Interim Condensed Consolidated Financial Statements of

ARTIS REAL ESTATE INVESTMENT TRUST

Three months and nine months ended September 30, 2013 and 2012
(Unaudited)

(In Canadian dollars)

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Balance Sheets
(Unaudited)

(In thousands of Canadian dollars)

	September 30, 2013	December 31, 2012 (1)
ASSETS		
Non-current assets:		
Investment properties (note 4)	$ 4,857,389	$ 4,206,126
Investment properties under development (note 4)	33,284	4,234
Investments in joint ventures (note 18)	36,949	7,850
Property and equipment (note 5)	2,846	2,397
Notes receivable (note 6)	19,200	20,531
	4,949,668	4,241,138
Current assets:		
Investment properties held for sale (note 4)	-	58,963
Deposits on investment properties	351	2,397
Prepaid expenses	8,888	5,576
Notes receivable (note 6)	1,712	3,344
Accounts receivable and other receivables (note 7)	14,992	11,329
Cash held in trust	6,665	2,819
Cash and cash equivalents	86,654	54,494
	119,262	138,922
	$ 5,068,930	$ 4,380,060
LIABILITIES AND UNITHOLDERS' EQUITY		
Non-current liabilities:		
Mortgages and loans payable (note 8)	$ 2,059,587	$ 1,860,606
Convertible debentures (note 9)	185,157	182,344
Preferred shares liability	79	76
	2,244,823	2,043,026
Current liabilities:		
Mortgages and loans payable (note 8)	223,720	213,001
Security deposits and prepaid rent	25,897	23,463
Accounts payable and other liabilities (note 10)	66,541	50,714
	316,158	287,178
	2,560,981	2,330,204
Unitholders' equity (note 12)	2,507,949	2,049,856
Commitments and guarantees (note 20)		
Subsequent events (note 23)		
	$ 5,068,930	$ 4,380,060

(1) Comparative amounts have been restated pursuant to the adoption of IFRS 11. Refer to note 2 (d).

See accompanying notes to interim condensed consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Operations
Three months and nine months ended September 30, 2013 and 2012
(Unaudited)

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

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Revenue	$ 121,032	$ 98,466	$ 340,548	$ 267,433
Property operating expenses	42,425	34,937	118,686	93,681
	78,607	63,529	221,862	173,752
Other income (expenses):				
Corporate expenses	(2,322)	(2,604)	(7,009)	(9,109)
Interest expense	(26,223)	(24,711)	(76,172)	(69,520)
Interest income	507	566	1,614	2,126
Income from investments in joint ventures (note 18)	769	-	1,875	-
Fair value (loss) gain on investment properties (note 4)	(2,886)	54,003	60,973	162,864
Foreign currency translation gain (loss)	1,353	4,759	(4,654)	2,636
Transaction costs	(299)	(4,130)	(5,371)	(7,143)
(Loss) gain on financial instruments (note 14)	(528)	(3,874)	4,739	(13,992)
Income for the period	48,978	87,538	197,857	241,614
Other comprehensive (loss) income that may be reclassified to net income in subsequent periods:				
Unrealized foreign currency translation (loss) gain	(8,515)	(9,538)	12,537	(7,368)
Comprehensive income for the period	$ 40,463	$ 78,000	$ 210,394	$ 234,246
Basic income per unit attributable to common unitholders (note 12 (d))	$ 0.36	$ 0.79	$ 1.56	$ 2.34
Diluted income per unit attributable to common unitholders (note 12 (d))	$ 0.35	$ 0.77	$ 1.49	$ 2.32
Weighted-average number of common units outstanding (note 12 (d)):				
Basic	126,207,356	109,993,170	120,949,292	103,065,034
Diluted	136,880,320	120,587,813	131,753,292	113,659,677

See accompanying notes to interim condensed consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Changes in Unitholders' Equity
Nine months ended September 30, 2013 and 2012
(Unaudited)

(In thousands of Canadian dollars)

	Common units capital contributions	Equity component of convertible debentures	Equity	Accumulated other comprehensive income (loss)	Contributed surplus	Total common equity	Total preferred equity	Total
Unitholders' equity, December 31, 2011	$ 1,053,530	$ -	$ 213,412	$ 2,873	$ -	$1,269,815	$ -	$ 1,269,815
Changes for the period:								
Issuance of units, net of issue costs	310,993	-	-	-	(59)	310,934	152,025	462,959
Unit-based compensation	-	-	-	-	390	390	-	390
Reclassification of unit-based payments liability to equity	-	-	-	-	3,530	3,530	-	3,530
Reclassification of convertible debentures liability to equity	-	11,587	-	-	-	11,587	-	11,587
Redemption of convertible debentures	-	(328)	-	-	-	(328)	-	(328)
Conversion of convertible debentures	13,942	(6)	-	-	-	13,936	-	13,936
Income	-	-	241,614	-	-	241,614	-	241,614
Other comprehensive loss	-	-	-	(7,368)	-	(7,368)	-	(7,368)
Distributions	-	-	(86,578)	-	-	(86,578)	-	(86,578)
Unitholders' equity, September 30, 2012	1,378,465	11,253	368,448	(4,495)	3,861	1,757,532	152,025	1,909,557
Changes for the period:								
Issuance of units, net of issue costs	70,836	-	-	-	(58)	70,778	(158)	70,620
Unit-based compensation	-	-	-	-	551	551	-	551
Income	-	-	98,725	-	-	98,725	-	98,725
Other comprehensive income	-	-	-	2,712	-	2,712	-	2,712
Distributions	-	-	(32,309)	-	-	(32,309)	-	(32,309)
Unitholders' equity, December 31, 2012	1,449,301	11,253	434,864	(1,783)	4,354	1,897,989	151,867	2,049,856
Changes for the period:								
Issuance of units, net of issue costs	181,948	-	-	-	(412)	181,536	173,732	355,268
Unit-based compensation	-	-	-	-	1,132	1,132	-	1,132
Income	-	-	197,857	-	-	197,857	-	197,857
Other comprehensive income	-	-	-	12,537	-	12,537	-	12,537
Distributions	-	-	(108,701)	-	-	(108,701)	-	(108,701)
Unitholders' equity, September 30, 2013	$ 1,631,249	$ 11,253	$ 524,020	$ 10,754	$ 5,074	$2,182,350	$ 325,599	$ 2,507,949

See accompanying notes to interim condensed consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Cash Flows
Three months and nine months ended September 30, 2013 and 2012
(Unaudited)

(In thousands of Canadian dollars)

	Three months ended September 30, 2013	Three months ended September 30, 2012 (1)	Nine months ended September 30, 2013	Nine months ended September 30, 2012 (1)
Cash provided by (used in):				
Operating activities:				
Income for the period	$ 48,978	$ 87,538	$ 197,857	$ 241,614
Adjustments for non-cash items:				
Fair value loss (gain) on investment properties (note 4)	2,886	(54,003)	(60,973)	(162,864)
Depreciation of property and equipment	129	88	357	264
Income from investments in joint ventures (note 18)	(769)	-	(1,875)	-
Amortization:				
Tenant inducements amortized to revenue	2,202	1,645	6,372	4,395
Above- and below-market mortgages, net	(458)	(469)	(1,342)	(1,072)
Accretion on liability component of convertible debentures	(84)	(43)	(242)	(43)
Straight-line rent adjustment	(1,605)	(1,089)	(4,371)	(3,913)
Unrealized foreign currency translation (gain) loss	(1,430)	(1,362)	6,961	933
Unrealized fair value loss (gain) on financial instruments	528	3,874	(4,739)	13,992
Unit-based compensation expense	455	942	1,338	3,385
Amortization of financing costs included in interest	776	744	2,382	1,979
Defined benefit expense	-	216	-	647
	51,608	38,081	141,725	99,317
Additions to tenant inducements	(4,313)	(6,970)	(11,470)	(11,158)
Changes in non-cash operating items (note 15)	7,982	14,099	9,316	14,642
	55,277	45,210	139,571	102,801
Investing activities:				
Acquisition of investment properties, net of related debt (note 3)	(51,178)	(110,848)	(270,989)	(410,131)
Proceeds from disposition of investment properties, net of costs (note 3)	11,440	750	11,440	750
Additions to investment properties	(7,663)	(7,768)	(13,473)	(11,227)
Additions to investment properties under development	(11,470)	(1,667)	(24,586)	(7,402)
Additions to joint ventures	(1,579)	(996)	(27,799)	(7,850)
Advance of notes receivable	-	(6)	-	(149)
Notes receivable principal repayments	420	401	2,963	1,264
Additions to property and equipment	(506)	(237)	(806)	(2,219)
Additions to leasing costs	(2,165)	(1,901)	(5,956)	(4,078)
Change in deposits on investment properties	3,900	8,249	2,047	3,000
	(58,801)	(114,023)	(327,159)	(438,042)
Financing activities:				
Issuance of common units, net of issue costs	6,023	6,161	181,536	310,311
Issuance of preferred units, net of issue costs	77,165	152,025	173,732	152,025
Repayment of convertible debentures	-	(10,000)	-	(40,172)
Change in bank indebtedness	(10,000)	400	-	(12,500)
Distributions paid on common units	(33,871)	(30,618)	(98,022)	(83,795)
Distributions paid on preferred units	(3,332)	(732)	(8,945)	(732)
Mortgages and loans principal repayments	(14,138)	(11,110)	(40,294)	(29,489)
Repayment of mortgages and loans payable	(21,317)	(10,639)	(70,004)	(21,558)
Advance of mortgages and loans payable, net of financing costs	46,914	42,203	81,016	87,861
	47,444	137,690	219,019	361,951
Foreign exchange gain (loss) on cash held in foreign currency	67	(1,507)	729	(1,968)
Increase in cash and cash equivalents	43,987	67,370	32,160	24,742
Cash and cash equivalents at beginning of period	42,667	51,466	54,494	94,094
Cash and cash equivalents at end of period	$ 86,654	$ 118,836	$ 86,654	$ 118,836
Supplemental cash flow information:				
Interest paid	$ 23,187	$ 21,398	$ 72,428	$ 65,258
Interest received	507	567	1,614	2,128

(1) Comparative amounts have been restated pursuant to the adoption of IFRS 11. Refer to note 2 (d).

See accompanying notes to interim condensed consolidated financial statements.

1. Organization:

Artis Real Estate Investment Trust (the "REIT") is an unincorporated closed-end real estate investment trust created under, and governed by, the laws of the Province of Manitoba. The REIT was created pursuant to the Declaration of Trust dated November 8, 2004, as most recently amended and restated on August 2, 2012 (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. The amount distributed annually (currently $1.08 per common unit, $1.3125 per Series A preferred unit, US$1.3125 per Series C preferred unit, $1.1875 per Series E preferred unit and $1.25 per Series G Preferred 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*. Accordingly, certain information and note disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) 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, 2012 except for those standards adopted as described in note 2 (d). 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, 2012.

(b) Joint arrangements:

The REIT accounts for its joint arrangements as either joint operations or joint ventures. For joint operations, the REIT includes its share of their assets, liabilities, revenues, expenses and cash flows in its consolidated financial statements. Joint ventures are accounted for using the equity method.

(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, 2012.

The REIT's management applies judgment in the application of its joint arrangement accounting policy as described in note 2 (b) as to whether each joint arrangement constitutes a joint operation or a joint venture.

2. Significant accounting policies (continued):

(d) Accounting policies adopted during the period:

IAS 1 - *Presentation of Financial Statements* ("IAS 1"), as amended by the IASB in June 2011 requires entities to provide separate presentation of the items of other comprehensive income that may be reclassified to net income in the future from those that will never be reclassified to net income. This amendment was effective for annual periods beginning on or after July 1, 2012. IAS 1 did not result in a material impact on the consolidated financial statements.

IAS 19 – *Employee Benefits* ("IAS 19") was amended by the IASB in June 2011. 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. This amendment was effective for annual periods beginning on or after January 1, 2013. IAS 19 did not result in a material impact on the consolidated financial statements.

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 was effective for annual periods beginning on or after January 1, 2013. This amendment did not result in a material impact on the consolidated financial statements.

IFRS 10 - *Consolidated Financial Statements* ("IFRS 10") was issued by the IASB in May 2011. 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*. As a consequence of this new standard, the IASB also issued amended and retitled IAS 27 - *Separate Financial Statements*. IFRS 10 was effective for annual periods beginning on or after January 1, 2013. This new standard did not result in a material impact on the consolidated financial statements.

IFRS 11 - *Joint Arrangements* ("IFRS 11") was issued by the IASB in May 2011. 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*. As a consequence of this new standard, the IASB also issued amended and retitled IAS 28 - *Investments in Associates and Joint Ventures*. IFRS 11 was effective for annual periods beginning on or after January 1, 2013. As a result of this standard, the REIT reduced its assets and liabilities at December 31, 2012 by $9,704 and $1,854, respectively, and replaced them with an investment in joint venture of $7,850 (note 18). There was no impact on the REIT's consolidated balance sheet as at January 1, 2012 or the REIT's net income for the year ended December 31, 2012.

IFRS 12 - *Disclosure of Interests in Other Entities* ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The new standard was effective for annual periods beginning on or after January 1, 2013. IFRS 12 did not result in a material impact on the consolidated financial statements.

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 were effective for annual periods beginning on or after January 1, 2013. IFRS 13 did not result in a material impact on the consolidated financial statements.

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

2. Significant accounting policies (continued):

(e) Future changes in accounting policies:

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. The REIT is currently evaluating the impact of this amended standard.

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. The REIT is currently evaluating the impact of this new standard.

3. Acquisitions and dispositions of investment properties:

Acquisitions:

The REIT acquired the following properties during the nine months ended September 30, 2013:

Property	Property count	Location	Acquisition date	Type
1110 Pettigrew Avenue	1	Regina, SK	January 15, 2013	Industrial
Century Crossing III (1)	1	Spruce Grove, AB	February 11, 2013, June 28, 2013	Retail
495 Richmond Road	1	Ottawa, ON	March 15, 2013	Office
220 Portage Avenue	1	Winnipeg, MB	April 30, 2013	Office
Quarry Park Portfolio	3	Calgary, AB	May 15, 2013	Office
1700 Broadway (2)	1	Denver, CO	May 22, 2013	Office
ASM America Headquarters Building	1	Phoenix, AZ	June 4, 2013	Industrial
Cara Foods Building (3)	-	Vaughan, ON	June 5, 2013	Office
Oakdale Village	1	Twin Cities Metropolitan Area, MN	June 10, 2013	Retail
PTI Building	1	Edmonton, AB	June 28, 2013	Industrial
161 Inverness	1	Denver, CO	July 31, 2013	Office
North Scottsdale Corporate Center II	1	Phoenix, AZ	September 10, 2013	Office

(1) The REIT closed the first part of this two-part acquisition on February 11, 2013 and the second part on June 28, 2013.
(2) The REIT acquired a 50% interest in this joint venture.
(3) The REIT acquired the remaining 50% in this property.

The REIT also acquired development land located in Winnipeg, MB and in the Twin Cities Metropolitan Area, MN during the nine months ended September 30, 2013.

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

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

Acquisitions (continued):

The REIT acquired the following properties during the nine months ended September 30, 2012:

Property	Property count	Location	Acquisition date	Type
North 48 Commercial Complex	1	Saskatoon, SK	January 31, 2012	Office
Aluma Systems Building	1	Edmonton, AB	February 24, 2012	Industrial
GSA Phoenix Professional Office Building	1	Phoenix, AZ	March 29, 2012	Office
Westbank Hub Centre North (1)	-	West Kelowna, BC	April 16, 2012	Retail
Linden Ridge Shopping Centre	1	Winnipeg, MB	April 23, 2012	Retail
Trimac House	1	Calgary, AB	April 30, 2012	Office
Crowfoot Corner	1	Calgary, AB	April 30, 2012	Retail
MAX at Kierland	1	Phoenix, AZ	May 25, 2012	Office
LaSalle Office Portfolio	4	Calgary, AB	June 11, 2012	Office
Whistler Hilton Retail Plaza (2)	1	Whistler, BC	June 14, 2012	Retail
RER Industrial Portfolio	4	Twin Cities Metropolitan Area, MN	July 6, 2012	Industrial
GTA Industrial Portfolio	17	Toronto, ON	July 17, 2012	Industrial
Westbank Hub Shopping Centre (3)	1	West Kelowna, BC	August 16, 2012	Retail
201 Edson	1	Saskatoon, SK	August 27, 2012	Industrial
Meadowvale Gateway Portfolio	5	Mississauga, ON	September 20, 2012	Industrial

(1) The REIT acquired an additional 25% interest in this property, excluding a portion under development.

(2) The REIT acquired an 85% interest in this property.

(3) The REIT acquired a 75% interest in this property.

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, excluding joint ventures, were as follows:

	Three months ended September 30, 2013	Three months ended September 30, 2012 (1)	Nine months ended September 30, 2013	Nine months ended September 30, 2012 (1)
Investment properties	$ 112,723	$ 204,901	$ 494,455	$ 794,311
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	(61,545)	(94,053)	(223,466)	(383,980)
Contingent consideration	-	-	-	(200)
Cash consideration	$ 51,178	$ 110,848	$ 270,989	$ 410,131
Transaction costs expensed	$ 284	$ 4,126	$ 4,657	$ 6,642

(1) Comparative amounts have been restated pursuant to the adoption of IFRS 11. Refer to note 2 (d).

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

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

Dispositions:

The REIT disposed of the following properties during the nine months ended September 30, 2013:

Property	Location	Disposition date	Type
1301 Industrial Boulevard	Twin Cities Metropolitan Area, MN	July 15, 2013	Industrial
Delta Centre	Edmonton, AB	September 30, 2013	Industrial

The proceeds from the sale of the above properties, net of costs, were $11,440. The assets and liabilities associated with these properties were derecognized.

The REIT disposed of surplus land at an investment property during the nine months ended September 30, 2012. The proceeds from the sale, net of costs, were $750. The assets and liabilities associated with the land were derecognized.

4. Investment properties, investment properties under development and investment properties held for sale:

			Nine months ended September 30, 2013
	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of period	$ 4,206,126	$ 4,234	$ 58,963
Additions:			
Acquisitions (note 3)	494,455	-	-
Capital expenditures	13,408	24,586	65
Leasing costs	5,845	10	101
Dispositions	(5,360)	-	(6,080)
Reclassification of investment properties under development	(3,689)	3,689	-
Reclassification of investment properties held for sale	51,849	-	(51,849)
Foreign currency translation gain (loss)	24,013	(1)	(134)
Straight-line rent adjustment	4,324	-	47
Tenant inducements additions, net of amortization	4,904	(13)	207
Fair value gain (loss)	61,514	779	(1,320)
Balance, end of period	$ 4,857,389	$ 33,284	$ -

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

4. Investment properties, investment properties under development and investment properties held for sale (continued):

	Year ended December 31, 2012 [1]		
	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of period	$ 3,003,604	$ 20,463	$ -
Additions:			
Acquisitions (note 3)	987,979	-	-
Capital expenditures	18,663	8,737	-
Leasing costs	6,447	-	-
Dispositions	(2,790)	-	-
Reclassification of investment properties under development	27,552	(27,552)	-
Reclassification of investment properties held for sale	(58,963)	-	58,963
Foreign currency translation loss	(11,678)	(56)	-
Straight-line rent adjustment	5,473	-	-
Tenant inducements additions, net of amortization	9,217	-	-
Fair value gain	220,622	2,642	-
Balance end of period	$ 4,206,126	$ 4,234	$ 58,963

(1) Comparative amounts have been restated pursuant to the adoption of IFRS 11. Refer to note 2 (d).

External valuations are performed quarterly on a rotational basis over a four year cycle. For the third quarter cycle, 16 investment properties with an aggregate fair value of $332,048 at September 30, 2013 (December 31, 2012, $92,942) were appraised by qualified external valuation professionals.

The REIT determined the fair value of investment properties based upon either the discounted cash flow method or 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 capitalized at a rate appropriate for each investment property. A change in the discount or capitalization rates used could have a material impact on the fair value of the REIT's investment properties. Under the fair value hierarchy, the fair value of the REIT's investment properties is considered a level three, as described in note 22 (b).

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

4. Investment properties, investment properties under development and investment properties held for sale (continued):

The key valuation assumptions for investment properties, including investment properties held for sale, are as follows:

	September 30, 2013			December 31, 2012		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Discount rate	9.50%	6.50%	7.59%	9.75%	6.50%	7.68%
Terminal capitalization rate	9.00%	5.50%	6.66%	9.00%	5.50%	6.73%
Capitalization rate	8.75%	5.25%	6.37%	9.00%	5.25%	6.46%
Investment horizon (years)	20.0	10.0	10.7	20.0	10.0	10.7

Key valuation assumptions reflect rates that represent the REIT's entire portfolio of investment properties.

At December 31, 2012, the REIT had two investment properties with a fair value of $58,963 classified as held for sale. At September 30, 2013, these properties have been reclassified to investment properties.

At September 30, 2013, included in investment properties is $24,123 (December 31, 2012, $19,663) 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 $89,160 at September 30, 2013 (December 31, 2012, $88,334).

At September 30, 2013, investment properties with a fair value of $4,663,795 (December 31, 2012, $4,137,932) are pledged as security under mortgage agreements and the credit facility.

5. Property and equipment:

	September 30, 2013	December 31, 2012
Office furniture and fixtures	$ 2,846	$ 2,072
Office equipment and software	1,063	1,031
Accumulated depreciation	(1,063)	(706)
	$ 2,846	$ 2,397

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

6. Notes receivable:

	September 30, 2013	December 31, 2012
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.	$ 20,808	$ 22,072
Note receivable matured 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 was unsecured.	-	1,673
Other notes receivable	104	130
	20,912	23,875
Current portion	1,712	3,344
Non-current portion	$ 19,200	$ 20,531

7. Accounts receivable and other receivables:

	September 30, 2013	December 31, 2012 (1)
Rents receivable (note 22 (a)(ii))	$ 3,708	$ 3,837
Allowance for doubtful accounts (note 22 (a)(ii))	(82)	(162)
Accrued recovery income	2,504	2,561
Other amounts receivable	8,862	5,093
	$ 14,992	$ 11,329

(1) Comparative amounts have been restated pursuant to the adoption of IFRS 11. Refer to note 2 (d).

Other amounts receivable at September 30, 2013 includes proceeds of $5,360 from the sale of Delta Centre.

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

8. Mortgages and loans payable:

	September 30, 2013	December 31, 2012
Mortgages and loans payable	$ 2,287,426	$ 2,076,958
Net above- and below-market mortgage adjustments	5,429	6,145
Financing costs	(9,548)	(9,496)
	2,283,307	2,073,607
Current portion	223,720	213,001
Non-current portion	$ 2,059,587	$ 1,860,606

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 4.28% and the weighted-average nominal rate is 4.11% at September 30, 2013 (December 31, 2012, 4.42% and 4.23%, respectively). Maturity dates range from November 1, 2013 to February 14, 2032.

9. 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 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	Equity portion	Liability portion	Accretion	Carrying value	Current portion	Non-current portion
Series D	$ 7,000	$ 230	$ 6,918	$ 43	$ 6,961	$ -	$ 6,961
Series F	86,170	11,023	84,841	158	84,999	-	84,999
Series G	90,508	-	93,766	(569)	93,197	-	93,197
September 30, 2013	$ 183,678	$ 11,253	$ 185,525	$ (368)	$ 185,157	$ -	$ 185,157
December 31, 2012	180,721	11,253	182,462	(118)	182,344	-	182,344

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

10. Accounts payable and other liabilities:

		September 30, 2013		December 31, 2012 (1)
Accounts payable and accrued liabilities	$	36,282	$	27,461
Distributions payable		12,074		10,340
Accrued interest		9,590		6,626
Accrued property taxes		6,995		864
Financial instrument liabilities		147		4,099
Cash-settled unit-based payments liability		227		30
Other		1,226		1,294
	$	66,541	$	50,714

(1) Comparative amounts have been restated pursuant to the adoption of IFRS 11. Refer to note 2 (d).

11. Bank indebtedness:

On September 6, 2012, the REIT entered into a revolving term credit facility in the amount of $80,000, which can be utilized for general corporate operating purposes, including the acquisition of commercial properties and the issuance of letters of credit. The credit facility matures on September 6, 2014. Amounts drawn on the facility bear interest at prime plus 1.00% or at the bankers' acceptance rate plus 2.00%. The credit facility is secured by a first charge on certain investment properties with a carrying value of $146,502 at September 30, 2013 (December 31, 2012, $146,859). At September 30, 2013, the REIT did not have a balance drawn on the facility (December 31, 2012, $nil).

12. Unitholders' equity:

(a) Common units:

(i) Authorized:

In accordance with the Declaration of Trust, the REIT may issue an unlimited number of common units, with each unit representing an equal undivided 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 restrictions.

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

12. Unitholders' equity (continued):

(a) Common units (continued):

(ii) Issued and outstanding:

	Number of units		Amount
Balance at December 31, 2011	88,872,905	$	1,053,530
Public offerings, net of issue costs of $16,754	23,735,000		361,702
Conversion of Series C convertible debentures	1,681		29
Conversion of Series E convertible debentures	973,311		13,824
Conversion of Series F convertible debentures	5,159		89
Options exercised	248,625		4,005
Distribution Reinvestment and Unit Purchase Plan	1,047,788		16,122
Balance at December 31, 2012	114,884,469		1,449,301
Public offerings, net of issue costs of $7,306	10,424,750		165,223
Options exercised	142,937		2,241
Distribution Reinvestment and Unit Purchase Plan	987,974		14,484
Balance at September 30, 2013	126,440,130	$	1,631,249

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.

(iii) Normal course issuer bid:

On December 13, 2012, 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 10,940,334 units, representing 10% of the REIT's float of 109,403,338 units on November 30, 2012. Purchases will be made at market prices through the facilities of the Exchange. This bid will remain in effect until the earlier of December 16, 2013, 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, 2013 and 2012, the REIT did not acquire units through the normal course issuer bid.

(iv) At-the-market equity financing:

The REIT has entered into an Equity Distribution Agreement dated September 17, 2010, as amended and restated on September 18, 2012, with an exclusive agent for the issuance and sale, from time to time, until July 15, 2014 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, 2013, no units have been issued pursuant to this arrangement.

12. Unitholders' equity (continued):

(b) Preferred units:

In accordance with the Declaration of Trust, the REIT may issue an unlimited number of preferred units.

(i) Series A:

On August 2, 2012, the REIT issued 3,000,000 Cumulative Rate Reset Preferred Trust Units, Series A (the "Series A Units") for aggregate gross proceeds of $75,000. On August 10, 2012, the underwriting syndicate exercised in full its over-allotment option and a further 450,000 Series A Units were issued for gross proceeds of $11,250. The Series A Units pay a cumulative distribution yield of 5.25% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial five-year period ending September 30, 2017. The distribution rate will be reset on September 30, 2017 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 4.06%.

The REIT may redeem the Series A Units on September 30, 2017 and on September 30 every five years thereafter. The holders of Series A Units have the right to reclassify their Series A Units to Preferred Units, Series B (the "Series B Units"), subject to certain conditions, on September 30, 2017 and on September 30 every five years thereafter. The Series B Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series B Units have the right to reclassify their Series B Units to Series A Units on September 30, 2022 and on September 30 every five years thereafter.

(ii) Series C:

On September 18, 2012, the REIT issued 3,000,000 Cumulative Rate Reset Preferred Trust Units, Series C (the "Series C Units") for aggregate gross proceeds of US$75,000. The Series C Units pay a fixed cumulative distribution yield of 5.25% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial approximately five and a half-year period ending March 31, 2018. The distribution rate will be reset on March 31, 2018 and every five years thereafter at a rate equal to the sum of the then five-year United States Government bond yield and 4.46%.

The REIT may redeem the Series C Units on March 31, 2018 and on March 31 every five years thereafter. The holders of Series C Units have the right to reclassify their Series C Units to Preferred Units, Series D ("the Series D Units"), subject to certain conditions, on March 31, 2018 and on March 31 every five years thereafter. The Series D Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series D Units have the right to reclassify their Series D Units to Series C Units on March 31, 2023 and on March 31 every five years thereafter.

12. Unitholders' equity (continued):

(b) Preferred units (continued):

(iii) Series E:

On March 21, 2013, the REIT issued 4,000,000 Cumulative Rate Reset Preferred Trust Units, Series E (the "Series E Units") for aggregate gross proceeds of $100,000. The Series E Units pay a cumulative distribution yield of 4.75% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial period ending September 30, 2018. The distribution rate will be reset on September 30, 2018 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 3.30%.

The REIT may redeem the Series E Units on September 30, 2018 and on September 30 every five years thereafter. The holders of Series E Units have the right to reclassify their Series E Units to Preferred Units, Series F (the "Series F Units"), subject to certain conditions, on September 30, 2018 and on September 30 every five years thereafter. The Series F Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series F Units have the right to reclassify their Series F Units to Series E Units on September 30, 2023 and on September 30 every five years thereafter.

(iv) Series G:

On July 29, 2013, the REIT issued 3,200,000 Cumulative Rate Reset Preferred Trust Units, Series G (the "Series G Units") for aggregate gross proceeds of $80,000. This included 200,000 Series G Units issued pursuant to the partial exercise of the Underwriters' option. The Series G Units pay a cumulative distribution yield of 5.00% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial period ending July 31, 2019. The distribution rate will be reset on July 31, 2019 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 3.13%.

The REIT may redeem the Series G Units on July 31, 2019 and on July 31 every five years thereafter. The holders of Series G Units have the right to reclassify their Series G Units to Preferred Units, Series H (the "Series H Units"), subject to certain conditions, on July 31, 2019 and on July 31 every five years thereafter. The Series H Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series H Units have the right to reclassify their Series H Units to Series G Units on July 31, 2024 and on July 31 every five years thereafter.

The Series A Units, Series C Units, Series E Units and Series G rank equally with each other and with the outstanding Series B Units, Series D Units, Series F Units and Series H units into which they may be reclassified, and rank in priority to the trust units.

(c) Short form base shelf prospectus:

On June 15, 2012, the REIT issued a new 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 $2,000,000 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, 2013, the REIT has issued common units under two offerings in the amount of $241,610 and preferred units under four offerings in the amount of $266,250 and US$75,000 under this short form base shelf prospectus.

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

12. Unitholders' equity (continued):

(d) Weighted-average common units:

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Income for the period	$ 48,978	$ 87,538	$ 197,857	$ 241,614
Adjustment for distributions to preferred unitholders	(4,026)	(867)	(9,639)	(867)
Income for the period attributable to common unitholders	44,952	86,671	188,218	240,747
Adjustment for convertible debentures	2,631	6,720	7,755	22,673
Diluted income attributable to common unitholders for the period	$ 47,583	$ 93,391	$ 195,973	$ 263,420

The weighted-average number of common units outstanding was as follows:

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Basic common units	126,207,356	109,993,170	120,949,292	103,065,034
Effect of dilutive securities:				
Unit options	78,321	-	209,357	-
Convertible debentures	10,594,643	10,594,643	10,594,643	10,594,643
Diluted common units	136,880,320	120,587,813	131,753,292	113,659,677
Income per unit attributable to common unitholders:				
Basic	$ 0.36	$ 0.79	$ 1.56	$ 2.34
Diluted	$ 0.35	$ 0.77	$ 1.49	$ 2.32

The computation of diluted income per unit attributable to common unitholders only includes unit options when these instruments are dilutive.

13. Distributions to unitholders:

Total distributions declared to unitholders are as follows:

	Three months ended September 30, 2013		Three months ended September 30, 2012	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	$ 34,095	$ 0.27	$ 29,715	$ 0.27
Preferred unitholders - Series A	1,132	0.33	732	0.21
Preferred unitholders - Series C	1,012	0.34	135	0.05
Preferred unitholders - Series E	1,188	0.30	-	-
Preferred unitholders - Series G	694	0.22	-	-

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

13. Distributions to unitholders (continued):

	Nine months ended September 30, 2013		Nine months ended September 30, 2012	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	$ 98,221	$ 0.81	$ 84,771	$ 0.81
Preferred unitholders - Series A	3,396	0.98	732	0.21
Preferred unitholders - Series C	3,047	1.02	135	0.05
Preferred unitholders - Series E	2,502	0.63	-	-
Preferred unitholders - Series G	694	0.22	-	-

14. (Loss) gain on financial instruments:

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

	Three months ended September 30, 2013	2012	Nine months ended September 30, 2013	2012
Convertible debentures	$ -	$ (3,883)	$ -	$ (13,915)
Interest rate swaps	(1,093)	246	4,817	(77)
Forward and swap contracts	565	(237)	(78)	-
	$ (528)	$ (3,874)	$ 4,739	$ (13,992)

15. Changes in non-cash operating items:

	Three months ended September 30, 2013	2012 (1)	Nine months ended September 30, 2013	2012 (1)
Prepaid expenses	$ (534)	$ 874	$ (2,687)	$ (1,939)
Accounts receivable and other receivables	(6,825)	1,951	(3,597)	(434)
Cash held in trust	(695)	(257)	(3,846)	(1,685)
Security deposits and prepaid rent	148	1,028	2,238	9,260
Accounts payable and other liabilities	15,888	10,503	17,208	9,440
	$ 7,982	$ 14,099	$ 9,316	$ 14,642

(1) Comparative amounts have been restated pursuant to the adoption of IFRS 11. Refer to note 2 (d).

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

16. Employee benefits:

(a) Defined benefit pension plans:

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

The fair value of the plan assets at September 30, 2013 is $2,497. The recognized pension obligation, net of plan assets at September 30, 2013 is $nil. The net expense for the defined benefit plans for the three and nine months ended September 30, 2013 is $301 and $824, (2012, $216 and $647), respectively, and is included in corporate expenses.

(b) Unit-based compensation:

Under the REIT’s equity incentive plan, there may be grants of unit options, restricted units, deferred units or installment units, which are subject to certain restrictions. Under this incentive plan, the total number of units reserved for issuance may not exceed 7.0% of the units outstanding.

(i) Unit options:

Unit-based compensation expense related to unit options granted under the equity incentive plan for the three and nine months ended September 30, 2013 amounted to $372 and $1,132 (2012, $926 and $3,369), respectively. These unit options granted vest equally over a four-year period.

A summary of the REIT's unit options outstanding are as follows:

	Nine months ended September 30, 2013		Nine months ended September 30, 2012	
	Units	Weighted-average exercise price	Units	Weighted-average exercise price
Balance, beginning of period	3,689,875	$ 14.92	2,164,250	$ 13.52
Granted	-	-	1,849,500	16.36
Exercised	(142,937)	12.83	(226,840)	13.52
Expired	(95,750)	15.46	(60,000)	15.00
Balance, end of period	3,451,188	$ 14.99	3,726,910	$ 14.91
Options exercisable at end of period	1,320,126		536,285	

The weighted-average unit price at the date of exercise for unit options exercised during the nine months ended September 30, 2013 was $15.45 (2012, $16.58).

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

16. Employee benefits (continued):

(b) Unit-based compensation (continued):

(i) Unit options (continued):

Options outstanding at September 30, 2013 consist of the following:

Exercise price	Number outstanding	Weighted-average remaining contractual life	Options outstanding weighted-average exercise price	Number exercisable
$ 11.28	122,438	1.50 years	$ 11.28	60,626
$ 13.30	298,250	2.00 years	$ 13.30	208,500
$ 13.44	309,000	2.25 years	$ 13.44	129,000
$ 14.10	1,014,500	2.75 years	$ 14.10	493,000
$ 16.36	1,707,000	3.50 years	$ 16.36	429,000
	3,451,188		$ 14.99	1,320,126

(ii) Restricted units:

Unit-based compensation expense related to restricted units granted under the equity incentive plan for the three and nine months ended September 30, 2013 amounted to $83 and $206 (2012, $16 and $16), respectively. Restricted units vest on and after the third anniversary of the date of grant. The restricted units accrue additional restricted units during the vesting period, and are credited when the restricted units vest. Each restricted unit is valued at the closing price of the REIT's common units on the balance sheet date.

A summary of the REIT's restricted units outstanding are as follows:

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
	Units	Units
Balance, beginning of period	45,060	-
Granted	26,697	9,600
Accrued	2,915	157
Exercised	(457)	-
Expired	(709)	-
Balance, end of period	73,506	9,757
Restricted units vested at end of period	-	-

At September 30, 2013, no deferred units or installment units have been granted under the REIT’s equity incentive plan.

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

17. Related party transactions:

The REIT may issue unit-based awards to trustees, officers, employees and consultants (note 16).

Other related party transactions are outlined as follows:

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Acquisition fees	-	-	-	552
Property management fees	82	77	242	238
Capitalized office furniture and fixtures	222	94	466	1,391
Capitalized office equipment	-	-	-	343
Capitalized leasing commissions	9	671	34	859
Capitalized building improvements	11,431	4,022	24,026	8,693
Capitalized tenant inducements	82	412	763	823
Disposition of surplus land	-	(750)	-	(750)
Property tax assessment consulting fees	69	-	91	188
Rental revenues	(42)	(41)	(126)	(123)

The REIT incurred property management fees, leasing commission fees and tenant improvement fees under property management agreements with Marwest Management Canada Ltd. ("Marwest Management"), a company related to certain trustees and officers of the REIT, for three properties owned by the REIT. The amount payable at September 30, 2013 is $28 (December 31, 2012, $26).

On January 1, 2012, the REIT entered into a one-year leasing services agreement with Marwest Management, which expired on December 31, 2012. The amount payable at September 30, 2013 is $nil (December 31, 2012, $756).

The REIT incurred costs for building improvements and tenant inducements paid to Marwest Construction Ltd., Marwest Development Corporation, and Nova 3 Engineering, companies related to certain trustees and officers of the REIT. The amount payable at September 30, 2013 is $2,947 (December 31, 2012, $1,137).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction Ltd. The amount payable at September 30, 2013 is $31 (December 31, 2012, $42). During 2012, the REIT purchased $1,243 of office furniture and fixtures and $343 of office equipment from Marwest Management as a result of the internalization of the asset and property management functions.

The REIT sold surplus land at an investment property to a company controlled by a trustee of the REIT in 2012.

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 September 30, 2013 is $nil (December 31, 2012, $nil).

The REIT collects office rents from Marwest Management.

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.

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

17. Related party transactions (continued):

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

	Ownership interest	
Name of entity	September 30, 2013	December 31, 2012
Artis General Partner Ltd.	100%	100%
AX L.P.	100%	100%
Artis US Holdings, Inc.	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%	50%
AX Longboat L.P.	50%	50%
Artis HRA 1700 Broadway, LP	50%	-
Artis HRA 1700 Broadway GP, LLC	50%	-

18. Joint arrangements:

The REIT had interests in the following joint arrangements at September 30, 2013:

Name of entity	Principal purpose	Type of arrangement	Ownership interest	Voting rights held
Centre 70 Building	Investment property	Joint operation	85%	50%
Kincaid Building	Investment property	Joint operation	50%	50%
Cliveden Building	Investment property	Joint operation	50%	50%
Westbank Hub Centre North	Investment property	Joint operation	75%	50%
Centrepoint	Investment property	Joint venture	50%	50%
Whistler Hilton Retail Plaza	Investment property	Joint operation	85%	50%
Westbank Hub Shopping Centre	Investment property	Joint operation	75%	50%
1700 Broadway	Investment property	Joint venture	50%	50%

During the nine months ended September 30, 2013, the REIT acquired a net interest in 1700 Broadway for $26,414, inclusive of transaction costs.

The REIT had interests in the following joint arrangements at December 31, 2012:

Name of entity	Principal purpose	Type of arrangement	Ownership interest	Voting rights held
Centre 70 Building	Investment property	Joint operation	85%	50%
Kincaid Building	Investment property	Joint operation	50%	50%
Cliveden Building	Investment property	Joint operation	50%	50%
Westbank Hub Centre North	Investment property	Joint operation	75%	50%
Cara Foods Building	Investment property	Joint operation	50%	50%
Centrepoint	Investment property	Joint venture	50%	50%
Whistler Hilton Retail Plaza	Investment property	Joint operation	85%	50%
Westbank Hub Shopping Centre	Investment property	Joint operation	75%	50%

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

18. Joint arrangements (continued):

Summarized financial information of the REIT's share in its joint venture investments is as follows:

	September 30, 2013	December 31, 2012
Non-current assets:		
Investment property	$ 51,569	$ 3,012
Investment property under development	13,726	4,375
Current assets:		
Prepaid expenses	50	155
Accounts receivable and other receivables	503	1,951
Cash and cash equivalents	1,392	211
	67,240	9,704
Non-current liabilities:		
Mortgages and loans payable	26,839	-
Current liabilities:		
Mortgages and loans payable	497	-
Security deposits and prepaid rent	174	-
Accounts payable and other liabilities	2,781	1,854
	30,291	1,854
Investments in joint ventures	$ 36,949	$ 7,850

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Revenue	$ 1,518	$ -	$ 2,207	$ -
Property operating expenses	711	-	895	-
	807	-	1,312	-
Other income (expenses):				
Interest expense	(203)	-	(290)	-
Fair value gain on investment property	165	-	853	-
Income for the period from investments in joint ventures	$ 769	$ -	$ 1,875	$ -

(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, Alberta and Saskatchewan; Central Canada includes 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, 2013					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	$ 63,799	$ 16,807	$ 15,721	$ 24,683	$ 22	$ 121,032
Property operating expenses	19,617	7,695	5,840	9,273	-	42,425
	44,182	9,112	9,881	15,410	22	78,607
Other income (expenses):						
Corporate expenses	-	-	-	-	(2,322)	(2,322)
Interest expense	(12,210)	(3,500)	(3,176)	(4,522)	(2,815)	(26,223)
Interest income	340	14	24	11	118	507
Income from investments in joint ventures	-	-	-	769	-	769
Fair value gain (loss) on investment properties	5,994	2,211	(10,933)	(158)	-	(2,886)
Foreign currency translation gain	-	-	-	-	1,353	1,353
Transaction costs	(37)	(5)	(21)	(236)	-	(299)
Loss on financial instruments	-	-	-	-	(528)	(528)
Income (loss) for the period	$ 38,269	$ 7,832	$ (4,225)	$ 11,274	$ (4,172)	$ 48,978
Acquisitions of investment properties	$ -	$ -	$ -	$ 112,723	$ -	$ 112,723
Additions to investment properties and investment properties under development	5,002	11,641	377	2,113	-	19,133
Additions to leasing costs	1,302	363	203	297	-	2,165
Additions to tenant inducements	1,387	1,290	1,133	503	-	4,313

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

19. Segmented information (continued):

	Three months ended September 30, 2012					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	$ 52,339	$ 15,484	$ 12,703	$ 17,865	$ 75	$ 98,466
Property operating expenses	17,203	6,324	4,856	6,554	-	34,937
	35,136	9,160	7,847	11,311	75	63,529
Other income (expenses):						
Corporate expenses	-	-	-	-	(2,604)	(2,604)
Interest expense	(12,229)	(3,394)	(2,576)	(3,443)	(3,069)	(24,711)
Interest income	342	9	12	11	192	566
Fair value gain on investment properties	41,817	4,256	6,408	1,522	-	54,003
Foreign currency translation gain	-	-	-	-	4,759	4,759
Transaction costs	(152)	(3)	(3,842)	(133)	-	(4,130)
Loss on financial instruments	-	-	-	-	(3,874)	(3,874)
Income (loss) for the period	$ 64,914	$ 10,028	$ 7,849	$ 9,268	$ (4,521)	$ 87,538
Acquisitions of investment properties	$ 38,537	$ -	$ 128,983	$ 37,381	$ -	$ 204,901
Additions to investment properties and investment properties under development	5,725	1,924	460	1,326	-	9,435
Additions to leasing costs	956	711	153	81	-	1,901
Additions to tenant inducements	4,140	1,767	320	743	-	6,970

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

19. Segmented information (continued):

	Nine months ended September 30, 2013					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	$ 176,667	$ 48,526	$ 46,543	$ 68,729	$ 83	$ 340,548
Property operating expenses	54,500	21,127	17,109	25,950	-	118,686
	122,167	27,399	29,434	42,779	83	221,862
Other income (expenses):						
Corporate expenses	-	-	-	-	(7,009)	(7,009)
Interest expense	(35,955)	(10,251)	(9,106)	(12,314)	(8,546)	(76,172)
Interest income	1,044	65	61	34	410	1,614
Income from investments in joint ventures	-	-	-	1,875	-	1,875
Fair value gain (loss) on investment properties	37,240	32,479	(9,331)	585	-	60,973
Foreign currency translation loss	-	-	-	-	(4,654)	(4,654)
Transaction costs	(933)	(1,445)	(1,522)	(1,471)	-	(5,371)
Gain on financial instruments	-	-	-	-	4,739	4,739
Income (loss) for the period	$ 123,563	$ 48,247	$ 9,536	$ 31,488	$ (14,977)	$ 197,857
Acquisitions of investment properties	$ 215,171	$ 48,158	$ 59,080	$ 172,046	$ -	$ 494,455
Additions to investment properties and investment properties under development	8,471	24,892	813	3,883	-	38,059
Additions to leasing costs	3,093	689	810	1,364	-	5,956
Additions to tenant inducements	3,521	2,917	2,126	2,906	-	11,470

	September 30, 2013					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Total assets	$ 2,728,170	$ 675,773	$ 608,048	$ 992,179	$ 64,760	$ 5,068,930
Total liabilities	1,177,534	300,921	312,430	568,323	201,773	2,560,981

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

19. Segmented information (continued):

	Nine months ended September 30, 2012					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	$ 141,316	$ 45,506	$ 33,700	$ 46,736	$ 175	$ 267,433
Property operating expenses	45,409	19,191	12,570	16,511	-	93,681
	95,907	26,315	21,130	30,225	175	173,752
Other income (expenses):						
Corporate expenses	-	-	-	-	(9,109)	(9,109)
Interest expense	(34,077)	(9,998)	(7,075)	(8,705)	(9,665)	(69,520)
Interest income	1,106	31	29	292	668	2,126
Fair value gain on investment properties	104,028	17,409	22,165	19,262	-	162,864
Foreign currency translation gain	-	-	-	-	2,636	2,636
Transaction costs	(1,783)	(321)	(3,842)	(855)	(342)	(7,143)
Loss on financial instruments	-	-	-	-	(13,992)	(13,992)
Income (loss) for the period	$ 165,181	$ 33,436	$ 32,407	$ 40,219	$ (29,629)	$ 241,614
Acquisitions of investment properties	$ 440,306	$ 32,200	$ 128,983	$ 192,822	$ -	$ 794,311
Additions to investment properties and investment properties under development	9,802	5,195	515	3,117	-	18,629
Additions to leasing costs	2,123	1,123	279	553	-	4,078
Additions to tenant inducements	5,781	2,932	794	1,651	-	11,158

	December 31, 2012					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Total assets	$ 2,480,380	$ 566,339	$ 554,603	$ 756,065	$ 22,673	$ 4,380,060
Total liabilities	1,117,782	278,708	280,716	454,720	198,278	2,330,204

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

20. Commitments and guarantees:

(a) Letters of credit:

As of September 30, 2013, the REIT had issued letters of credit in the amount of $2,696 (December 31, 2012, $225).

(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, 2013 is $5,467 (December 31, 2012, $5,584), with an estimated weighted-average remaining term of 4.2 years (December 31, 2012, 4.9 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.

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, 2013, the ratio of such indebtedness to gross book value was 45.0% (December 31, 2012, 47.3%), 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 adjusted unitholders' equity of $750,000 for the purposes of the credit facility (note 11). As at September 30, 2013, the REIT was in compliance with these requirements.

The REIT's mortgage providers also have various financial covenants. The REIT monitors these covenants and is in compliance with these requirements.

The total managed capital for the REIT is summarized below:

	September 30, 2013	December 31, 2012
Mortgages and loans payable	$ 2,283,307	$ 2,073,607
Convertible debentures	185,157	182,344
Bank indebtedness	-	-
Total debt	2,468,464	2,255,951
Unitholders' equity	2,507,949	2,049,856
	$ 4,976,413	$ 4,305,807

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

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 monitoring 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, 2013, the REIT is a party to $586,767 of variable rate debt (December 31, 2012, $529,660). At September 30, 2013, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $341,066 of variable rate debt (December 31, 2012, $173,472).

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	$ 2,607
Fixed rate debt due within one year	579
	$ 3,186

(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. The REIT's Series C Units are also denominated in US dollars.

A $0.10 weakening in the US dollar against the average Canadian dollar exchange rate of 1.0374 and 1.0258 for the three and nine months ended September 30, 2013, respectively, and the period end exchange rate of 1.0285 at September 30, 2013 would have increased net income by approximately $7,311 and $5,385 for the three and nine months ended September 30, 2013, respectively. A $0.10 weakening in the US dollar against the Canadian dollar would also have decreased other comprehensive income by approximately $40,103 and $38,177 for the three and nine months ended September 30, 2013, 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.

(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:

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, deposits on investment properties and accounts receivable and other receivables.

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 five U.S. states. Included in property operating expenses is an impairment loss (recovery) on accounts receivable and other receivables of $4 and $76 during the three and nine months ended September 30, 2013 (2012, $(9) and $165, respectively). The credit quality of the accounts receivable and other receivables amount is considered adequate.

The aging of accounts receivable is summarized as follows:

	September 30, 2013	December 31, 2012 (1)
Past due 0 - 30 days	$ 2,392	$ 2,767
Past due 31 - 90 days	336	342
Past due more than 91 days	980	728
	3,708	3,837
Allowance for doubtful accounts	(82)	(162)
	$ 3,626	$ 3,675

(1) Comparative amounts have been restated pursuant to the adoption of IFRS 11. Refer to note 2 (d).

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.

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

22. Risk management and fair values (continued):

(a) Risk management (continued):

(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, 2013 including bank indebtedness, accounts payable and other liabilities, mortgages and loans payable, 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
Bank indebtedness	$ -	$ -	$ -	$ -	$ -
Accounts payable and other liabilities	66,541	66,541	-	-	-
Mortgages and loans payable [(1)]	2,314,997	225,063	792,079	731,053	566,802
Convertible debentures	183,678	-	7,000	90,508	86,170
	$ 2,565,216	$ 291,604	$ 799,079	$ 821,561	$ 652,972

(1) This includes mortgage and loans payable included in the REIT's investments in joint ventures.

(b) Fair values:

The REIT uses a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements of its financial instruments and its investment properties. 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.

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

22. Risk management and fair values (continued):

(b) Fair values (continued):

		September 30, 2013		December 31, 2012	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	$ 4,857,389	$ 4,857,389	$ 4,206,126	$ 4,206,126
Investment properties under development	Level 3	33,284	33,284	4,234	4,234
Notes receivable	Level 2	20,912	21,819	23,875	25,506
Investment properties held for sale	Level 3	-	-	58,963	58,963
Mortgage interest rate swaps	Level 2	848	848	-	-
Foreign exchange swap contracts	Level 2	-	-	78	78
		4,912,433	4,913,340	4,293,276	4,294,907
Liabilities:					
Mortgages and loans payable	Level 2	2,283,307	2,308,557	2,073,607	2,137,855
Convertible debentures	Level 1, 2 (1)	185,157	186,355	182,344	187,055
Mortgage interest rate swaps	Level 2	147	147	4,099	4,099
		2,468,611	2,495,059	2,260,050	2,329,009
		$ 2,443,822	$ 2,418,281	$ 2,033,226	$ 1,965,898

(1) Convertible debentures excluding Series D are measured using a Level 1 methodology and Series D convertible debentures are valued using a Level 2 methodology.

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.

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.

Fair value of the debentures 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 eighteen mortgages. The swaps are not designated in a hedge relationship. An unrealized loss of $1,093 and an unrealized gain of $4,817 were recorded for the three and nine months ended September 30, 2013 (2012, gain of $246 and loss of $77), respectively, in relation to the fair value of these interest rate swaps.

23. Subsequent events:

On October 1, 2013, the REIT acquired development land located in Edmonton, Alberta. The land was acquired for $5,841 and the purchase price was satisfied with cash.

On October 1, 2013, the REIT received Delta Centre sale proceeds of $5,360.

Distributions in the amount of $0.3219 per Series G Unit for the initial period ending October 31, 2013 were declared and paid subsequent to September 30, 2013.

Distributions in the amount of $0.09 per unit for October 2013 were declared subsequent to September 30, 2013.

24. Approval of financial statements:

The interim condensed consolidated financial statements were approved by the Board of Trustees and authorized for issue on November 7, 2013.