance of mortgages and loans payable	30,843	4,000	34,718	21,615
	3,429	72,434	160,969	295,830
Foreign exchange gain on cash held in foreign currency	1,684	599	1,335	599
(Decrease) increase in cash and cash equivalents	(30,615)	29,002	(29,840)	93,171
Cash and cash equivalents at beginning of period	89,099	100,076	88,324	35,907
Cash and cash equivalents at end of period	$ 58,484	$ 129,078	$ 58,484	$ 129,078
Supplemental cash flow information:				
Interest paid, net of interest received	$ 16,348	$ 11,080	$ 49,593	$ 31,279
Taxes paid	-	-	152	-
Distributions paid on REIT units, included in interest	-	-	-	16,828

See accompanying notes to interim consolidated financial statements.

1. Organization:

Artis Real Estate Investment Trust (the "REIT") is an unincorporated open-end real estate investment trust (note 11) created under, and governed by, the laws of the province of Manitoba and was created pursuant to the Declaration of Trust dated November 8, 2004, subsequently amended and restated on October 31, 2006, May 14, 2010 and May 19, 2011 (the "Declaration of Trust"). The purpose of the REIT is to directly, or indirectly, own, manage, lease and (where appropriate) develop retail, industrial and office properties in Canada and the United States (the "U.S."). The registered office of the REIT is 360 Main Street, Suite 300, Winnipeg, Manitoba, R3C 3Z3.

The Declaration of Trust provides that the REIT may make cash distributions to unitholders of the REIT's units. The amount distributed annually (currently $1.08 per unit) will be set by the Trustees.

2. Significant accounting policies:

(a) Statement of compliance:

International Financial Reporting Standards ("IFRS") requires an entity to make an explicit and unreserved statement of compliance with IFRS in its first annual financial statements under IFRS. The REIT will make this statement when it issues its 2011 annual consolidated financial statements. These interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 - *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the REIT expects to adopt in its consolidated financial statements for the year ended December 31, 2011. IFRS 1 - *First-time Adoption of International Financial Reporting Standards* ("IFRS 1") has been applied in preparing these interim consolidated financial statements.

An explanation of how the transition to IFRS has affected the reported financial position, operating results and cash flows of the REIT is provided in note 25.

(b) Principles of consolidation:

The consolidated financial statements include the accounts of the REIT and entities controlled by the REIT (its subsidiaries), together with its share of the assets, liabilities, revenue and expenses of jointly controlled assets.

(c) Basis of presentation and measurement:

The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand. The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements and in preparing the opening IFRS balance sheet at January 1, 2010. Standards issued but not yet effective for the current accounting period are described in note 2 (r).

The consolidated financial statements are prepared on the historical cost basis with the exception of investment properties, investment in equity securities, derivative financial instruments, convertible debentures, and the liabilities related to trust units and cash-settled unit-based payments, which are measured at fair value.

2. Significant accounting policies (continued):

(d) Translation of foreign currencies:

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the REIT.

Assets and liabilities of foreign operations are translated at the rate of exchange in effect at the balance sheet date. Revenue and expense items are translated at the average exchange rate for the period. Gains or losses on translation are included in other comprehensive income as foreign currency translation gains or losses. When there is a reduction in the net investment as a result of dilution or sale, or reduction in the equity of the foreign operation as a result of a capital transaction, amounts previously recognized in accumulated other comprehensive income are reclassified into net income.

For assets, liabilities, revenues and expenses that do not form part of the net investment in foreign operations, foreign currency translation gains or losses are included in net income. Monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expense items are translated at the rate in effect at the date of the transaction.

(e) Financial instruments:

Initially, all financial assets and liabilities are recorded on the consolidated balance sheet at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. All financial assets are classified as one of: (a) at fair value through profit or loss; (b) held-to-maturity; (c) loans and receivables; or (d) available-for-sale. Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. All financial liabilities are classified as either: (a) at fair value through profit or loss; or (b) other liabilities. Financial assets and liabilities classified as at fair value through profit or loss are measured at fair value, with gains and losses recognized in net income. Financial instruments classified as held-to-maturity, loans and receivables, and other liabilities are measured at amortized cost. Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recognized in other comprehensive income.

The REIT designated its cash and cash equivalents, cash held in trust, notes receivable, and accounts receivable and other receivables as loans and receivables; mortgages and loans payable, accounts payable and other liabilities and bank indebtedness as other liabilities; and investment in equity securities, convertible debentures and trust units liability as at fair value through profit or loss. The REIT does not hold any financial instruments classified as held-to-maturity or available-for-sale.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, with the exception of those classified as at fair value through profit or loss, are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest rate method. Transaction costs directly attributable to the acquisition or issuance of financial assets or liabilities classified as at fair value through profit or loss are recognized immediately in net income.

All derivative instruments, including embedded derivatives, are classified as at fair value through profit or loss and are recorded on the consolidated balance sheet at fair value.

Financial assets, other than those classified as at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

The REIT uses a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements of financial instruments carried at fair value. Level 1 of the fair value hierarchy uses quoted market prices in active markets for identical assets or liabilities to determine the fair value of assets and liabilities. Level 2 includes valuations using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 valuations are based on inputs for the asset or liability that are not based on observable market data.

(f) Investment properties:

Investment properties include properties held to earn rental income and properties that are being constructed or developed for future use as investment properties. Investment properties are measured at fair value with any changes therein recognized in profit or loss for the period.

Investment properties under construction include initial acquisition costs and other direct costs during the period of development. The REIT considers practical completion to have occurred when the property is capable of being operated in the manner intended by management.

A property acquisition is accounted for as a business combination using the acquisition method if the assets acquired and liabilities assumed constitute a business, and the REIT obtains control of the business.

Leasing costs, such as commissions, and straight-line rent receivable are included in the carrying amount of investment properties.

Payments to tenants under lease obligations are included in the carrying amount of investment properties. Payments that are determined to primarily benefit the tenant are treated as tenant inducements that reduce revenue. Tenant inducements are amortized on a straight-line basis over the term of the lease.

Investment properties held under operating leases are recognized in the REIT's consolidated balance sheet at fair value.

Investment properties are reclassified to assets held for sale when the criteria set out in IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations* are met.

(g) Other assets:

Office equipment and software are carried at cost less accumulated depreciation, and are depreciated on a straight-line basis over their estimated useful life of five years. The estimated useful life, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimates accounted for on a prospective basis.

2. Significant accounting policies (continued):

(h) Assets held for sale:

Non-current assets, or disposal groups comprising assets and liabilities, are categorized as held for sale at the point in time when the asset or disposal group is available for immediate sale, management has committed to a plan to sell and is actively locating a buyer at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and expected to be completed within a one-year period. Investment properties measured under the fair value model and held for sale continue to be measured by the guidelines of IAS 40 - *Investment Property*. All other assets held for sale are stated at the lower of their carrying amount and fair value less selling costs. An asset that is subsequently reclassified as held and in use, with the exception of an investment property measured under the fair value model, is measured at the lower of its recoverable amount and the carrying amount that would have been recognized had the asset never been classified as held for sale.

The results of operations associated with disposal groups sold, or classified as held for sale, are reported separately as profit or loss from discontinued operations.

(i) Cash and cash equivalents:

Cash and cash equivalents consist of cash with financial institutions and include short-term investments with maturities of three months or less.

(j) Provisions:

A provision is recognized if, as a result of a past event, the REIT has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are remeasured at each balance sheet date using the current discount rate. The increase in the provision due to passage of time is recognized as interest expense.

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the REIT has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

(k) Revenue recognition:

The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue from investment properties includes rents earned from tenants under lease agreements, percentage rent, realty tax and operating cost recoveries and other incidental income and is recognized as revenue over the term of the underlying leases. All rent steps in lease agreements are accounted for on a straight-line basis over the term of the respective leases. Percentage rent is not recognized until a tenant is obligated to pay such rent.

(l) Jointly controlled assets:

The REIT carries out a portion of its activities through co-ownership agreements and records its share of assets, liabilities, revenues, expenses and cash flows of these jointly controlled assets.

2. Significant accounting policies (continued):

(m) Earnings per unit:

Basic earnings per REIT unit is computed by dividing net earnings by the weighted-average units outstanding during the reporting period. Diluted earnings per unit is calculated based on the weighted-average number of units outstanding during the period, plus the effect of dilutive unit equivalents. The diluted per unit amounts for unit-based compensation are calculated using the treasury stock method, as if all the unit equivalents where average market price exceeds issue price had been exercised at the beginning of the reporting period, or the date of issue, as the case may be, and that the funds obtained thereby were used to purchase units of the REIT at the average trading price of the units during the period. The diluted per unit amounts for convertible debentures are calculated using the if-converted method, whereby conversion is not assumed for the purposes of computing diluted earnings per unit if the effect is antidilutive.

(n) Income taxes:

Income taxes are accounted for using the asset and liability method. Under this method, deferred taxes are recognized for the expected deferred tax consequences of temporary differences between the carrying amount of balance sheet items and their corresponding tax values.

Deferred taxes are computed using enacted or substantively enacted income tax rates or laws for the years in which the temporary differences are expected to reverse or settle. When realization of deferred tax assets is not probable, a valuation allowance is provided for the difference.

(o) Discontinued operations:

A discontinued operation is a component of the REIT's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(p) Unit-based compensation:

The REIT may issue unit-based awards to trustees, management, management company employees and consultants. For cash-settled unit-based payment transactions, a liability is recognized and measured initially at fair value by applying an option pricing model. The liability is remeasured to fair value at each reporting date and at settlement date. Any change in the fair value of the liability is recognized as compensation expense for the period.

2. Significant accounting policies (continued):

(q) Use of estimates and judgments:

The preparation of the consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts reported in the consolidated financial statements are as follows:

- Accounting for business combinations - The REIT's accounting policy relating to business combinations is described in note 2 (f). Judgment is applied in determining whether property acquisitions constitute the purchase of a business or the purchase of assets.

- Accounting for tenant inducements - The REIT's accounting policy relating to tenant inducements is described in note 2 (f). The REIT makes judgments with respect to whether tenant inducements provided in connection with a lease enhance the value of the leased property which determines whether such amounts are treated as capital expenditures.

- Capitalized cost of investment properties under construction - The REIT's accounting policy relating to investment properties under construction is described in note 2 (f). Judgment is applied in identifying the point at which practical completion of the investment property under construction occurs.

- Classification of leases - The REIT's accounting policy for revenue recognition is described in note 2 (k). The REIT makes judgments in determining whether certain leases are operating or finance leases. The REIT determined that all of its leases are operating leases.

Information about assumptions and estimation uncertainties that are critical to the determination of the amounts reported in the consolidated financial statements are as follows:

- Valuation of investment properties - The fair value of investment properties represents an estimate of the price that would be agreed upon between knowledgeable, willing parties in an arm's length transaction. The critical estimates and assumptions underlying the valuation of investment properties are described in note 4.

- Valuation of deferred tax liabilities and assets - The critical estimates and assumptions underlying the valuation of deferred tax liabilities and assets are described in note 17.

- Allowance for doubtful accounts - The critical estimates and assumptions underlying the value of the allowance for doubtful accounts are described in note 22 (a)(ii).

- Fair value of financial instruments - The fair value of financial instruments is estimated as the amount for which an instrument could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The critical estimates and assumptions underlying the fair value of financial instruments are described in note 22 (b).

2. Significant accounting policies (continued):

(r) Future changes in accounting policies:

IFRS 9 - *Financial Instruments* ("IFRS 9") will replace IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. IFRS 9 was amended by the IASB in October 2010 to provide guidance on the classification and reclassification of financial liabilities, their measurement, and the presentation of gains and losses on financial liabilities designated as at fair value through profit and loss. When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the credit risk of the instrument must be recognized in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

In May 2011, the IASB issued IFRS 10 - *Consolidated Financial Statements* ("IFRS 10"), IFRS 11 - *Joint Arrangements* ("IFRS 11") and IFRS 12 - *Disclosure of Interests in Other Entities* ("IFRS 12"). IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 replaces IAS 27 - *Consolidated and Separate Financial Statements* and SIC-12 - *Consolidation - Special Purpose Entities*. IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement. IFRS 11 supersedes IAS 31 - *Interests in Joint Ventures* and SIC-13 - *Jointly Controlled Entities - Non-monetary Contributions by Venturers*. IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a consequence of these new standards, the IASB also issued amended and retitled IAS 27 - *Separate Financial Statements* and IAS 28 - *Investments in Associates and Joint Ventures*. The new requirements are effective for annual periods beginning on or after January 1, 2013.

IFRS 13 - *Fair Value Measurement* ("IFRS 13") defines fair value, sets out in a single standard a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other standards require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value or address how to present changes in fair value. The new requirements are effective for annual periods beginning on or after January 1, 2013.

IAS 12 - *Income Taxes* ("IAS 12") was amended by the IASB in December 2010. The amendment provides a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model, based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The amendment is effective for annual periods beginning on or after January 1, 2012.

The REIT is currently evaluating the impact of these new and amended standards on its financial statements.

(In thousands of Canadian dollars, except unit and per unit amounts)

3. Acquisitions and dispositions of investment properties:

Acquisitions:

The REIT acquired the following properties during the nine months ended September 30, 2011:

Property	Location	Acquisition date	Type
ADT Building	Calgary, AB	January 7, 2011	Industrial
Dominion Construction Building	Calgary, AB	January 7, 2011	Industrial
EMC Building	Edmonton, AB	February 28, 2011	Office
Stinson Office Park	Minneapolis, MN	March 31, 2011	Office
Minneapolis Industrial Portfolio (1)	Minneapolis, MN	March 31, 2011	Industrial
Cara Foods Building (2)	Vaughan, ON	April 15, 2011	Office
3M Distribution Facility	Toronto, ON	April 29, 2011	Industrial
1165 Kenaston	Ottawa, ON	May 27, 2011	Office
Victoria Square Shopping Centre	Regina, SK	May 31, 2011	Retail
Ryan Retail Portfolio (3)	Minneapolis, MN	May 31, 2011	Retail
605 Waterford Park	Minneapolis, MN	June 1, 2011	Office
McGillivray Cineplex	Winnipeg, MB	June 10, 2011	Retail
415 Yonge Street	Toronto, ON	June 28, 2011	Office
Union Hills Office Plaza	Phoenix, AZ	June 30, 2011	Office
201 Westcreek Boulevard	Toronto, ON	June 30, 2011	Industrial
Plymouth Corporate Campus	Minneapolis, MN	July 6, 2011	Industrial
Stampede Station	Calgary, AB	July 26, 2011	Office
MTS Place	Winnipeg, MB	August 31, 2011	Office
7499 East Paradise Lane	Phoenix, AZ	September 15, 2011	Industrial

(1) The second tranche of the Minneapolis Industrial Portfolio is comprised of 9 multi-tenant properties.
(2) The REIT acquired a 50% interest in this property.
(3) The Ryan Retail Portfolio is comprised of 5 shopping centres.

The REIT acquired the following properties during the nine months ended September 30, 2010:

Property	Location	Acquisition date	Type
Westbank Zellers (1)	Westbank / West Kelowna, BC	January 14, 2010	Retail
Maple Leaf Building	Saskatoon, SK	January 29, 2010	Industrial
Sherwood Centre	Edmonton, AB	January 29, 2010	Industrial
Alberta Industrial Portfolio (2)	Various locations in Alberta	March 30, 2010	Industrial
Westbank Hub Centre North (1) (3)	Westbank / West Kelowna, BC	March 31, 2010	Retail
Sunrise Towne Square	Spruce Grove, AB	April 1, 2010	Retail
Visions Building	Calgary, AB	April 12, 2010	Retail
Tamarack Centre	Cranbrook, BC	April 15, 2010	Retail
Eagle Ridge Corner	Fort McMurray, AB	May 14, 2010	Retail
Production Court	Burnaby, BC	May 26, 2010	Office
Grande Prairie Power Centre	Grande Prairie, AB	June 15, 2010	Retail
DSI Building	Minneapolis, MN	June 30, 2010	Office
Winnipeg Square / 360 Main Street (4)	Winnipeg, MB	June 30, 2010	Office/Retail
Uplands Common	Lethbridge, AB	August 13, 2010	Retail
1045 Howe Street	Vancouver, BC	September 13, 2010	Office
Pembina Village Shopping Centre (5)	Winnipeg, MB	September 30, 2010	Retail
St. Vital Square (5)	Winnipeg, MB	September 30, 2010	Retail

(1) The REIT acquired a leasehold interest in these properties.
(2) The Alberta Industrial Portfolio is comprised of 2 single tenant and 2 multi-tenant properties.
(3) The REIT acquired a 50% interest in this property.
(4) The REIT acquired the remaining 62% interest in this property, and also acquired the ancillary parkade on April 30, 2010.
(5) Pembina Village Shopping Centre and St. Vital Square were acquired together as the Winnipeg Retail portfolio.

(In thousands of Canadian dollars, except unit and per unit amounts)

3. Acquisitions and dispositions of investment properties (continued):

These acquisitions have been accounted for using the acquisition method, with the results of operations included in the REIT's accounts from the date of acquisition.

The net assets acquired were as follows:

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Investment properties	$ 175,445	$ 104,592	$ 615,206	$ 551,769
Long-term debt including acquired above-market mortgages, net of deferred financing costs	(109,329)	(61,476)	(358,946)	(350,012)
Cash consideration	$ 66,116	$ 43,116	$ 256,260	$ 201,757
Transaction costs expensed	$ 1,677	$ 4,286	$ 8,372	$ 9,120

Dispositions:

The REIT disposed of the following properties during the nine months ended September 30, 2011:

Property	Location	Disposition date	Type
2030 Notre Dame Avenue	Winnipeg, MB	March 7, 2011	Industrial
Rogers Distribution Centre	Minneapolis, MN	September 15, 2011	Industrial

The proceeds from the sale of 2030 Notre Dame Avenue, net of costs, were $6,780. The REIT transferred the mortgage on this property to three previously unencumbered properties. The assets and liabilities associated with the property were derecognized and a gain on sale of property in the amount of $255 was recorded.

The proceeds from the sale of Rogers Distribution Centre, net of costs and related debt, were $1,366. The assets and liabilities associated with the property were derecognized and a gain on sale of property in the amount of $481 was recorded.

The REIT did not dispose of any properties during the nine months ended September 30, 2010.

(In thousands of Canadian dollars, except unit and per unit amounts)

4. Investment properties and investment properties under construction:

	Nine months ended September 30, 2011		Year ended December 31, 2010	
	Investment properties	Investment properties under construction	Investment properties	Investment properties under construction
Balance, beginning of period	$ 2,052,780	$ 5,405	$ 1,111,586	$ -
Additions:				
Acquisitions (note 3)	615,206	-	887,791	-
Capital expenditures	4,500	10,620	5,606	5,405
Leasing costs	3,314	-	2,549	-
Dispositions (note 3)	(13,002)	-	-	-
Reclassification of investment property under construction	4,550	(4,550)	-	-
Foreign currency translation gain (loss)	20,194	-	(1,217)	-
Straight-line rent adjustment	4,006	-	2,841	-
Net change to tenant inducements	3,384	-	7,259	-
Unrealized fair value gain	199,178	-	36,365	-
Balance, end of period	$ 2,894,110	$ 11,475	$ 2,052,780	$ 5,405

Investment properties with an aggregate fair value of $190,124 at September 30, 2011 (December 31, 2010, $46,218; January 1, 2010, $72,567) were valued by qualified external valuation professionals. External valuations are performed on a rotational basis over a four year cycle.

The REIT determined the fair value of investment properties based upon a combination of the discounted cash flow method and the overall capitalization method, which are generally accepted appraisal methodologies. Under the discounted cash flow method, expected future cash flows are discounted using an appropriate rate based on the risk of the property. Expected future cash flows for each investment property are based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. The REIT uses leasing history, market reports, tenant profiles and building assessments, among other things, in determining the most appropriate assumptions. Discount and capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one income is stabilized and capped at a rate deemed appropriate for each investment property. Investment properties under construction are measured at cost, which approximates fair value.

(In thousands of Canadian dollars, except unit and per unit amounts)

4. Investment properties and investment properties under construction (continued):

The key valuation assumptions for investment properties are as follows:

	September 30, 2011			December 31, 2010			January 1, 2010		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Discount rate	10.00%	7.50%	8.13%	10.00%	7.50%	8.60%	10.25%	8.00%	8.79%
Terminal capitalization rate	9.00%	6.25%	7.20%	9.50%	6.50%	7.62%	9.50%	7.25%	7.93%
Capitalization rate	9.00%	6.25%	7.29%	9.50%	7.00%	7.74%	9.50%	6.50%	7.69%
Investment horizon (years)	20.0	10.0	10.6	20.0	10.0	10.7	20.0	10.0	11.1

At September 30, 2011, included in investment properties is $12,749 (December 31, 2010, $8,752; January 1, 2010, $5,914) of net straight line rent receivables arising from the recognition of rental income on a straight-line basis over the lease term in accordance with IAS 17 - *Leases*.

Investment properties include properties held under operating leases with an aggregate fair value of $44,537 at September 30, 2011 (December 31, 2010, $44,578; January 1, 2010, $9,082).

At September 30, 2011, investment properties with a fair value of $2,802,214 (December 31, 2010, $1,988,374; January 1, 2010, $1,052,961) are pledged as security under mortgage agreements and the credit facility.

5. Other assets:

	September 30, 2011	December 31, 2010	January 1, 2010
Office equipment and software	$ 664	$ 581	$ 553
Accumulated depreciation	321	233	119
	$ 343	$ 348	$ 434

(In thousands of Canadian dollars, except unit and per unit amounts)

6. Notes receivable:

	September 30, 2011	December 31, 2010	January 1, 2010
Note receivable from tenant maturing in May 2023, bearing interest at 5.89% per annum, repayable in varying blended monthly installments of principal and interest. A default under the terms of the note constitutes a default of the lease of the tenant.	$ 24,120	$ 25,323	$ 26,918
Note receivable maturing in March 2013, bearing interest at 10.00% per annum, repayable in blended monthly installments of principal and interest of $17 from February 2011 to March 2012 and bearing interest at 12.00% per annum, repayable in blended monthly installments of principal and interest of $20 from April 2012 to March 2013. The note receivable is unsecured.	1,728	1,749	1,785
Note receivable repaid in March 2011.	-	69	77
Notes receivable matured in November 2010 and January 2011.	-	1	282
	25,848	27,142	29,062
Current portion	1,671	3,354	1,929
Non-current portion	$ 24,177	$ 23,788	$ 27,133

(In thousands of Canadian dollars, except unit and per unit amounts)

7. Mortgages and loans payable:

	September 30, 2011	December 31, 2010	January 1, 2010
Mortgages and loans payable	$ 1,532,562	$ 1,158,048	$ 613,618
Net above- and below-market mortgage adjustments	4,910	3,351	598
Financing costs	(7,168)	(5,307)	(1,953)
	1,530,304	1,156,092	612,263
Current portion	133,909	58,690	70,406
Non-current portion	$ 1,396,395	$ 1,097,402	$ 541,857

Substantially all of the REIT's assets have been pledged as security under mortgages and other security agreements. The majority of mortgages and loans payable bear interest at fixed rates. The weighted-average effective rate on all mortgages and loans payable is 4.84% and the weighted-average nominal rate is 4.66% at September 30, 2011 (December 31, 2010, 5.12% and 4.97%, respectively). Maturity dates range from December 1, 2011 to October 1, 2030.

8. Convertible debentures:

Particulars of the REIT's outstanding convertible debentures are as follows:

Convertible redeemable debenture issue	Issue date	Maturity date	Interest rate
Series C	May 4, 2006	May 31, 2013	6.25%
Series D	November 30, 2007	November 30, 2014	5.00%
Series E	July 9, 2009	June 30, 2014	7.50%
Series F	April 22, 2010	June 30, 2020	6.00%
Series G	April 21, 2011	June 30, 2018	5.75%

Convertible redeemable debenture issue	Face value	Fair value adjustment	Carrying value	Current portion	Non-current portion
Series C	$ 29,920	$ -	$ 29,920	$ -	$ 29,920
Series D	17,000	124	17,124	-	17,124
Series E	10,112	3,380	13,492	-	13,492
Series F	86,250	(6,029)	80,221	-	80,221
Series G	91,423	(7,542)	83,881	-	83,881
September 30, 2011	$ 234,705	$ (10,067)	$ 224,638	$ -	$ 224,638
December 31, 2010	147,164	6,725	153,889	-	153,889
January 1, 2010	95,237	7,988	103,225	3,032	100,193

For the three months and nine months ended ended September 30, 2011, transaction costs of $7 and $3,640 (2010, $nil and $3,754, respectively) related to the issuance of convertible debentures were expensed.

(In thousands of Canadian dollars, except unit and per unit amounts)

9. Accounts payable and other liabilities:

	September 30, 2011	December 31, 2010	January 1, 2010
Accounts payable and accrued liabilities	$ 37,924	$ 22,589	$ 10,836
Distributions payable (note 12)	7,518	6,793	3,377
Cash-settled unit-based payments liability	495	308	177
	$ 45,937	$ 29,690	$ 14,390

Under the REIT's equity incentive plan, the total number of units reserved under option for issuance may not exceed 5% of the units outstanding.

A summary of the REIT's unit options for the nine months ended September 30, are as follows:

	2011		2010	
	Units	Weighted-average exercise price	Units	Weighted-average exercise price
Balance, beginning of period	1,070,250	$ 12.84	217,036	$ 11.25
Granted	1,200,000	14.10	673,250	12.48
Exercised	(29,750)	11.28	(44,080)	11.25
Expired	(4,500)	13.14	-	-
Balance, end of period	2,236,000	$ 13.54	846,206	$ 12.23
Options exercisable at end of period	137,188		172,956	

The weighted-average unit price at the date of exercise for unit options exercised during the nine months ended September 30, 2011 was $13.86 (2010, $13.50).

Options outstanding at September 30, 2011 consist of the following:

Exercise price	Number outstanding	Weighted-average remaining contractual life	Options outstanding weighted-average exercise price	Number exercisable
$ 11.28	241,000	3.50 years	$ 11.28	37,938
$ 13.30	397,000	4.00 years	$ 13.30	99,250
$ 13.44	398,000	4.25 years	$ 13.44	-
$ 14.10	1,200,000	4.75 years	$ 14.10	-
	2,236,000		$ 13.54	137,188

(In thousands of Canadian dollars, except unit and per unit amounts)

9. Accounts payable and other liabilities (continued):

Unit-based compensation related to unit options granted under the equity incentive plan for the three months and nine months ended September 30, 2011 amounted to $(204) and $263 (2010, $678 and $621, respectively). These unit options granted vest equally over a four-year period. Unit-based compensation was determined based on the change in fair value of the options, with the following weighted-average assumptions:

	September 30, 2011	December 31, 2010	September 30, 2010	January 1, 2010
Expected option life	4.1 years	4.4 years	1.5 years	1.0 year
Risk-free interest rate	1.28%	2.41%	1.56%	1.47%
Distribution yield	8.73%	8.18%	7.81%	9.49%
Expected volatility	23.80%	25.28%	25.82%	26.92%

Expected volatility is estimated by considering historic average unit price volatility.

10. Bank indebtedness:

On September 22, 2010, the REIT entered into an amended and restated loan agreement for a revolving term credit facility in the amount of $60,000, which may be utilized to fund acquisitions of office, retail and industrial properties. $5,000 of the credit facility may be used for general corporate purposes. The credit facility was extended for an additional year and matures on September 28, 2012. Amounts drawn on the facility will bear interest at a floating rate equal to Canadian dollar bankers' acceptances with a term to maturity of 30 days, plus 3.30% per annum. The credit facility is secured by a first charge on Delta Centre, Grain Exchange Building, Johnston Terminal and Sears Centre. At September 30, 2011, the REIT had utilized $37,900 (December 31, 2010, $8,000) of the facility.

11. Capital contributions:

(a) Authorized:

In accordance with the Declaration of Trust, the REIT may issue an unlimited number of units, with each unit representing an equal fractional undivided beneficial interest in any distributions from the REIT, and in the net assets in the event of termination or wind-up of the REIT. All units are of the same class with equal rights and privileges. The units are redeemable at any time at the option of the holder at a price defined in the Declaration of Trust, subject to a maximum of $30 in cash redemptions by the REIT in any one month. Redemptions in excess of this amount will be paid by way of a distribution of notes of the REIT, or the notes of a wholly-owned subsidiary of the REIT.

In accordance with the Declaration of Trust, the REIT may also issue a class of special voting units, which are non-participating voting units of the REIT, to be issued to holders of securities which are exchangeable for units of the REIT. Special voting units are cancelled on the issuance of REIT units on exercise, conversion or cancellation of the corresponding exchangeable securities.

(In thousands of Canadian dollars, except unit and per unit amounts)

11. Capital contributions (continued):

(b) Issued and outstanding:

	Number of units	Amount
Balance at January 1, 2010	-	$ -
Reclassification of trust units liability to equity	50,076,978	575,885
Public offerings, net of issue costs of $12,805	23,546,250	276,443
Conversion of Series B convertible debentures	3,048	40
Conversion of Series E convertible debentures	1,339,010	16,505
Options exercised	217,036	2,898
Distribution Reinvestment and Unit Purchase Plan	294,986	3,463
Balance at December 31, 2010	75,477,308	875,234
Public offerings, net of issue costs of $4,466	7,100,000	95,644
Conversion of Series E convertible debentures	417,396	5,729
Options exercised	29,750	412
Distribution Reinvestment and Unit Purchase Plan	505,925	6,497
Balance at September 30, 2011	83,530,379	$ 983,516

At September 30, 2011, there were no special voting units issued and outstanding.

The REIT has a Distribution Reinvestment and Unit Purchase Plan ("DRIP") which allows unitholders the option to elect to receive all or a portion of their regular monthly distributions in additional REIT units.

(c) Weighted-average units:

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Income for the period	$ 63,505	$ 8,687	$ 254,550	$ 8,642
Adjustment for unit options	(121)	-	(186)	-
Adjustment for convertible debentures	(15,456)	-	(5,999)	-
Diluted income for the period	$ 47,928	$ 8,687	$ 248,365	$ 8,642
The weighted-average number of units outstanding was as follows:				
Basic units	83,380,489	60,492,541	78,416,311	51,268,165
Effect of dilutive securities:				
Unit options	34,585	-	46,549	-
Convertible debentures	13,984,989	-	12,115,021	-
Diluted units	97,400,063	60,492,541	90,577,881	51,268,165
Income per unit:				
Basic	$ 0.76	$ 0.14	$ 3.25	$ 0.17
Diluted	$ 0.49	$ 0.14	$ 2.74	$ 0.17

11. Capital contributions (continued):

(c) Weighted-average units (continued):

The computation of per unit amounts for the three months and nine months ended September 30, 2010 is based upon the weighted-average units outstanding during the period, notwithstanding the trust units classification as financial liabilities until May 13, 2010.

(d) Normal course issuer bid:

On December 10, 2010, the REIT announced that the Toronto Stock Exchange (the "Exchange") had approved the renewal of its normal course issuer bid. Under the renewed bid, the REIT will have the ability to purchase for cancellation up to a maximum of 7,448,867 units, representing 10% of the REIT's float of 74,488,667 on November 30, 2010. Purchases will be made at market prices through the facilities of the Exchange. The bid commenced on December 14, 2007, and will remain in effect until the earlier of December 14, 2011, or the date on which the REIT has purchased the maximum number of units permitted under the bid. During the three months and nine months ended September 30, 2011, the REIT did not acquire units through the normal course issuer bid. Since December 14, 2007, the REIT had acquired 410,200 units for cancellation.

(e) Short-form base shelf prospectus:

On July 28, 2010, the REIT issued a base shelf prospectus. The REIT may from time to time during the 25-month period that this short-form base shelf prospectus is valid, offer and issue the following securities up to a maximum of $750,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. As at September 30, 2011, the REIT has issued 16,215,000 units and a US$88,000 offering of convertible debentures under the base shelf prospectus.

(f) At-the-market equity financing:

The REIT has entered into an Equity Distribution Agreement dated September 17, 2010 with an exclusive agent for the issuance and sale, from time to time, until September 19, 2012 of up to 5,300,000 units of the REIT by way of "at-the-market distributions". The timing of any sale of units and the number of units actually sold during such period are at the discretion of the REIT. Sales of units, if any, pursuant to the Equity Distribution Agreement will be made in transactions that are deemed to be "at-the-market distributions", including sales made directly on the Exchange. As at September 30, 2011, no units have been issued pursuant to this arrangement.

12. Distributions to unitholders:

The REIT declared distributions to REIT unitholders of record in the amount of $0.27 per unit (2010, $0.27 per unit) or $22,528 for the three months ended September 30, 2011 (2010, $16,425) and $0.81 per unit (2010, $0.81 per unit) or $64,122 for the nine months ended September 30, 2011 (2010, $42,989). Distributions during the period from January 1, 2010 to May 13, 2010 are classified as interest expense. Total distributions payable at September 30, 2011 are $7,518 (December 31, 2010, $6,793).

(In thousands of Canadian dollars, except unit and per unit amounts)

13. Revenue:

The REIT leases retail, industrial and office properties to tenants under operating leases.

Minimum rental commitments on non-cancellable tenant operating leases over their remaining terms are as follows:

	September 30, 2011	December 31, 2010
Not later than one year	$ 189,935	$ 156,891
Later than one year and not later than five years	569,786	483,059
Later than five years	394,957	366,044
	$ 1,154,678	$ 1,005,994

14. Gain (loss) on financial instruments:

The components of the fair value gain (loss) on financial instruments are as follows:

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Fair value gain (loss):				
Convertible debentures	$ 18,887	$ (13,825)	$ 14,686	$ (4,044)
Commodity derivatives	(11)	(67)	198	(81)
Interest rate swaps	(3,667)	(347)	(4,088)	(347)
Forward and swap contracts	1,620	(286)	1,724	(286)
Investment in equity securities	(44)	-	(392)	-
Trust units liability (note 25 (f))	-	-	-	(19,361)
	$ 16,785	$ (14,525)	$ 12,128	$ (24,119)

15. Changes in non-cash operating items:

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Prepaid expenses	$ 296	$ (2,941)	$ (4,074)	$ (4,330)
Accounts receivable and other receivables	(3,457)	(135)	(6,379)	(1,659)
Cash held in trust	(187)	(187)	(561)	(1,075)
Security deposits and prepaid rent	201	752	3,382	3,915
Accounts payable and other liabilities	10,184	4,788	12,645	12,827
	$ 7,037	$ 2,277	$ 5,013	$ 9,678

(In thousands of Canadian dollars, except unit and per unit amounts)

16. Related party transactions:

The REIT may issue unit-based awards to trustees, management, management company employees and consultants (note 9).

Other related party transactions are outlined as follows:

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Legal fees	$ 186	$ 507	$ 1,269	$ 2,136
Advisory fees	1,623	1,024	4,347	2,677
Acquisition fees	864	515	3,056	2,743
Property management fees	3,045	1,809	8,017	4,594
Recoverable property management salaries and wages	363	62	1,601	227
Capitalized leasing commissions	123	35	635	342
Capitalized building improvements	3,253	3,238	11,417	5,104
Capitalized tenant inducements	1,602	207	2,257	544
Property tax assessment consulting fees	60	27	64	58
Consulting fees	25	25	75	75

The REIT incurred legal fees with a law firm associated with a trustee of the REIT in connection with prospectus offerings, property acquisitions and general business matters. The amount payable at September 30, 2011 is $102 (December 31, 2010, $869).

The REIT incurred advisory fees and acquisition fees under the asset management agreement with Marwest Realty Advisors Inc. ("Marwest Realty"), a company owned and controlled by certain trustees and officers of the REIT. The amount payable at September 30, 2011 is $581 (December 31, 2010, $464). Under the asset management agreement, Marwest Realty is entitled to an annual advisory fee equal to 0.25% of the adjusted cost base of the REIT's assets and an acquisition fee equal to 0.5% of the cost of each property acquired.

The REIT incurred property management fees, recoverable property management salaries and wages, leasing commission fees, and tenant improvement fees under the property management agreement with Marwest Management Canada Ltd. ("Marwest Management"). The amount payable at September 30, 2011 is $1,355 (December 31, 2010, $390). Marwest Management acts as the general property manager for the REIT's properties and is entitled to management fees, leasing renewal commissions and tenant improvement fees at commercially reasonable rates. Under certain leases, Marwest Management is entitled to recover property management salaries and wages for properties managed directly.

The REIT incurred costs for building improvements and tenant inducements paid to Marwest Construction Ltd. and Marwest Development Corporation, companies related to certain trustees and officers of the REIT. The amount payable at September 30, 2011 is $2,017 (December 31, 2010, $671).

(In thousands of Canadian dollars, except unit and per unit amounts)

16. Related party transactions (continued):

The REIT incurred costs for property tax assessment consulting paid to Fairtax Realty Advocates, a company under control of close family members of key management personnel.

The consulting fees represent work performed by Marwest Realty on IFRS accounting work.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Significant subsidiaries of the REIT are outlined as follows:

	Ownership interest		
Name of entity	September 30, 2011	December 31, 2010	January 1, 2010
Artis General Partner Ltd.	100%	100%	100%
AX L.P.	100%	100%	100%
Artis US Holdings, Inc.	100%	100%	100%
Osborne Street Call Centre Partnership	100%	100%	100%
Winnipeg Square Leaseco Inc.	100%	100%	38%
AX Property Management L.P.	100%	-	-
Artis Property Management General Partner Ltd.	100%	-	-

17. Income taxes:

The REIT currently qualifies as a mutual fund trust for Canadian income tax purposes. Prior to new legislation relating to the federal income taxation of publicly listed or traded trusts, as discussed below, income earned by the REIT and distributed annually to unitholders was not, and would not be, subject to taxation in the REIT, but was taxed at the individual unitholder level. For financial statement reporting purposes, the tax deductibility of the REIT's distributions was treated as an exception from taxation as the REIT distributed, and was committed to continue distributing, all of its taxable income to its unitholders. Accordingly, the REIT did not previously record a provision for income taxes or deferred tax assets or liabilities.

On June 22, 2007, new legislation relating to, among other things, the federal income taxation of a specified investment flow-through trust or partnership (a "SIFT") was enacted (the “SIFT Rules"). A SIFT includes a publicly-listed or traded partnership or trust, such as an income trust.

Under the SIFT Rules, following a transition period for qualifying SIFTs, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital should generally not be subject to the tax.

The SIFT Rules do not apply to a “real estate investment trust" that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the SIFT Rules and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions throughout the three months and nine months ended September 30, 2011 and year ended December 31, 2010.

(In thousands of Canadian dollars, except unit and per unit amounts)

17. Income taxes (continued):

In respect of assets and liabilities of the REIT and its flow through entities, excluding real estate investments in the U.S., the net book value of net assets for accounting purposes exceeds their tax basis by approximately $304,131 at September 30, 2011 (December 31, 2010, $88,807). This balance includes non-capital losses available for carryforward in the amount of $18,873, which may be used to offset taxable income in future periods, and allowable capital losses available for carryforward in the amount of $2,656, which may be used to offset taxable capital gains in the future periods. No recognition has been given to these temporary differences and loss carryforwards.

The REIT is subject to taxation in the U.S. on the taxable income earned by its U.S. properties.

A deferred tax liability arises from the temporary differences between the carrying value and the tax basis of the net assets of the U.S. properties. The tax effects of temporary differences arise from investment properties.

A reconciliation of expected income taxes based upon the statutory rates to the recorded income tax expense is as follows:

	Three months ended September 30, 2011	Nine months ended September 30, 2011
Income for the period	$ 63,505	$ 254,550
Income subject to tax in the hands of unitholders, not the REIT	(43,788)	(228,567)
	19,717	25,983
Combined statutory rate	39.90 %	40.04 %
	7,868	10,404
Rate differential	24	22
Other	(192)	(188)
Income tax expense	$ 7,700	$ 10,238
Comprised of:		
Current income tax expense	$ 883	$ 1,680
Deferred tax expense	6,817	8,558
	$ 7,700	$ 10,238

(In thousands of Canadian dollars, except unit and per unit amounts)

18. Jointly controlled assets:

These consolidated financial statements include the REIT's share of assets, liabilities, revenues, expenses and cash flows of jointly controlled assets as at September 30, 2011. The REIT is contingently liable for the obligations of its joint venturers in certain jointly controlled assets. Management believes that the jointly controlled assets available are sufficient for the purpose of satisfying such obligations. The REIT has interests in the following jointly controlled assets:

		Ownership interest		
Name of entity	Principal purpose	September 30, 2011	December 31, 2010	January 1, 2010
Centre 70 Building	Investment property	85%	85%	85%
Kincaid Building	Investment property	50%	50%	50%
Cliveden Building	Investment property	50%	50%	50%
Winnipeg Square / 360 Main Street [1]	Investment property	-	-	38%
Westbank Hub Centre North	Investment property	50%	50%	-
Cara Foods Building	Investment property	50%	-	-

[1] The REIT acquired the remaining 62% interest in this property on June 30, 2010.

The REIT's share of these jointly controlled assets is summarized as follows:

	September 30, 2011	December 31, 2010	January 1, 2010
Non-current assets	$ 95,593	$ 68,401	$ 89,177
Current assets	1,072	392	1,109
	96,665	68,793	90,286
Non-current liabilities	88,073	68,946	85,256
Current liabilities	2,158	1,527	2,287
	$ 90,231	$ 70,473	$ 87,543

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Revenue	$ 2,531	$ 1,893	$ 6,980	$ 8,797
Expenses	1,537	1,133	4,573	6,866
	994	760	2,407	1,931
Unrealized fair value (loss) gain on investment properties	(984)	(736)	5,707	(3,903)
Operating income (loss) from properties	$ 10	$ 24	$ 8,114	$ (1,972)
Cash flows provided by operating activities	$ 903	$ 469	$ 2,381	$ 1,533
Cash flows used in investing activities	(87)	(48)	(9,046)	(8,100)
Cash flows (used in) provided by financing activities	(1,017)	(556)	7,001	7,239

(In thousands of Canadian dollars, except unit and per unit amounts)

19. Segmented information:

The REIT owns and operates various properties located in Canada and the U.S. Information related to these geographical locations is presented below. Western Canada includes British Columbia and Alberta; Central Canada includes Saskatchewan and Manitoba; and Eastern Canada includes Ontario. REIT expenses as well as interest relating to the convertible debentures have not been allocated to the segments.

	Three months ended September 30, 2011					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	$ 37,585	$ 19,046	$ 10,678	$ 11,118	$ -	$ 78,427
Property operating expenses	13,109	7,795	4,143	4,269	-	29,316
	24,476	11,251	6,535	6,849	-	49,111
Interest income	369	5	5	15	205	599
	24,845	11,256	6,540	6,864	205	49,710
Interest expense	9,160	4,218	2,287	1,751	3,920	21,336
Corporate expenses	-	-	-	-	2,663	2,663
Foreign currency translation loss	-	-	-	-	5,131	5,131
	9,160	4,218	2,287	1,751	11,714	29,130
	15,685	7,038	4,253	5,113	(11,509)	20,580
Income tax expense	-	-	-	(7,700)	-	(7,700)
Transaction costs	(614)	(357)	(316)	(390)	(7)	(1,684)
Gain on financial instruments	-	-	-	-	16,785	16,785
Gain on disposal of investment property	-	-	-	481	-	481
Unrealized fair value gain on investment properties	15,558	1,763	3,062	14,660	-	35,043
Income for the period	$ 30,629	$ 8,444	$ 6,999	$ 12,164	$ 5,269	$ 63,505
Acquisitions of investment properties	$ 90,000	$ 57,090	$ -	$ 28,355	$ -	$ 175,445
Additions to investment properties and investment properties under construction	1,279	3,949	250	570	-	6,048
Additions to leasing costs	318	270	83	274	-	945
Additions to tenant inducements	1,710	475	102	281	-	2,568

(In thousands of Canadian dollars, except unit and per unit amounts)

19. Segmented information (continued):

	Three months ended September 30, 2010				
	Western Canada	Central Canada	U.S.	REIT	Total
Revenue	$ 30,482	$ 15,006	$ 696	$ -	$ 46,184
Property operating expenses	9,646	6,439	171	-	16,256
	20,836	8,567	525	-	29,928
Interest income	393	5	-	270	668
	21,229	8,572	525	270	30,596
Interest expense	8,303	3,402	173	2,565	14,443
Corporate expenses	-	-	-	2,536	2,536
Foreign currency translation loss	-	-	-	553	553
	8,303	3,402	173	5,654	17,532
	12,926	5,170	352	(5,384)	13,064
Transaction costs	(416)	(3,858)	(12)	-	(4,286)
Loss on financial instruments	-	-	-	(14,525)	(14,525)
Unrealized fair value gain on investment properties	7,419	6,326	689	-	14,434
Income (loss) for the period	$ 19,929	$ 7,638	$ 1,029	$ (19,909)	$ 8,687
Acquisitions of investment properties	$ 52,092	$ 52,500	$ -	$ -	$ 104,592
Additions to investment properties and investment properties under construction	1,052	1,169	-	-	2,221
Additions to leasing costs	480	130	-	-	610
Additions to tenant inducements	5,234	490	-	-	5,724

(In thousands of Canadian dollars, except unit and per unit amounts)

19. Segmented information (continued):

	Nine months ended September 30, 2011					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	$ 107,034	$ 52,448	$ 25,371	$ 22,719	$ -	$ 207,572
Property operating expenses	36,760	21,348	10,445	8,367	-	76,920
	70,274	31,100	14,926	14,352	-	130,652
Interest income	1,114	23	15	16	895	2,063
	71,388	31,123	14,941	14,368	895	132,715
Interest expense	26,592	11,796	4,882	3,809	9,920	56,999
Corporate expenses	-	-	-	-	7,749	7,749
Foreign currency translation loss	-	-	-	-	3,209	3,209
	26,592	11,796	4,882	3,809	20,878	67,957
	44,796	19,327	10,059	10,559	(19,983)	64,758
Income tax expense	-	-	-	(10,238)	-	(10,238)
Transaction costs	(799)	(765)	(4,658)	(2,150)	(3,640)	(12,012)
Gain on financial instruments	-	-	-	-	12,128	12,128
Gain on disposal of investment properties	-	255	-	481	-	736
Unrealized fair value gain on investment properties	137,539	24,154	19,223	18,262	-	199,178
Income (loss) for the period	$ 181,536	$ 42,971	$ 24,624	$ 16,914	$ (11,495)	$ 254,550
Acquisitions of investment properties	$ 109,983	$ 119,530	$ 165,920	$ 219,773	$ -	$ 615,206
Additions to investment properties and investment properties under construction	3,864	10,403	276	577	-	15,120
Additions to leasing costs	1,664	695	302	653	-	3,314
Additions to tenant inducements	3,051	2,451	172	1,023	-	6,697

	September 30, 2011					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Total assets	$ 1,550,968	$ 676,164	$ 358,668	$ 384,205	$ 50,072	$ 3,020,077
Total liabilities	759,638	363,548	214,910	244,667	278,224	1,860,987

(In thousands of Canadian dollars, except unit and per unit amounts)

19. Segmented information (continued):

	Nine months ended September 30, 2010				
	Western Canada	Central Canada	U.S.	REIT	Total
Revenue	$ 80,430	$ 38,025	$ 696	$ -	$ 119,151
Property operating expenses	25,219	15,385	175	-	40,779
	55,211	22,640	521	-	78,372
Interest income	1,186	7	-	442	1,635
	56,397	22,647	521	442	80,007
Interest expense	21,648	8,680	173	23,323	53,824
Corporate expenses	-	-	-	5,242	5,242
Foreign currency translation loss	-	-	-	457	457
	21,648	8,680	173	29,022	59,523
	34,749	13,967	348	(28,580)	20,484
Transaction costs	(2,783)	(5,990)	(347)	(3,754)	(12,874)
Loss on financial instruments	-	-	-	(24,119)	(24,119)
Unrealized fair value gain on investment properties	19,423	4,675	1,053	-	25,151
Income (loss) for the period	$ 51,389	$ 12,652	$ 1,054	$ (56,453)	$ 8,642
Acquisitions of investment properties	$ 358,554	$ 174,230	$ 18,985	$ -	$ 551,769
Additions to investment properties and investment properties under construction	3,397	2,253	-	-	5,650
Additions to leasing costs	903	575	-	-	1,478
Additions to tenant inducements	7,087	1,008	-	-	8,095

	December 31, 2010					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Total assets	$ 1,289,799	$ 521,111	$ 168,849	$ 123,671	$ 108,166	$ 2,211,596
Total liabilities	706,329	291,877	107,882	81,073	170,205	1,357,366

20. Commitments, contingencies and guarantees:

(a) Letters of credit:

As of September 30, 2011, the REIT had issued letters of credit in the amount of $1,728 (December 31, 2010, $1,701).

(b) Guarantees:

AX L.P. has guaranteed certain debt assumed by a purchaser in connection with the disposition of a property. This guarantee will remain until the debt is modified, refinanced or extinguished. Credit risk arises in the event that the purchaser defaults on repayment of their debt since it is guaranteed by the REIT. This credit risk is mitigated as the REIT has recourse under this guarantee in the event of default by the purchaser, in which case the REIT would have a claim against the underlying property. The estimated amount of debt subject to the guarantee at September 30, 2011 is $5,768 (December 31, 2010, $5,873), with an estimated weighted-average remaining term of 6.2 years (December 31, 2010, 6.9 years). No liability in excess of the fair value of the guarantee has been recognized in these consolidated financial statements as the estimated fair value of the borrower's interests in the underlying property is greater than the mortgage payable for which the REIT provided the guarantee.

(c) Contingent consideration:

In accordance with the purchase and sale agreement for the Ryan Retail Portfolio, the vendor is entitled to an earn out payment related to certain future events. The purchase and sale agreement provides for this contingent consideration to be based on the lease up of certain vacant leasable area prior to May 30, 2016. The calculation provides for the gross rent earned to be capitalized at 8.25% and paid to the vendor. The amount and timing of the contingent consideration are not determinable at this time.

21. Capital management:

The REIT's objectives when managing capital are to safeguard the ability to continue as a going concern, and to generate sufficient returns to provide unitholders with stable cash distributions. The REIT defines capital as bank indebtedness, mortgages and loans payable, convertible debentures and unitholders' equity.

The REIT's Declaration of Trust permits the REIT to incur indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the REIT is not more than 70% of the gross book value of the REIT's total assets. Gross book value is defined in the Declaration of Trust as "the consolidated book value of the assets of the REIT, plus the amount of accumulated depreciation and amortization recorded in the books and records of the REIT, plus the amount of any deferred tax liability arising out of any indirect acquisitions, calculated in accordance with generally accepted accounting principles". As at September 30, 2011, the ratio of such indebtedness to gross book value was 51.9% (December 31, 2010, 52.6%), which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

In addition to the covenant outlined in the Declaration of Trust, the REIT must maintain a debt to gross book value ratio of 70%, a debt service coverage ratio of 1.4, and minimum unitholders' equity of $275,000 for the purposes of the credit facility (note 10). As at September 30, 2011, the REIT was in compliance with these requirements.

(In thousands of Canadian dollars, except unit and per unit amounts)

21. Capital management (continued):

The REIT's mortgage providers also have minimum limits on debt service coverage ratios. The REIT monitors these ratios and is in compliance with these requirements.

The total managed capital for the REIT is summarized below:

	September 30, 2011	December 31, 2010	January 1, 2010
Mortgages and loans payable	$ 1,530,304	$ 1,156,092	$ 612,263
Convertible debentures	224,638	153,889	103,225
Bank indebtedness	37,900	8,000	30,700
Total debt	1,792,842	1,317,981	746,188
Unitholders' equity (deficit)	1,159,090	854,230	(7,414)
	$ 2,951,932	$ 2,172,211	$ 738,774

22. Risk management and fair values:

(a) Risk management:

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

(i) Market risk:

(a) Interest rate risk:

The REIT is exposed to interest rate risk on its borrowings. It minimizes the risk by restricting debt to 70% of the gross book value of the REIT's total assets and by limiting the amount of variable rate debt. The REIT has the majority of its mortgage payable and debentures in fixed rate terms. In addition, management considers the weighted-average term to maturity of long-term debt relative to the remaining average lease terms. At September 30, 2011, the REIT is a party to $351,338 of variable rate debt, including the outstanding balance of bank indebtedness (December 31, 2010, $183,584). At September 30, 2011, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $65,448 of variable rate debt (December 31, 2010, $66,584).

The following table outlines the impact on interest expense of a 100 basis point increase or decrease in interest rates on the REIT's variable rate debt and fixed rate debt maturing within one year:

	Impact on interest expense
Variable rate debt	$ 1,901
Fixed rate debt due within one year	1,038
	$ 2,939

22. Risk management and fair values (continued):

(a) Risk management (continued):

(i) Market risk (continued):

(b) Foreign currency risk:

The REIT owns properties located in the U.S., and therefore, the REIT is subject to foreign currency fluctuations that may impact its financial position and results. In order to mitigate this risk, the REIT's debt on U.S. properties as well as the Series G convertible debentures are held in US dollars to act as a natural hedge.

A $0.10 weakening in the US dollar against the average Canadian dollar exchange rate of 0.9819 and 0.9776 for the three months and nine months ended September 30, 2011, respectively, and the period end exchange rate of 1.0389 at September 30, 2011 would have increased the unrealized foreign currency translation gain included in net income by approximately $6,878 and $7,602 and increased other comprehensive loss by approximately $12,447 and $11,724 for the three months and nine months ended September 30, 2011, respectively. Conversely, a $0.10 strengthening in the US dollar against the Canadian dollar would have had an equal but opposite effect. This analysis assumes that all variables, in particular interest rates, remain constant.

(c) Other price risk:

The REIT periodically enters into derivative transactions in regards to non-financial items, primarily natural gas and electrical contracts, to manage the price risk arising from fluctuations in these commodities.

(ii) Credit risk:

The REIT's maximum exposure to credit risk is equivalent to the carrying value of each class of financial asset as separately presented in cash and cash equivalents, cash held in trust, notes receivable, accounts receivable and other receivables, and investment in equity securities.

The REIT is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. The REIT's properties are diversified across the industrial, retail and office asset classes, and geographically diversified with properties owned across five Canadian provinces and four U.S. states. Included in property operating expenses is an impairment loss on accounts receivable and other receivables of $12 and $154 during the three months and nine months ended September 30, 2011 (2010, $8 and $59, respectively). The credit quality of the accounts receivable and other receivables amount is considered adequate.

(In thousands of Canadian dollars, except unit and per unit amounts)

22. Risk management and fair values (continued):

(a) Risk management (continued):

(ii) Credit risk (continued):

The aging of accounts receivable is summarized as follows:

	September 30, 2011	December 31, 2010
Past due 0 - 30 days	$ 1,278	$ 502
Past due 31 - 90 days	397	134
Past due more than 91 days	715	608
	2,390	1,244
Allowance for doubtful accounts	(99)	(174)
	$ 2,291	$ 1,070

The REIT is also exposed to credit risk as a holder of notes receivable. Management mitigates this risk by carrying out credit checks and related due diligence on the borrowers.

(iii) Liquidity risk:

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they come due. The REIT manages liquidity by maintaining adequate cash and by having appropriate lines of credit available. In addition, the REIT continuously monitors and reviews both actual and forecasted cash flows.

The following are the estimated maturities of the REIT's non-derivative financial liabilities at September 30, 2011 including accounts payable and other liabilities, mortgages and loans payable, bank indebtedness and convertible debentures, with convertible debentures disclosed at their face value:

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and other liabilities	$ 45,937	$ 45,937	$ -	$ -	$ -
Mortgages, loans and bank indebtedness	1,570,462	172,742	421,225	593,182	383,313
Convertible debentures	234,705	-	40,032	17,000	177,673
	$ 1,851,104	$ 218,679	$ 461,257	$ 610,182	$ 560,986

22. Risk management and fair values (continued):

(b) Fair values:

The fair value of the REIT's accounts receivable and other receivables, accounts payable and other liabilities, and bank indebtedness approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair value of notes receivable has been determined by discounting the cash flows of these financial assets using period end market rates for assets of similar terms and credit risks. Based on these assumptions, the fair value of notes receivable at September 30, 2011 has been estimated at $24,480 (December 31, 2010, $26,689), compared with the carrying value of $25,848 (December 31, 2010, $27,142).

The fair value of mortgages and loans payable has been determined by discounting the cash flows of these financial obligations using period end market rates for debt of similar terms and credit risks. Based on these assumptions, the fair value of mortgages and loans payable at September 30, 2011 has been estimated at $1,596,513 (December 31, 2010, $1,183,292) compared with the carrying value of $1,530,304 (December 31, 2010, $1,156,092).

The fair value of the REIT's convertible debentures is $224,638 (December 31, 2010, $153,889) compared to its face value of $234,705 (December 31, 2010, $147,164) at September 30, 2011. Fair value is based on the market price of the debentures, or if no market price exists, fair value is determined by discounting the cash flows of these financial obligations using period end market rates for debt of similar terms and credit risks.

As at September 30, 2011, the REIT has entered into natural gas and electrical contracts with a fair value asset of $2 (December 31, 2010, fair value liability of $196). The REIT recorded an unrealized fair value loss of $11 for the three months ended September 30, 2011 (2010, $67) and an unrealized fair value gain of $198 for the nine months ended September 30, 2011 (2010, unrealized fair value loss of $81).

The REIT entered into interest rate swaps on four mortgages. The swaps are not designated in a hedge relationship. An unrealized loss of $3,667 was recorded for the three months ended September 30, 2011 (2010, $347) and $4,088 for the nine months ended September 30, 2011 (2010, $347) in relation to the fair value of these interest rate swaps, resulting in a fair value liability at September 30, 2011 of $3,594 (December 31, 2010, $494).

On August 24, 2011, the REIT had entered into a swap contract to exchange US$30,000 into Canadian funds on October 25, 2011. An unrealized gain of $1,620 was recorded for the three months ended September 30, 2011 in relation to this contract.

The fair value of equity securities is $1,007 at September 30, 2011 (December 31, 2010, $11,184), with an unrealized loss of $299 and a realized gain of $255 recorded for the three months ended September 30, 2011. An unrealized loss of $1,996 and a realized gain of $1,604 were recorded for the nine months ended September 30, 2011.

Under the fair value hierarchy of financial instruments measured at fair value on the consolidated balance sheet, investment in equity securities, convertible debentures and the trust units liability are measured using a Level 1 methodology and natural gas and electrical contracts and interest rate swaps are valued using a Level 2 methodology. There are no financial instruments valued using a Level 3 methodology.

23. Subsequent events:

On October 25, 2011, the REIT settled US$5,000 of the US$30,000 swap contract that was entered into on August 24, 2011. The REIT extended payment of the remaining US$25,000 until November 25, 2011.

On October 31, 2011, the REIT took over the property management operations for several of its properties in Winnipeg, Manitoba and paid a termination fee of $4,000 to the prior third party property management company.

The REIT has an agreement with respect to the acquisition of a property located in Alberta. The purchase price of the property is $17,100. The REIT anticipates that the acquisition will close in January of 2012, and will be financed through a combination of cash consideration and new mortgage financing.

The REIT has an agreement with respect to the acquisition of a property located in Arizona. The purchase price of the property is US$75,000. The REIT anticipates that the acquisition will close in February of 2012, and will be financed through a combination of cash consideration and new mortgage financing.

Subsequent to September 30, 2011, Series E convertible debentures with a face value of $138 were converted and the REIT issued 14,838 units at the price of $9.30 per unit.

24. Approval of financial statements:

The consolidated financial statements were approved by the Board of Trustees and authorized for issue on November 8, 2011.

25. Transition to IFRS:

As stated in note 2 (a), the REIT's consolidated financial statements for the year ended December 31, 2011 will be the first annual financial statements prepared in accordance with IFRS.

The accounting policies set out in note 2 have been applied in preparing the consolidated financial statements for the three months and nine months ended September 30, 2011, the comparative information presented in these consolidated financial statements for the three months and nine months ended ended September 30, 2010 and in the preparation of an opening IFRS balance sheet at January 1, 2010 (the REIT's date of transition). The REIT will ultimately prepare its opening IFRS balance sheet in the 2011 annual consolidated financial statements by applying existing IFRS with an effective date of December 31, 2011 or prior. Accordingly, the opening IFRS balance sheet and the December 31, 2010 comparative balance sheet presented in the 2011 annual consolidated financial statements may differ from those presented at this time.

In preparing its opening IFRS balance sheet, the REIT has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the REIT's financial position, operating results and cash flows is set out in the following tables and the accompanying notes.

(In thousands of Canadian dollars, except unit and per unit amounts)

25. Transition to IFRS (continued):

The following is a reconciliation of unitholders' equity reported in accordance with previous Canadian GAAP to unitholders' equity reported in accordance with IFRS at the transition date:

	Capital contributions	Equity component of convertible debentures	Deficit	Contributed surplus	Total
Unitholders' equity as reported under previous Canadian GAAP, December 31, 2009	$ 485,000	$ 9,926	$ (137,497)	$ 3,477	$ 360,906
Adjustments:					
Investment properties (note 25 (c))	-	-	76,055	-	76,055
Unit-based payments (note 25 (d))	-	-	1,537	(1,714)	(177)
Convertible debentures (note 25 (e))	-	(9,926)	(7,267)	-	(17,193)
Trust units (note 25 (f))	(485,000)	-	59,758	(1,763)	(427,005)
Unitholders' deficit as reported under IFRS, January 1, 2010	$ -	$ -	$ (7,414)	$ -	$ (7,414)

The following is a reconciliation of unitholders' equity reported in accordance with previous Canadian GAAP to unitholders' equity reported in accordance with IFRS at September 30, 2010:

	Capital contributions	Equity component of convertible debentures	Deficit	Accumulated other comprehensive loss	Contributed surplus	Total
Unitholders' equity as reported under previous Canadian GAAP, September 30, 2010	$ 791,777	$ 11,948	$ (183,278)	$ (179)	$ 3,586	$ 623,854
Adjustments:						
Investment properties (note 25 (c))	-	-	130,353	-	-	130,353
Unit-based payments (note 25 (d))	8	-	995	-	(1,706)	(703)
Convertible debentures (note 25 (e))	3,339	(11,948)	(13,406)	-	(117)	(22,132)
Trust units (note 25 (f))	(38,635)	-	40,398	-	(1,763)	-
Foreign currency translation (note 25 (h))	-	-	5	(5)	-	-
Unitholders' equity as reported under IFRS, September 30, 2010	$ 756,489	$ -	$ (24,933)	$ (184)	$ -	$ 731,372

(In thousands of Canadian dollars, except unit and per unit amounts)

25. Transition to IFRS (continued):

The following is a reconciliation of unitholders' equity reported in accordance with previous Canadian GAAP to unitholders' equity reported in accordance with IFRS at December 31, 2010:

	Capital contributions	Equity component of convertible debentures	Deficit	Accumulated other comprehensive loss	Contributed surplus	Total
Unitholders' equity as reported under previous Canadian GAAP, December 31, 2010	$ 909,331	$ 11,442	$ (204,604)	$ (273)	$ 3,815	$ 719,711
Adjustments:						
Investment properties (note 25 (c))	-	-	153,523	-	-	153,523
Unit-based payments (note 25 (d))	7	-	1,171	-	(1,486)	(308)
Convertible debentures (note 25 (e))	4,531	(11,442)	(10,721)	-	(566)	(18,198)
Trust units (note 25 (f))	(38,635)	-	40,398	-	(1,763)	-
Deferred taxes (note 25 (g))	-	-	(498)	-	-	(498)
Foreign currency translation (note 25 (h))	-	-	37	(37)	-	-
Unitholders' equity as reported under IFRS, December 31, 2010	$ 875,234	$ -	$ (20,694)	$ (310)	$ -	$ 854,230

The following is a reconciliation of comprehensive income reported in accordance with previous Canadian GAAP to comprehensive income reported in accordance with IFRS for the three months and nine months ended ended September 30, 2010 and year ended December 31, 2010:

	Three months ended September 30, 2010	Nine months ended September 30, 2010	Year ended December 31, 2010
Comprehensive loss for the period as reported under previous Canadian GAAP	$ (3,062)	$ (2,971)	$ (4,048)
Adjustments:			
Investment properties (note 25 (c))	25,430	54,304	77,508
Unit-based payments (note 25 (d))	(636)	(542)	(368)
Convertible debentures (note 25 (e))	(13,224)	(6,139)	(3,454)
Trust units (note 25 (f))	-	(36,189)	(36,189)
Deferred taxes (note 25 (g))	-	-	(498)
Foreign currency translation (note 25 (h))	(5)	(5)	(37)
Comprehensive income for the period as reported under IFRS	$ 8,503	$ 8,458	$ 32,914

25. Transition to IFRS (continued):

(a) Elected exemptions from full retrospective application:

In preparing the consolidated financial statements in accordance with IFRS 1, the REIT has elected to apply IFRS prospectively to all business combinations that occurred on or after the January 1, 2010 transition date. The remaining optional exemptions are either not applicable to the REIT or not utilized in the transition to IFRS.

(b) Mandatory exceptions from full retrospective application:

In accordance with IFRS 1, the REIT has applied the mandatory exception from full retrospective application of IFRS with respect to estimates. Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the REIT under Canadian GAAP are consistent with their application under IFRS at January 1, 2010. The remaining mandatory exceptions are not applicable to the REIT.

(c) Investment properties and investment properties under construction:

The REIT considers its commercial properties to be investment properties under IAS 40 - *Investment Property*. Investment property is property held to earn rental income or for capital appreciation, or both.

Consistent with the REIT's accounting policy, investment properties have been recognized at fair value at the date of transition. Under previous Canadian GAAP investment properties were measured on an amortized cost basis.

The adjustment to equity represents the cumulative unrealized gain in respect of the REIT's investment properties, inclusive of related intangible assets, leasing costs, intangible liabilities, straight-line rent receivable, tenant inducements and tenant improvements which were recorded separately under previous GAAP.

Under IFRS, investment properties under construction are separately presented in the balance sheet.

In accordance with IFRS, acquisitions of properties that constitute a business are accounted for as business combinations using the acquisition method. Transaction costs associated with business combinations have been expensed as incurred. Under previous Canadian GAAP, transaction costs associated with property acquisitions were capitalized.

(In thousands of Canadian dollars, except unit and per unit amounts)

25. Transition to IFRS (continued):

(c) Investment properties and investment properties under construction (continued):

The impact arising from the change is summarized as follows:

	Three months ended September 30, 2010	Nine months ended September 30, 2010	Year ended December 31, 2010
Consolidated statement of operations:			
Elimination of amortization expense	$ (19,034)	$ (48,382)	$ (70,872)
Decrease in revenue	3,752	10,109	13,937
Unrealized fair value gain	(14,434)	(25,151)	(36,365)
Increase in transaction costs	4,286	9,120	15,792
Increase in comprehensive income for the period	$ (25,430)	$ (54,304)	$ (77,508)

	January 1, 2010	September 30, 2010	December 31, 2010
Consolidated balance sheet:			
Increase in investment properties	$ 119,886	$ 246,970	$ 332,009
Increase in investment properties under construction	-	2,963	5,405
Decrease in other assets	(119,440)	(200,127)	(266,707)
Decrease in intangible liabilities	81,523	88,344	91,568
Decrease in other receivables	(5,914)	(7,797)	(8,752)
Increase in equity	$ 76,055	$ 130,353	$ 153,523

(d) Unit-based payments:

The REIT's unit options are to be settled by redeemable trust units. In accordance with IFRS 2 - *Share-Based Payment*, these unit-based payments are considered to be cash-settled, and are therefore recorded as a liability at fair value at each reporting date. Any change in the fair value of the liability is recognized as compensation expense in net income for the period. Unit options granted by the REIT vest equally over a four-year period. In accordance with IFRS, the REIT treats each installment as a separate unit option grant as each installment has a different vesting period. Under previous GAAP, the fair value at the grant date of options granted and vested under the unit option plan were recorded to contributed surplus, and unit option installments were not treated as separate unit option grants.

(e) Convertible debentures:

The REIT's convertible debentures are to be settled by redeemable trust units. Consistent with the REIT's accounting policy, convertible debentures are recorded as a liability at fair value at each reporting date, with gains and losses recognized in net income. Transaction costs are recognized immediately in net income. Under previous GAAP, convertible debentures were recorded as compound financial instruments and allocated between a liability and equity component at the time of issue. Transaction costs were included in the carrying value of the liability at inception and amortized over the expected life of the debentures using the effective interest method.

(In thousands of Canadian dollars, except unit and per unit amounts)

25. Transition to IFRS (continued):

(f) Trust units:

In accordance with IAS 32 - *Financial Instruments: Presentation*, the REIT's trust units are classified as liabilities as they represent puttable financial instruments that include a contractual obligation to redeem the trust units for cash on exercise of the put, and are measured at fair value with gains and losses recognized in net income. On May 14, 2010, the REIT amended its Declaration of Trust in order to make distributions non-mandatory, and thereby, permit classification of the trust units as equity. Distributions paid to unitholders during the period from January 1 to May 13, 2010 are classified as interest expense. Under previous GAAP, trust units and distributions on those units were classified as equity.

The impact arising from the change is summarized as follows:

	Three months ended September 30, 2010	Nine months ended September 30, 2010	Year ended December 31, 2010
Consolidated statement of operations:			
Increase in interest expense	$ -	$ 16,828	$ 16,828
Increase in unrealized fair value loss	-	19,361	19,361
Decrease in comprehensive income for the period	$ -	$ 36,189	$ 36,189

	January 1, 2010	September 30, 2010	December 31, 2010
Consolidated balance sheet:			
Increase in trust units liability	$ 427,005	$ -	$ -
Decrease in equity	$ 427,005	$ -	$ -

(g) Deferred taxes:

The change in deferred taxes recorded under IFRS compared with previous Canadian GAAP relates to the change in the measurement of the carrying value of investment properties from amortized cost to fair value.

(h) Foreign currency translation:

The change in other comprehensive income recorded under IFRS compared with previous Canadian GAAP relates to the change in the measurement of the carrying value of investment properties from amortized cost to fair value.

25. Transition to IFRS (continued):

(i) Classification:

Under previous GAAP, the REIT did not present a classified balance sheet. Under IAS 1 - *Presentation of Financial Statements*, the REIT presents current and non-current assets, and current and non-current liabilities, as separate classifications in its balance sheet.

(j) Changes to the cash flow statement:

There were no material adjustments to the cash flow statement as a result of the transition to IFRS, other than the impact of the adjustments discussed in note 25 (c) through (h).