Interim Condensed Consolidated Financial Statements of

ARTIS REAL ESTATE INVESTMENT TRUST

Three months ended March 31, 2012 and 2011
(Unaudited)

(In Canadian dollars)

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Balance Sheets

(In thousands of Canadian dollars)

	March 31, 2012 (Unaudited)	December 31, 2011
ASSETS		
Non-current assets:		
Investment properties (note 4)	$ 3,184,203	$ 3,003,604
Investment properties under construction (note 4)	10,828	20,463
Other assets (note 5)	2,138	311
Notes receivable	21,808	23,752
	3,218,977	3,048,130
Current assets:		
Deposits on investment properties	10,500	5,614
Prepaid expenses	5,475	5,150
Notes receivable	3,354	1,685
Accounts receivable and other receivables	15,493	11,876
Cash held in trust	2,076	1,039
Cash and cash equivalents	154,520	94,094
	191,418	119,458
	$ 3,410,395	$ 3,167,588
LIABILITIES AND UNITHOLDERS' EQUITY		
Non-current liabilities:		
Mortgages and loans payable (note 6)	$ 1,397,127	$ 1,428,334
Convertible debentures (note 7)	212,055	235,746
Defined benefit liability (note 8 (a))	216	-
Preferred share liability	76	78
	1,609,474	1,664,158
Current liabilities:		
Mortgages and loans payable (note 6)	227,087	139,065
Security deposits and prepaid rent	17,866	14,160
Accounts payable and other liabilities (note 9)	47,756	42,490
Bank indebtedness (note 10)	-	37,900
	292,709	233,615
	1,902,183	1,897,773
Unitholders' equity	1,508,212	1,269,815
Commitments and guarantees (note 18)		
Subsequent events (note 21)		
	$ 3,410,395	$ 3,167,588

See accompanying notes to interim condensed consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Operations
Three months ended March 31, 2012 and 2011
(Unaudited)

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

	2012	2011
Revenue	$ 82,132	$ 63,258
Property operating expenses	29,290	24,246
	52,842	39,012
Interest income	876	750
	53,718	39,762
Expenses:		
Interest	21,705	16,675
Corporate	3,448	2,513
Foreign currency translation (gain) loss	(654)	103
	24,499	19,291
Income before other items	29,219	20,471
Income tax recovery	-	123
Transaction costs	(1,315)	(1,206)
Loss on financial instruments (note 13)	(9,019)	(3,782)
Gain on disposal of investment properties (note 3)	-	255
Unrealized fair value gain on investment properties (note 4)	56,871	116,160
Income for the period	75,756	132,021
Other comprehensive loss:		
Unrealized foreign currency translation loss	(3,100)	(2,069)
Comprehensive income for the period	$ 72,656	$ 129,952
Basic income per unit (note 11 (c))	$ 0.81	$ 1.75
Diluted income per unit (note 11 (c))	$ 0.80	$ 1.63
Weighted-average number of units outstanding:		
Basic (note 11 (c))	93,657,426	75,612,655
Diluted (note 11 (c))	94,615,172	85,208,550

See accompanying notes to interim condensed consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Changes in Unitholders' Equity
Three months ended March 31, 2012 and 2011
(Unaudited)

(In thousands of Canadian dollars, except unit amounts)

	Number of units	Capital contributions	Equity (deficit)	Accumulated other comprehensive (loss) income	Total
Unitholders' equity, December 31, 2010	75,477,308	$ 875,234	$ (20,694)	$ (310)	$ 854,230
Issuance of units, net of issue costs	128,372	1,626	-	-	1,626
Conversion of convertible debentures	165,585	2,235	-	-	2,235
Income for the period	-	-	132,021	-	132,021
Other comprehensive loss for the period	-	-	-	(2,069)	(2,069)
Distributions for the period	-	-	(20,433)	-	(20,433)
Unitholders' equity, March 31, 2011	75,771,265	879,095	90,894	(2,379)	967,610
Issuance of units, net of issue costs	12,766,067	169,807	-	-	169,807
Conversion of convertible debentures	335,573	4,628	-	-	4,628
Income for the period	-	-	189,268	-	189,268
Other comprehensive income for the period	-	-	-	5,252	5,252
Distributions for the period	-	-	(66,750)	-	(66,750)
Unitholders' equity, December 31, 2011	88,872,905	1,053,530	213,412	2,873	1,269,815
Issuance of units, net of issue costs	12,576,579	188,934	-	-	188,934
Conversion of convertible debentures	193,820	3,021	-	-	3,021
Income for the period	-	-	75,756	-	75,756
Other comprehensive loss for the period	-	-	-	(3,100)	(3,100)
Distributions for the period	-	-	(26,214)	-	(26,214)
Unitholders' equity, March 31, 2012	101,643,304	$ 1,245,485	$ 262,954	$ (227)	$1,508,212

See accompanying notes to interim condensed consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Cash Flows
Three months ended March 31, 2012 and 2011
(Unaudited)

(In thousands of Canadian dollars)

	2012	2011
Cash provided by (used in):		
Operating activities:		
Income for the period	$ 75,756	$ 132,021
Adjustments for non-cash items:		
Unrealized fair value gain on investment properties	(56,871)	(116,160)
Depreciation of other assets	88	29
Amortization:		
Tenant inducements amortized to revenue	1,325	1,020
Above- and below-market mortgages, net	(289)	(138)
Straight-line rent adjustment	(1,274)	(1,148)
Unrealized foreign currency translation gain	(835)	(1,085)
Gain on disposal of investment property	-	(255)
Unrealized fair value loss on financial instruments	9,019	4,082
Unit-based compensation expense	1,512	353
Accretion of financing costs included in interest	619	386
Deferred tax recovery	-	(49)
Defined benefit expense	216	-
	29,266	19,056
Additions to tenant inducements	(1,542)	(2,557)
Changes in non-cash operating items (note 14)	3,166	3,111
	30,890	19,610
Investing activities:		
Acquisition of investment properties, net of related debt	(46,166)	(58,252)
Proceeds from disposition of investment properties, net of costs and related debt	-	6,780
Additions to investment properties	(917)	(128)
Additions to investment properties under construction	(5,350)	(4,416)
Purchase of investment in equity securities	-	(5,683)
Proceeds from sale of equity securities	-	2,930
Advance of notes receivable	(143)	-
Notes receivable principal repayments	418	456
Net change to other assets	(1,915)	-
Additions to leasing costs	(781)	(1,382)
Change in deposits on investment properties	(4,950)	9,450
	(59,804)	(50,245)
Financing activities:		
Issuance of units, net of issue costs	188,857	1,626
Repayment on convertible debentures	(29,891)	-
Change in bank indebtedness	(37,900)	-
Distributions paid on REIT units	(25,065)	(20,433)
Mortgages and loans principal repayments	(8,941)	(6,308)
Repayment of mortgages and loans payable	(10,919)	-
Advance of mortgages and loans payable	13,860	-
	90,001	(25,115)
Foreign exchange loss on cash held in foreign currency	(661)	(60)
Increase (decrease) in cash and cash equivalents	60,426	(55,810)
Cash and cash equivalents at beginning of period	94,094	88,324
Cash and cash equivalents at end of period	$ 154,520	$ 32,514
Supplemental cash flow information:		
Interest paid, net of interest received	$ 17,710	$ 13,409
Taxes paid	-	150

See accompanying notes to interim condensed consolidated financial statements.

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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 Board of Trustees.

2. Significant accounting policies:

(a) Basis of presentation and measurement:

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and note disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the IASB, have been omitted or condensed.

The interim condensed consolidated financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2011. The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated.

These interim condensed consolidated financial statements should be read in conjunction with the REIT’s consolidated financial statements for the year ended December 31, 2011.

(b) Defined benefit liability:

The cost of the REIT's defined benefit pension plans are accrued based on estimates, using actuarial techniques, of the amount of benefits employees have earned in return for their services in the current and prior periods. The present value of the defined benefit liability and current service cost is determined by discounting the estimated benefits using the projected unit credit method to determine the fair value of the plan assets and total actuarial gains and losses and the proportion thereof which will be recognized. The fair value of the plan assets is based on current market values. The present value of the defined benefit liability is based on the discount rate determined by reference to the yield of high quality corporate bonds of similar currency, having terms of maturity which align closely with the period of maturity of the liability.

(c) 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. The critical accounting estimates and judgments have been set out in note 2 to the REIT’s consolidated financial statements for the year ended December 31, 2011.

2. Significant accounting policies (continued):

(c) Use of estimates and judgments (continued):

During the three months ended March 31, 2012, the REIT created defined benefit plans providing pension benefits to certain employees. Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties.

(d) Future changes in accounting policies:

In June 2011, the IASB amended IAS 19 – *Employee Benefits* ("IAS 19"). The amendments eliminate an option to defer the recognition of gains and losses, known as the 'corridor method'; streamline the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhance the disclosure requirements for defined benefit plans.

In December 2011, the IASB amended IAS 32 - *Offsetting Financial Assets and Liabilities*. The amendment clarifies certain aspects of offsetting and net and gross settlement, and is effective for annual periods beginning on or after January 1, 2014.

IFRS 7 - *Financial Instruments: Disclosures*, as amended by the IASB in December 2011 requires entities to provide disclosures related to offsetting financial assets and liabilities. The amendment is effective for annual periods beginning on or after January 1, 2014.

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 or 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, 2015.

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.

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 three months ended March 31, 2012:

Property	Location	Acquisition date	Type
North 48 Commercial Complex	Saskatoon, SK	January 31, 2012	Office
Aluma Systems Building	Edmonton, AB	February 24, 2012	Industrial
GSA Phoenix Professional Office Building	Phoenix, AZ	March 29, 2012	Office

On March 20, 2012, the REIT entered into a 50% joint venture agreement for the Centrepoint development project located in Winnipeg, Manitoba.

The REIT acquired the following properties during the three months ended March 31, 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

(1) The second tranche of the Minneapolis Industrial Portfolio is comprised of 9 multi-tenant properties.

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

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

Acquisitions (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 March 31, 2012	Three months ended March 31, 2011
Investment properties	$ 113,069	$ 133,215
Investment property under construction	246	-
Long-term debt, net of deferred financing costs	(67,149)	(74,963)
Cash consideration	$ 46,166	$ 58,252
Transaction costs expensed	$ 973	$ 1,206

In accordance with the purchase and sale agreement for the GSA Phoenix Professional Office Building, the purchase price will be adjusted if the aggregate of the property operating expenses during the period April 1, 2012 to March 31, 2013 are not equal to $2,104. Should the aggregate expenses exceed $2,104, the vendor will pay the REIT the product of the excess and 13.33. Should the aggregate expenses be less than $2,104, the REIT will pay the vendor the product of the decreased expense and 13.33. The REIT has not recorded an adjustment to the purchase price at March 31, 2012.

Dispositions:

The REIT did not dispose of any properties during the three months ended March 31, 2012.

The REIT disposed of the following property during the three months ended March 31, 2011:

Property	Location	Disposition date	Type
2030 Notre Dame Avenue	Winnipeg, MB	March 7, 2011	Industrial

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

4. Investment properties and investment properties under construction:

	Three months ended March 31, 2012 (unaudited)		Year ended December 31, 2011	
	Investment properties	Investment properties under construction	Investment properties	Investment properties under construction
Balance, beginning of period	$ 3,003,604	$ 20,463	$ 2,052,780	$ 5,405
Additions:				
Acquisitions (note 3)	113,069	246	678,716	-
Capital expenditures	917	5,350	8,333	19,608
Leasing costs	781	-	4,313	-
Dispositions	-	-	(13,002)	-
Reclassification of investment properties under construction	15,641	(15,641)	4,550	(4,550)
Foreign currency translation gain (loss)	(7,705)	(56)	12,199	-
Straight-line rent adjustment	1,274	-	5,514	-
Net change to tenant inducements	217	-	4,107	-
Unrealized fair value gain	56,405	466	246,094	-
Balance, end of period	$ 3,184,203	$ 10,828	$ 3,003,604	$ 20,463

External valuations are performed quarterly on a rotational basis over a four year cycle. For the first quarter cycle, nine investment properties with an aggregate fair value of $88,223 at March 31, 2012 (December 31, 2011, $145,425) were valued by qualified external valuation professionals.

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.

(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:

	March 31, 2012			December 31, 2011		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Discount rate	9.50%	7.00%	7.94%	9.50%	7.25%	8.02%
Terminal capitalization rate	8.75%	6.00%	7.03%	9.00%	6.00%	7.04%
Capitalization rate	8.50%	5.75%	6.77%	8.50%	6.25%	7.08%
Investment horizon (years)	20.0	10.0	10.6	20.0	10.0	10.6

Key valuation assumptions at March 31, 2012 reflect rates that represent the REIT's entire portfolio of investment properties.

Key valuation assumptions at December 31, 2011 reflect discount and terminal capitalization rates that represent the investment properties whose recorded values were based on the discounted cash flow method. The assumptions reflect capitalization rates that represent the investment properties whose recorded values were based upon the overall capitalization method.

At March 31, 2012, included in investment properties is $15,484 (December 31, 2011, $14,234) 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 $46,142 at March 31, 2012 (December 31, 2011, $45,777).

At March 31, 2012, investment properties with a fair value of $3,087,840 (December 31, 2011, $2,913,117) are pledged as security under mortgage agreements and the credit facility.

5. Other assets:

	March 31, 2012 (Unaudited)	December 31, 2011
Office furniture and fixtures	$ 1,564	$ -
Office equipment and software	1,015	664
Accumulated depreciation	(441)	(353)
	$ 2,138	$ 311

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

6. Mortgages and loans payable:

	March 31, 2012 (Unaudited)	December 31, 2011
Mortgages and loans payable	$ 1,627,742	$ 1,569,857
Net above- and below-market mortgage adjustments	4,331	4,620
Financing costs	(7,859)	(7,078)
	1,624,214	1,567,399
Current portion	227,087	139,065
Non-current portion	$ 1,397,127	$ 1,428,334

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 4.79% and the weighted-average nominal rate is 4.60% at March 31, 2012 (December 31, 2011, 4.79% and 4.61%, respectively). Maturity dates range from May 1, 2012 to February 14, 2032.

7. Convertible debentures:

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

Convertible redeemable debenture issue	Issue date	Maturity date	Interest rate
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 D	$ 17,000	$ 318	$ 17,318	$ -	$ 17,318
Series E	7,552	5,325	12,877	-	12,877
Series F	86,240	6,028	92,268	-	92,268
Series G	87,921	1,671	89,592	-	89,592
March 31, 2012 (Unaudited)	$ 198,713	$ 13,342	$ 212,055	$ -	$ 212,055
December 31, 2011	231,999	3,747	235,746	-	235,746

On March 15, 2012, the REIT redeemed all outstanding Series C convertible redeemable 6.25% debentures pursuant to the trust indenture dated as of May 4, 2006. On the date of redemption, the REIT repaid the $29,891 face value outstanding.

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

8. Employee benefits:

(a) Defined benefit liability:

During the three months ended March 31, 2012, the REIT created defined benefit plans providing pension benefits to certain employees. The ultimate retirement benefit is defined by a formula that provides a unit of benefit for each year of service. Employer contributions are not specified or defined within the plan text; they are based on the result of actuarial valuations which determine the level of funding required to meet the total obligation as estimated at the time of valuation. The REIT's defined benefit plans are unfunded as at March 31, 2012.

The REIT uses December 31 as a measurement date for accounting purposes for its defined benefit pension plans.

The net expense for the defined benefit plans for the three months ended March 31, 2012 was $216.

(b) Short-term employee benefits:

	Three months ended March 31, 2012	Three months ended March 31, 2011
Short-term employee benefits	$ 2,905	$ -
Unit-based compensation	1,512	353
	$ 4,417	$ 353

Short-term employee benefits include salaries, bonuses and other short-term benefits.

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

9. Accounts payable and other liabilities:

	March 31, 2012 (Unaudited)	December 31, 2011
Accounts payable and accrued liabilities	$ 36,016	$ 33,334
Distributions payable (note 12)	9,148	7,999
Cash-settled unit-based payments liability	2,592	1,157
	$ 47,756	$ 42,490

Under the REIT's equity incentive plan, the total number of units reserved under option for issuance may not exceed 7% of the units outstanding.

A summary of the REIT's unit options for the three months ended March 31, are as follows:

	2012		2011	
	Units	Weighted-average exercise price	Units	Weighted-average exercise price
Balance, beginning of period	2,164,250	$ 13.52	1,070,250	$ 12.84
Exercised	(21,125)	12.10	(250)	11.28
Expired	(6,000)	13.39	-	-
Balance, end of period	2,137,125	$ 13.54	1,070,000	$ 12.84
Options exercisable at end of period	280,250		67,563	

The weighted-average unit price at the date of exercise for unit options exercised during the three months ended March 31, 2012 was $15.75 (2011, $13.99).

Options outstanding at March 31, 2012 consist of the following:

Exercise price	Number outstanding	Weighted-average remaining contractual life	Options outstanding weighted-average exercise price	Number exercisable
$ 11.28	225,375	3.00 years	$ 11.28	91,000
$ 13.30	390,750	3.50 years	$ 13.30	94,500
$ 13.44	391,000	3.75 years	$ 13.44	94,750
$ 14.10	1,130,000	4.25 years	$ 14.10	-
	2,137,125		$ 13.54	280,250

(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 ended March 31, 2012 amounted to $1,512 (2011, $353). 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:

	March 31, 2012	December 31, 2011
Expected option life	3.7 years	3.9 years
Risk-free interest rate	1.39%	1.19%
Distribution yield	6.68%	7.72%
Expected volatility	23.12%	23.38%

Expected volatility is estimated by considering the REIT's 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 March 31, 2012, the REIT had no balance drawn (December 31, 2011, $37,900) on 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 December 31, 2010	75,477,308	$ 875,234
Public offerings, net of issue costs of $7,616	12,119,750	161,515
Conversion of Series E convertible debentures	501,158	6,863
Options exercised	30,500	422
Distribution Reinvestment and Unit Purchase Plan	744,189	9,496
Balance at December 31, 2011	88,872,905	1,053,530
Public offerings, net of issue costs of $8,526	12,320,000	185,103
Conversion of Series C convertible debentures	1,681	29
Conversion of Series E convertible debentures	191,494	2,981
Conversion of Series F convertible debentures	645	11
Options exercised	21,125	305
Distribution Reinvestment and Unit Purchase Plan	235,454	3,526
Balance at March 31, 2012 (unaudited)	101,643,304	$ 1,245,485

At March 31, 2012, there were no special voting units issued and outstanding.

The REIT has a Distribution Reinvestment and Unit Purchase Plan 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 March 31, 2012	Three months ended March 31, 2011
Income for the period	$ 75,756	$ 132,021
Adjustment for convertible debentures	300	7,150
Diluted income for the period	$ 76,056	$ 139,171
The weighted-average number of units outstanding was as follows:		
Basic units	93,657,426	75,612,655
Effect of dilutive securities:		
Convertible debentures	957,746	9,595,895
Diluted units	94,615,172	85,208,550
Income per unit:		
Basic	$ 0.81	$ 1.75
Diluted	$ 0.80	$ 1.63

The computation of diluted income per unit for the three months ended March 31, 2012 and March 31, 2011 do not include unit options as these instruments are anti-dilutive.

11. Capital contributions (continued):

(d) Normal course issuer bid:

On December 9, 2011, 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 8,283,192 units, representing 10% of the REIT's float of 82,831,922 units on November 30, 2011. 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, 2012, or the date on which the REIT has purchased the maximum number of units permitted under the bid. During the three months ended March 31, 2012 and 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 short form 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 March 31, 2012, the REIT has issued units under five offerings in the aggregate amount of $471,255 and a US$88,000 offering of convertible debentures under the short form 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 March 31, 2012, 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 (2011, $0.27 per unit) or $26,214 for the three months ended March 31, 2012 (2011, $20,433). Total distributions payable at March 31, 2012 are $9,148 (December 31, 2011, $7,999).

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

13. Loss on financial instruments:

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

	Three months ended March 31, 2012	Three months ended March 31, 2011
Fair value gain (loss):		
Convertible debentures	$ (10,705)	$ (4,973)
Commodity derivatives	-	125
Interest rate swaps	1,608	1,155
Forward and swap contracts	78	104
Investment in equity securities	-	(193)
	$ (9,019)	$ (3,782)

14. Changes in non-cash operating items:

	Three months ended March 31, 2012	Three months ended March 31, 2011
Prepaid expenses	$ (13)	$ (1,309)
Accounts receivable and other receivables	(3,632)	(505)
Cash held in trust	(1,040)	(187)
Security deposits and prepaid rent	3,754	980
Accounts payable and other liabilities	4,097	4,132
	$ 3,166	$ 3,111

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

15. Related party transactions:

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

Other related party transactions are outlined as follows:

	Three months ended March 31, 2012	Three months ended March 31, 2011
Advisory fees	$ -	$ 1,305
Acquisition fees	552	659
Property management fees	80	2,341
Recoverable property management salaries and wages	-	970
Capitalized office furniture and fixtures	1,243	-
Capitalized office equipment	343	-
Capitalized leasing commissions	36	332
Capitalized building improvements	3,395	4,387
Capitalized tenant inducements	360	442
Property tax assessment consulting fees	182	3
Consulting fees	-	25
Legal fees	928	252

Effective January 1, 2012, the REIT internalized its asset and property management functions. The asset management agreement with Marwest Realty Advisors Inc. ("Marwest Realty"), a company owned and controlled by certain trustees and officers of the REIT, was terminated effective December 31, 2011. No fees or penalties were paid to Marwest Realty upon termination of this agreement. On December 31, 2011, the omnibus property management agreement was assigned to the REIT from Marwest Management Canada Ltd. ("Marwest Management"), a company owned and controlled by certain trustees and officers of the REIT, which encompasses all investment properties owned by the REIT. No fees or penalties were paid to Marwest Management upon assignment of this agreement.

Prior to the termination of the asset management agreement, Marwest Realty was 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. Acquisition fees incurred during the three months ended March 31, 2012 relate to acquisitions which were unconditional prior to the termination of the agreement. The REIT was obligated to pay Marwest Realty for services provided in respect to these acquisitions. The amount payable at March 31, 2012 is $375 (December 31, 2011, $567). As at March 31, 2012, there are no further outstanding obligations related to this agreement.

The REIT incurred property management fees, leasing commission fees and tenant improvement fees under property management agreements with Marwest Management for three properties owned by the REIT. The amount payable at March 31, 2012 is $9.

On January 1, 2012, the REIT entered into a one-year leasing services agreement with Marwest Management. The amount payable at March 31, 2012 is $nil.

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

15. Related party transactions (continued):

Prior to the assignment of the property management agreement, the agreement entitled Marwest Management to property management fees, recoverable property management salaries and wages, leasing commission fees, and tenant improvement fees. The amount payable at December 31, 2011 was $1,949.

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 March 31, 2012 is $1,012 (December 31, 2011, $354).

The REIT purchased $1,243 of office furniture and fixtures and $343 of office equipment from Marwest Management.

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 amount payable at March 31, 2012 is $nil (December 31, 2011, $13).

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 March 31, 2012 is $1,061 (December 31, 2011, $200).

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.

Subsidiaries of the REIT, excluding bare trustees, are outlined as follows:

		Ownership interest
Name of entity	March 31, 2012	December 31,2011
Artis General Partner Ltd.	100%	100%
AX L.P.	100%	100%
Artis US Holdings, Inc.	100%	100%
Osborne Street Call Centre Partnership	100%	100%
Winnipeg Square Leaseco Inc.	100%	100%
AX Property Management L.P.	100%	100%
Artis Property Management General Partner Ltd.	100%	100%
AX Longboat G.P. Inc.	50%	-
AX Longboat L.P.	50%	-

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

16. 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 March 31, 2012. 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	March 31, 2012	December 31, 2011
Centre 70 Building	Investment property	85%	85%
Kincaid Building	Investment property	50%	50%
Cliveden Building	Investment property	50%	50%
Westbank Hub Centre North	Investment property	50%	50%
Cara Foods Building	Investment property	50%	50%
Centrepoint	Investment property	50%	-

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

	March 31, 2012 (Unaudited)	December 31, 2011
Non-current assets	$ 104,147	$ 98,816
Current assets	4,686	1,223
	108,833	100,039
Non-current liabilities	50,409	50,637
Current liabilities	3,041	2,145
	$ 53,450	$ 52,782

	Three months ended March 31, 2012	Three months ended March 31, 2011
Revenue	$ 2,263	$ 1,981
Expenses	1,603	1,194
	660	787
Unrealized fair value gain on investment properties	1,884	4,374
Operating income from properties	$ 2,544	$ 5,161
Cash flows provided by operating activities	$ 1,173	$ 959
Cash flows used in investing activities	(3,373)	(16)
Cash flows provided by (used in) financing activities	5,380	(671)

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

17. 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 March 31, 2012					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	$ 38,102	$ 20,183	$ 10,644	$ 13,159	$ 44	$ 82,132
Property operating expenses	12,530	8,152	3,957	4,651	-	29,290
	25,572	12,031	6,687	8,508	44	52,842
Interest income	403	14	7	270	182	876
	25,975	12,045	6,694	8,778	226	53,718
Interest expense	9,241	4,437	2,255	2,256	3,516	21,705
Corporate expenses	-	-	-	-	3,448	3,448
Foreign currency translation gain	-	-	-	-	(654)	(654)
	9,241	4,437	2,255	2,256	6,310	24,499
	16,734	7,608	4,439	6,522	(6,084)	29,219
Transaction costs	(131)	(361)	-	(481)	(342)	(1,315)
Loss on financial instruments	-	-	-	-	(9,019)	(9,019)
Unrealized fair value gain on investment properties	24,651	8,501	14,973	8,746	-	56,871
Income (loss) for the period	$ 41,254	$ 15,748	$ 19,412	$ 14,787	$ (15,445)	$ 75,756
Acquisitions of investment properties	$ 17,495	$ 20,887	$ -	$ 74,933	$ -	$ 113,315
Additions to investment properties and investment properties under construction	2,270	2,575	-	1,422	-	6,267
Additions to leasing costs	193	367	89	132	-	781
Additions to tenant inducements	641	532	14	355	-	1,542

	March 31, 2012					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Total assets	$ 1,622,413	$ 730,278	$ 382,490	$ 530,386	$ 144,828	$ 3,410,395
Total liabilities	765,171	357,346	211,877	335,897	231,892	1,902,183

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

17. Segmented information (continued):

	Three months ended March 31, 2011					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	$ 35,838	$ 16,764	$ 6,977	$ 3,679	$ -	$ 63,258
Property operating expenses	12,887	6,947	3,161	1,251	-	24,246
	22,951	9,817	3,816	2,428	-	39,012
Interest income	376	13	6	1	354	750
	23,327	9,830	3,822	2,429	354	39,762
Interest expense	8,714	3,752	1,112	726	2,371	16,675
Corporate expenses	-	-	-	-	2,513	2,513
Foreign currency translation loss	-	-	-	-	103	103
	8,714	3,752	1,112	726	4,987	19,291
	14,613	6,078	2,710	1,703	(4,633)	20,471
Income tax recovery	-	-	-	123	-	123
Transaction costs	(177)	-	(36)	(993)	-	(1,206)
Loss on financial instruments	-	-	-	-	(3,782)	(3,782)
Gain on disposal of investment property	-	255	-	-	-	255
Unrealized fair value gain (loss) on investment properties	82,641	19,507	14,836	(824)	-	116,160
Income (loss) for the period	$ 97,077	$ 25,840	$ 17,510	$ 9	$ (8,415)	$ 132,021
Acquisitions of investment properties	$ 19,373	$ -	$ -	$ 113,842	$ -	$ 133,215
Additions to investment properties and investment properties under construction	2,457	2,087	-	-	-	4,544
Additions to leasing costs	699	222	207	254	-	1,382
Additions to tenant inducements	727	1,505	10	315	-	2,557

	December 31, 2011					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Total assets	$ 1,578,327	$ 691,319	$ 367,215	$ 448,835	$ 81,892	$ 3,167,588
Total liabilities	765,084	360,868	212,832	271,036	287,953	1,897,773

18. Commitments and guarantees:

(a) Letters of credit:

As of March 31, 2012, the REIT had issued letters of credit in the amount of $1,620 (December 31, 2011, $1,728).

(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 March 31, 2012 is $5,696 (December 31, 2011, $5,733), with an estimated weighted-average remaining term of 5.7 years (December 31, 2011, 5.9 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.

19. 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 March 31, 2012, the ratio of such indebtedness to gross book value was 47.6% (December 31, 2011, 50.7%), 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 March 31, 2012, the REIT was in compliance with these requirements.

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

19. 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:

		March 31, 2012 (Unaudited)		December 31, 2011
Mortgages and loans payable	$	1,624,214	$	1,567,399
Convertible debentures		212,055		235,746
Bank indebtedness		-		37,900
Total debt		1,836,269		1,841,045
Unitholders' equity		1,508,212		1,269,815
	$	3,344,481	$	3,110,860

20. 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 March 31, 2012, the REIT is a party to $356,127 of variable rate debt (December 31, 2011, $386,388, including the outstanding balance of bank indebtedness). At March 31, 2012, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $78,475 of variable rate debt (December 31, 2011, $65,061).

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	$	2,341
Fixed rate debt due within one year		1,869
	$	4,210

20. 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 0.9990 for the three months ended March 31, 2012 and the period end exchange rate of 0.9991 at March 31, 2012 would have increased net income by approximately $9,633 and increased other comprehensive loss by approximately $12,364 for the three months ended March 31, 2012. 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 $49 during the three months ended March 31, 2012 (2011, $95). 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)

20. Risk management and fair values (continued):

(a) Risk management (continued):

(ii) Credit risk (continued):

The aging of accounts receivable is summarized as follows:

	March 31, 2012 (Unaudited)	December 31, 2011
Past due 0 - 30 days	$ 2,233	$ 1,516
Past due 31 - 90 days	583	301
Past due more than 91 days	572	612
	3,388	2,429
Allowance for doubtful accounts	(158)	(157)
	$ 3,230	$ 2,272

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 March 31, 2012 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	$ 47,756	$ 47,756	$ -	$ -	$ -
Mortgages, loans and bank indebtedness	1,627,742	228,174	435,963	600,366	363,239
Convertible debentures	198,713	-	24,552	-	174,161
	$ 1,874,211	$ 275,930	$ 460,515	$ 600,366	$ 537,400

20. 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 March 31, 2012 has been estimated at $23,516 (December 31, 2011, $23,974), compared with the carrying value of $25,162 (December 31, 2011, $25,437).

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 March 31, 2012 has been estimated at $1,676,708 (December 31, 2011, $1,629,144) compared with the carrying value of $1,624,214 (December 31, 2011, $1,567,399).

The fair value of the REIT's convertible debentures is $212,055 (December 31, 2011, $235,746) compared to its face value of $198,713 (December 31, 2011, $231,999) at March 31, 2012. 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.

The REIT entered into interest rate swaps on five mortgages. The swaps are not designated in a hedge relationship. An unrealized gain of $1,608 was recorded for the three months ended March 31, 2012 (2011, unrealized gain of $1,155) in relation to the fair value of these interest rate swaps, resulting in a fair value liability at March 31, 2012 of $2,245 (December 31, 2011, fair value liability of $3,853).

On March 12, 2012, the REIT had entered into a swap contract to exchange US$25,000 into Canadian funds on May 14, 2012. An unrealized gain of $78 was recorded for the three months ended March 31, 2012 in relation to this contract.

Under the fair value hierarchy of financial instruments measured at fair value on the consolidated balance sheet, convertible debentures excluding Series D are measured using a Level 1 methodology and interest rate swaps and Series D convertible debentures are valued using a Level 2 methodology. There are no financial instruments valued using a Level 3 methodology.

21. Subsequent events:

On April 2, 2012, the REIT obtained new 10-year mortgage financing for the North 48 Commercial Complex of $13,000, which bears interest at a rate of 4.18% per annum.

On April 4, 2012, the REIT obtained new 10-year mortgage financing for the Aluma Systems Building of $11,115, which bears interest at a rate of 4.30% per annum.

On April 13, 2012, the REIT granted to its Trustees, management and staff, options to acquire an aggregate of 1,849,500 units at an exercise price of $16.36, being the closing trading price of the units on the exchange on the date of the grant.

On April 16, 2012, the REIT acquired an additional 25% interest in Westbank Hub Centre North. The additional ownership interest was acquired for $12,440 and the purchase price was satisfied with a combination of cash and an additional 25% interest in the existing mortgage financing.

21. Subsequent events (continued):

On April 23, 2012, the REIT acquired the Linden Ridge Shopping Centre which is located in Winnipeg, Manitoba. The retail property was acquired for $32,000 and the purchase price was satisfied through a combination of cash and new mortgage financing.

On April 30, 2012, the REIT acquired Crowfoot Corner which is located in Calgary, Alberta. The retail property was acquired for $35,500 and the purchase price was satisfied through a combination of cash and new mortgage financing.

On April 30, 2012, the REIT acquired Trimac House which is located in Calgary, Alberta. The office property was acquired for $100,907 and the purchase price was satisfied through a combination of cash and new mortgage financing.

On May 7, 2012, the REIT announced it has entered into an agreement to sell to a syndicate of underwriters, on a bought deal basis, 6,100,000 units at a price of $16.50 for aggregate gross proceeds of $100,650. The REIT has also granted the underwriters an option to purchase a further 915,000 units at a price of $16.50.

The REIT entered into agreements with respect to the acquisition of properties located in British Columbia and Calgary. The total purchase price of the properties is $191,060. The REIT anticipates that the acquisitions will close in June and November of 2012, and will be financed through a combination of cash consideration and either existing or new mortgage financing.

Distributions in the amount of $0.09 per unit for April 2012 was declared subsequent to March 31, 2012.

Subsequent to March 31, 2012, Series E convertible debentures with a face value of $191 were converted and the REIT issued 20,535 units at the price of $9.30 per unit.

22. Approval of financial statements:

The interim condensed consolidated financial statements were approved by the Board of Trustees and authorized for issue on May 9, 2012.