Interim Condensed Consolidated Financial Statements of

ARTIS REAL ESTATE INVESTMENT TRUST

Three months ended March 31, 2014 and 2013
(Unaudited)

(In Canadian dollars)

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Balance Sheets
(Unaudited)

(In thousands of Canadian dollars)

		March 31, 2014		December 31, 2013
ASSETS				
Non-current assets:				
Investment properties (note 4)	$	4,924,887	$	4,851,877
Investment properties under development (note 4)		10,299		47,281
Investments in joint ventures (note 21)		54,819		42,434
Property and equipment (note 5)		2,937		2,872
Notes receivable (note 6)		18,259		18,741
		5,011,201		4,963,205
Current assets:				
Deposits on investment properties		1,561		103
Prepaid expenses and other assets (note 7)		9,745		10,694
Notes receivable (note 6)		1,778		1,723
Accounts receivable and other receivables (note 8)		16,213		12,537
Cash held in trust		6,396		5,553
Cash and cash equivalents		153,303		48,222
		188,996		78,832
	$	5,200,197	$	5,042,037
LIABILITIES AND UNITHOLDERS' EQUITY				
Non-current liabilities:				
Mortgages and loans payable (note 9)	$	2,018,881	$	2,006,614
Senior unsecured debentures (note 10)		124,140		-
Convertible debentures (note 11)		184,954		181,282
Preferred shares liability		85		81
		2,328,060		2,187,977
Current liabilities:				
Mortgages and loans payable (note 9)		273,764		280,983
Convertible debentures (note 11)		1,495		3,982
Security deposits and prepaid rent		26,193		25,787
Accounts payable and other liabilities (note 12)		64,626		59,061
		366,078		369,813
		2,694,138		2,557,790
Unitholders' equity (note 14)		2,506,059		2,484,247
Commitments and guarantees (note 23)				
Subsequent events (note 26)				
	$	5,200,197	$	5,042,037

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, 2014 and 2013
(Unaudited)

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

	Three months ended March 31, 2014	2013
Revenue	$ 123,653	$ 108,779
Property operating expenses	46,318	37,263
	77,335	71,516
Other income (expenses):		
Corporate expenses	(2,530)	(2,333)
Interest expense	(26,590)	(24,641)
Interest income	391	483
Income from investments in joint ventures (note 21)	754	-
Fair value (loss) gain on investment properties (note 4)	(10,707)	34,824
Foreign currency translation loss	(4,355)	(1,385)
Transaction costs (note 16)	(88)	(1,483)
(Loss) gain on financial instruments (note 17)	(3,224)	596
Income for the period	30,986	77,577
Other comprehensive income that may be reclassified to net income in subsequent periods:		
Unrealized foreign currency translation gain	18,502	6,269
Comprehensive income for the period	$ 49,488	$ 83,846
Basic income per unit attributable to common unitholders (note 14 (d))	$ 0.21	$ 0.65
Diluted income per unit attributable to common unitholders (note 14 (d))	$ 0.21	$ 0.62
Weighted-average number of common units outstanding (note 14 (d)):		
Basic	127,368,853	115,050,485
Diluted	127,748,848	125,903,368

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, 2014 and 2013
(Unaudited)

(In thousands of Canadian dollars)

	Common units capital contributions	Equity component of convertible debentures	Equity	Accumulated other comprehensive (loss) income	Contributed surplus	Total common equity	Total preferred equity	Total
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	5,076	-	-	-	(168)	4,908	96,559	101,467
Unit-based compensation (note 19 (b)(i))	-	-	-	-	381	381	-	381
Income	-	-	77,577	-	-	77,577	-	77,577
Other comprehensive income	-	-	-	6,269	-	6,269	-	6,269
Distributions	-	-	(34,362)	-	-	(34,362)	-	(34,362)
Unitholders' equity, March 31, 2013	1,454,377	11,253	478,079	4,486	4,567	1,952,762	248,426	2,201,188
Changes for the period:								
Issuance of units, net of issue costs	183,842	-	-	-	(451)	183,391	77,197	260,588
Unit-based compensation	-	-	-	-	1,100	1,100	-	1,100
Redemption of convertible debentures	-	(99)	-	-	-	(99)	-	(99)
Income	-	-	113,578	-	-	113,578	-	113,578
Other comprehensive income	-	-	-	20,831	-	20,831	-	20,831
Distributions	-	-	(112,939)	-	-	(112,939)	-	(112,939)
Unitholders' equity, December 31, 2013	1,638,219	11,154	478,718	25,317	5,216	2,158,624	325,623	2,484,247
Changes for the period:								
Issuance of units, net of issue costs	11,276	-	-	-	(205)	11,071	-	11,071
Unit-based compensation (note 19 (b)(i))	-	-	-	-	180	180	-	180
Redemption of convertible debentures	-	(82)	-	-	-	(82)	-	(82)
Income	-	-	30,986	-	-	30,986	-	30,986
Other comprehensive income	-	-	-	18,502	-	18,502	-	18,502
Distributions	-	-	(38,845)	-	-	(38,845)	-	(38,845)
Unitholders' equity, March 31, 2014	$ 1,649,495	$ 11,072	$ 470,859	$ 43,819	$ 5,191	$2,180,436	$ 325,623	$ 2,506,059

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, 2014 and 2013
(Unaudited)

(In thousands of Canadian dollars)

	Three months ended March 31, 2014	Three months ended March 31, 2013
Cash provided by (used in):		
Operating activities:		
Income for the period	$ 30,986	$ 77,577
Adjustments for non-cash items:		
Fair value loss (gain) on investment properties (note 4)	10,707	(34,824)
Depreciation of property and equipment	138	88
Income from investments in joint ventures (note 21)	(754)	-
Distributions from joint venture	172	-
Amortization:		
Tenant inducements amortized to revenue	2,446	2,011
Above- and below-market mortgages, net	(459)	(441)
Accretion on liability component of debentures	(97)	(78)
Straight-line rent adjustment	(1,335)	(1,440)
Unrealized foreign currency translation (gain) loss	(3,387)	1,726
Unrealized fair value loss (gain) on financial instruments	3,224	(596)
Unit-based compensation expense (note 19 (b))	473	443
Amortization of financing costs included in interest	773	809
Changes in non-cash operating items (note 18)	(2,204)	2,430
	40,683	47,705
Investing activities:		
Acquisition of investment properties, net of related debt (note 3)	-	(43,870)
Proceeds from disposition of investment property, net of costs (note 3)	3,464	-
Additions to investment properties	(1,288)	(2,024)
Additions to investment properties under development	(5,465)	(4,326)
Additions to joint venture	(10,584)	-
Additions to tenant inducements	(3,840)	(3,916)
Additions to leasing costs	(2,057)	(1,859)
Notes receivable principal repayments	427	441
Additions to property and equipment	(203)	(32)
Repayment of note receivable	-	1,653
Change in deposits on investment properties	(1,351)	(12,703)
	(20,897)	(66,636)
Financing activities:		
Issuance of common units, net of issue costs	11,071	4,908
Issuance of preferred units, net of issue costs	-	96,559
Issuance of senior unsecured debentures, net of financing costs	124,138	-
Repayment of convertible debentures	(2,500)	-
Change in bank indebtedness	-	20,000
Distributions paid on common units	(34,367)	(32,073)
Distributions paid on preferred units	(4,408)	(2,132)
Mortgages and loans principal repayments	(14,697)	(13,059)
Repayment of mortgages and loans payable	(2,403)	(34,404)
Advance of mortgages and loans payable, net of financing costs	-	24,719
	76,834	64,518
Foreign exchange gain on cash held in foreign currency	8,461	367
Increase in cash and cash equivalents	105,081	45,954
Cash and cash equivalents at beginning of period	48,222	54,494
Cash and cash equivalents at end of period	$ 153,303	$ 100,448
Supplemental cash flow information:		
Interest paid	$ 23,805	$ 22,024
Interest received	391	483

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, 2013 except for those standards adopted as described in note 2 (c). 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, 2013.

(b) 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, 2013.

(c) Accounting policies adopted during the period:

IAS 32 - *Offsetting Financial Assets and Liabilities*, as amended by the IASB in December 2011, clarifies certain aspects of offsetting and net and gross settlement, and is effective for annual periods beginning on or after January 1, 2014. This amendment did not result in a material impact on the consolidated financial statements.

IFRIC interpretation 21 - *Levies* was issued by the IASB in May 2013. The interpretation considers the guidance in IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets* for the recognition of a levy liability due to an obligating event described in the legislation that brings about payment of the levy. It is effective for annual periods beginning on or after January 1, 2014. This interpretation 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):

(d) Future changes in accounting policies:

In November 2013, the IASB amended IAS 19 - *Employee Benefits*. The amendment clarifies the requirements that relate to how contributions should be attributed to periods of service, and is effective for annual periods beginning on or after July 1, 2014. The REIT does not expect that this standard will result in a material impact on the consolidated financial statements.

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, 2018. The REIT is currently evaluating the impact of this new standard.

3. Acquisitions and dispositions of investment properties:

Acquisitions:

The REIT acquired development land located in the Phoenix Metropolitan Area, Arizona as part of a joint venture arrangement during the three months ended March 31, 2014.

The REIT acquired the following properties during the three months ended March 31, 2013:

Property	Property count	Location	Acquisition date	Type
1110 Pettigrew Avenue	1	Regina, SK	January 15, 2013	Industrial
Century Crossing III [1]	1	Edmonton Capital Region, AB	February 11, 2013	Retail
495 Richmond Road	1	Ottawa, ON	March 15, 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.

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 March 31, 2014	2013
Investment properties	$ -	$ 76,680
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	-	(32,810)
Cash consideration	$ -	$ 43,870
Transaction costs expensed (note 16)	$ 25	$ 1,483

(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 property during the three months ended March 31, 2014:

Property	Location	Disposition date	Type
15 Blair Drive	Greater Toronto Area, ON	March 31, 2014	Industrial

The proceeds from the sale of the above property, net of costs, were $3,464. The assets and liabilities associated with the property were derecognized.

The REIT did not dispose of any properties during the three months ended March 31, 2013.

4. Investment properties and investment properties under development:

	Three months ended March 31, 2014	
	Investment properties	Investment properties under development
Balance, beginning of period	$ 4,851,877	$ 47,281
Additions:		
Capital expenditures	1,288	5,465
Leasing costs	2,057	-
Disposition	(3,464)	-
Reclassification of investment properties under development	43,122	(43,122)
Foreign currency translation gain	38,109	551
Straight-line rent adjustment	1,335	-
Tenant inducements additions, net of amortization	1,340	54
Fair value (loss) gain	(10,777)	70
Balance, end of period	$ 4,924,887	$ 10,299

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

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

	Investment properties	Investment properties under development	Investment properties held for sale
			Year ended December 31, 2013
Balance, beginning of year	$ 4,206,126	$ 4,234	$ 58,963
Additions:			
Acquisitions	497,964	-	-
Capital expenditures	19,015	40,549	65
Leasing costs	8,145	226	101
Dispositions	(5,358)	-	(6,080)
Reclassification of investment properties under development	3,079	(3,079)	-
Reclassification of investment properties held for sale	51,849	-	(51,849)
Foreign currency translation gain (loss)	56,073	201	(134)
Straight-line rent adjustment	5,496	-	47
Tenant inducements additions, net of amortization	8,953	(20)	207
Fair value gain (loss)	535	5,170	(1,320)
Balance, end of year	$ 4,851,877	$ 47,281	$ -

External valuations are performed quarterly on a rotational basis over a four year cycle. During the three months ended March 31, 2014, 13 investment properties of the total portfolio of 239 properties at March 31, 2014 (5.44%) were appraised by qualified external valuation professionals. The REIT uses similar assumptions and valuation techniques in its internal valuations as used by the 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. There were no changes to the REIT's internal valuation methodology during the three months ended March 31, 2014 and the year ended December 31, 2013.

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. The stabilized income incorporates allowances for vacancy, management fees and structural repair reserves. The resulting capitalized value is further adjusted, where appropriate, for costs to stabilize the income and non-recoverable capital expenditures.

A change in the discount or capitalization rates used could have a material impact on the fair value of the REIT's investment properties. When discount or capitalization rates compress, the estimated fair values of investment properties increase. When discount or capitalization rates expand, the estimated fair values of investment properties decrease.

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

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

A change in estimated future rental income and expenses could have a material impact on the fair value of the REIT's investment properties. Estimated rental income and expenses are affected by, but not limited to, changes in rent and expense growth and occupancy rates.

Under the fair value hierarchy, the fair value of the REIT's investment properties is considered a Level 3, as described in note 25 (b).

The REIT has used the following rates and investment horizons in estimating the fair value of investment properties:

	March 31, 2014			December 31, 2013		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Western Canada:						
Discount rate	9.25%	6.50%	7.45%	9.25%	6.50%	7.43%
Terminal capitalization rate	8.00%	5.50%	6.51%	8.00%	5.50%	6.47%
Capitalization rate	7.50%	5.25%	6.22%	7.50%	5.25%	6.18%
Investment horizon (years)	18.0	10.0	10.8	18.0	10.0	10.8
Central Canada:						
Discount rate	8.75%	7.50%	7.80%	8.75%	7.50%	7.89%
Terminal capitalization rate	8.00%	6.00%	6.71%	8.00%	6.00%	6.75%
Capitalization rate	7.75%	6.00%	6.50%	7.75%	6.00%	6.58%
Investment horizon (years)	13.0	10.0	10.3	15.0	10.0	10.3
Eastern Canada:						
Discount rate	7.75%	6.75%	7.27%	8.00%	6.75%	7.27%
Terminal capitalization rate	7.00%	5.75%	6.53%	7.00%	5.75%	6.51%
Capitalization rate	7.00%	5.50%	6.31%	7.00%	5.50%	6.29%
Investment horizon (years)	15.0	10.0	11.4	15.0	10.0	11.2
U.S.:						
Discount rate	9.50%	7.00%	8.15%	9.50%	7.00%	8.16%
Terminal capitalization rate	9.00%	6.00%	7.27%	9.00%	6.00%	7.29%
Capitalization rate	8.75%	6.00%	7.04%	8.75%	6.00%	7.06%
Investment horizon (years)	20.0	10.0	11.1	20.0	10.0	11.1
Overall:						
Discount rate	9.50%	6.50%	7.61%	9.50%	6.50%	7.60%
Terminal capitalization rate	9.00%	5.50%	6.68%	9.00%	5.50%	6.66%
Capitalization rate	8.75%	5.25%	6.42%	8.75%	5.25%	6.41%
Investment horizon (years)	20.0	10.0	10.8	20.0	10.0	10.8

The above information represents the REIT's entire portfolio of investment properties.

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

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

The following sensitivity table outlines the impact of a 0.25% change in the weighted-average capitalization rate on investment properties at March 31, 2014:

	Change to fair value if capitalization rate increases by 0.25%	Change to fair value if capitalization rate decreases by 0.25%
Western Canada	$ (104,153)	$ 112,985
Central Canada	(24,013)	25,956
Eastern Canada	(22,702)	24,591
U.S.	(35,541)	38,208
	$ (186,409)	$ 201,740

At March 31, 2014, included in investment properties is $26,956 (December 31, 2013, $25,438) 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 $90,128 at March 31, 2014 (December 31, 2013, $90,606).

At March 31, 2014, investment properties with a fair value of $4,688,926 (December 31, 2013, $4,671,490) are pledged as security under mortgage agreements and the credit facility.

5. Property and equipment:

	March 31, 2014	December 31, 2013
Office furniture and fixtures	$ 3,150	$ 3,026
Office equipment and software	1,142	1,063
Accumulated depreciation	(1,355)	(1,217)
	$ 2,937	$ 2,872

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

6. Notes receivable:

	March 31, 2014	December 31, 2013
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.	$ 19,958	$ 20,385
Other notes receivable	79	79
	20,037	20,464
Current portion	1,778	1,723
Non-current portion	$ 18,259	$ 18,741

7. Prepaid expenses and other assets:

	March 31, 2014	December 31, 2013
Prepaid insurance	$ 1,812	$ 2,283
Prepaid taxes	2,837	1,965
Derivative instruments swaps (note 25 (b))	2,702	4,279
Other	2,394	2,167
	$ 9,745	$ 10,694

8. Accounts receivable and other receivables:

	March 31, 2014	December 31, 2013
Rents receivable (note 25 (a)(ii))	$ 5,056	$ 3,335
Allowance for doubtful accounts (note 25 (a)(ii))	(275)	(139)
Accrued recovery income	5,033	4,114
Other amounts receivable	6,399	5,227
	$ 16,213	$ 12,537

Included in other amounts receivable at March 31, 2014 are $2,424 accrued as a result of a contingent consideration clause included in the GSA Phoenix Professional Office Building purchase and sale agreement, insurance proceeds of $654 and $626 for tenant improvement work completed that is recoverable from a tenant.

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

9. Mortgages and loans payable:

	March 31, 2014	December 31, 2013
Mortgages and loans payable	$ 2,297,111	$ 2,291,636
Net above- and below-market mortgage adjustments	4,513	4,972
Financing costs	(8,979)	(9,011)
	2,292,645	2,287,597
Current portion	273,764	280,983
Non-current portion	$ 2,018,881	$ 2,006,614

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 4.27% and the weighted-average nominal rate is 4.11% at March 31, 2014 (December 31, 2013, 4.27% and 4.10%, respectively). Maturity dates range from June 1, 2014 to February 14, 2032.

10. Senior unsecured debentures:

On March 27, 2014, under the June 15, 2012 short form base shelf prospectus, the REIT issued 3.753% Series A senior unsecured debentures totaling $125,000. Interest is payable semi-annually on March 27 and September 27. The REIT may redeem the debentures at any time on a minimum of 30 days notice, in whole or in part, at a price equal to the greater of (i) the price of the debentures calculated to provide a yield to maturity equal to the then Government of Canada bond yield plus 0.50% and (ii) par, together in each case with accrued and unpaid interest to the date fixed for redemption. These debentures rank equally with all other indebtedness of the REIT.

Interest expense on the senior unsecured debentures is determined by applying an effective rate of 3.906% to the outstanding liability balance. The difference between actual cash interest payments and interest expense is accreted to the liability.

Senior unsecured debenture issue	Issue date	Maturity date	Interest rate
Series A	March 27, 2014	March 27, 2019	3.753%

Senior unsecured debenture issue	Face value	Financing costs	Carrying value	Current portion	Non-current portion
Series A	$ 125,000	$ (860)	$ 124,140	$ -	$ 124,140
March 31, 2014	$ 125,000	$ (860)	$ 124,140	$ -	$ 124,140
December 31, 2013	-	-	-	-	-

Accretion increased the carrying value of the liability by $2 during the three months ended March 31, 2014 (2013, $nil).

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

11. 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	$ 1,500	$ 49	$ 1,484	$ 11	$ 1,495	$ 1,495	$ -
Series F	86,170	11,023	84,841	229	85,070	-	85,070
Series G	97,266	-	100,768	(884)	99,884	-	99,884
March 31, 2014	$ 184,936	$ 11,072	$ 187,093	$ (644)	$ 186,449	$ 1,495	$ 184,954
December 31, 2013	183,767	11,154	185,764	(500)	185,264	3,982	181,282

Accretion reduced the carrying value of the liability component by $99 during the three months ended March 31, 2014 (2013, $78).

On January 15, 2014, the REIT redeemed $2,500 of the Series D convertible debentures for cash.

12. Accounts payable and other liabilities:

	March 31, 2014	December 31, 2013
Accounts payable and accrued liabilities	$ 27,042	$ 30,420
Distributions payable	12,158	12,088
Accrued interest	9,728	7,019
Accrued property taxes	7,842	2,899
Tenant installments payable	1,835	2,932
Derivative instruments swaps (note 25 (b))	4,036	2,395
Cash-settled unit-based payments liability	645	355
Other	1,340	953
	$ 64,626	$ 59,061

13. 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 $155,549 at March 31, 2014 (December 31, 2013, $138,171). At March 31, 2014, the REIT had no balance drawn on the facility (December 31, 2013, $nil).

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

14. 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.

(ii) Issued and outstanding:

	Number of units	Amount
Balance at December 31, 2012	114,884,469	$ 1,449,301
Public offerings, net of issue costs of $7,297	10,424,750	165,232
Options exercised	220,912	3,469
Distribution Reinvestment and Unit Purchase Plan	1,408,345	20,217
Balance at December 31, 2013	126,938,476	1,638,219
Options exercised	60,088	924
Distribution Reinvestment and Unit Purchase Plan	400,268	5,883
At-the-market equity financing	320,000	4,469
Balance at March 31, 2014	127,718,832	$ 1,649,495

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 12, 2013, 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 12,573,852 units, representing 10% of the REIT's float of 125,738,528 units on November 30, 2013. 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, 2014, 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, 2014 and 2013, 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. On January 31, 2014, 320,000 units were issued pursuant to this arrangement at an average price per unit of $15.09 for gross proceeds of $4,830. Net proceeds were $4,469, which included commission costs of $145.

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

14. Unitholders' equity (continued):

(b) Preferred units:

In accordance with the Declaration of Trust, the REIT may issue an unlimited number of preferred units. Particulars of the REIT's outstanding preferred units are as follows:

Preferred unit series	Issue date	Number of units outstanding		Gross proceeds	Annual distribution rate	Distribution rate reset date
Series A	August 2, 2012	3,450,000	$	86,250	5.25 %	September 30, 2017
Series C [(1)]	September 18, 2012	3,000,000		US75,000	5.25 %	March 31, 2018
Series E	March 21, 2013	4,000,000		100,000	4.75 %	September 30, 2018
Series G	July 29, 2013	3,200,000		80,000	5.00 %	July 31, 2019

(1) The Series C Preferred Units are denominated in US dollars.

The REIT may redeem the Series A, Series C, Series E or Series G Units on the respective distribution rate reset date and every five years thereafter. The holders of the Series A, Series C, Series E and Series G Units have the right to reclassify their Units into Series B, Series D, Series F and Series H Units, respectively, on the distribution rate reset date and every five years thereafter.

The Series A Units, Series C Units, Series E Units and Series G Units 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 March 31, 2014, the REIT has issued common units under two offerings in the amount of $241,610, preferred units under four offerings in the amount of $266,250 and US$75,000 and senior unsecured debentures under one offering in the amount of $125,000 under this short form base shelf prospectus.

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

14. Unitholders' equity (continued):

(d) Weighted-average common units:

	Three months ended March 31, 2014	2013
Income for the period	$ 30,986	$ 77,577
Adjustment for distributions to preferred unitholders	(4,408)	(2,259)
Income for the period attributable to common unitholders	26,578	75,318
Adjustment for convertible debentures	-	2,542
Adjustment for restricted units	31	-
Diluted income attributable to common unitholders for the period	$ 26,609	$ 77,860
The weighted-average number of common units outstanding was as follows:		
Basic common units	127,368,853	115,050,485
Effect of dilutive securities:		
Unit options	174,678	258,240
Convertible debentures	-	10,594,643
Restricted units	205,317	-
Diluted common units	127,748,848	125,903,368
Income per unit attributable to common unitholders:		
Basic	$ 0.21	$ 0.65
Diluted	$ 0.21	$ 0.62

The computation of diluted income per unit attributable to common unitholders only includes unit options, convertible debentures and restricted units when these instruments are dilutive.

15. Distributions to unitholders:

Total distributions declared to unitholders are as follows:

	Three months ended March 31, 2014		Three months ended March 31, 2013	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	$ 34,437	$ 0.27	$ 31,078	$ 0.27
Preferred unitholders - Series A	1,132	0.33	1,132	0.33
Preferred unitholders - Series C	1,088	0.36	1,000	0.33
Preferred unitholders - Series E	1,188	0.30	127	0.03
Preferred unitholders - Series G	1,000	0.31	-	-

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

16. Transaction costs:

The REIT incurred transaction costs in relation to the following:

	Three months ended March 31, 2014	2013
Acquisitions of investment properties	$ 25	$ 1,483
Acquisition of joint venture	63	-
	$ 88	$ 1,483

17. (Loss) gain on financial instruments:

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

	Three months ended March 31, 2014	2013
Convertible debentures	$ 72	$ -
Interest rate swaps	(3,350)	496
Forward and swap foreign exchange contracts	54	100
	$ (3,224)	$ 596

18. Changes in non-cash operating items:

	Three months ended March 31, 2014	2013
Prepaid expenses and other assets	$ (453)	$ (1,139)
Accounts receivable and other receivables	(3,400)	(1,984)
Cash held in trust	(843)	(1,092)
Security deposits and prepaid rent	180	1,491
Accounts payable and other liabilities	2,312	5,154
	$ (2,204)	$ 2,430

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

19. 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 March 31, 2014 is $3,310 (December 31, 2013, $2,937). The recognized pension obligation, net of plan assets at March 31, 2014 is $nil (December 31, 2013, $nil). The net expense for the defined benefit plans for the three months ended March 31, 2014 is $271, (2013, $261) 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 outstanding under the equity incentive plan for the three months ended March 31, 2014 amounted to $180 (2013, $381). These unit options vest equally over a four-year period from the grant date.

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

	Three months ended March 31, 2014		Three months ended March 31, 2013	
	Units	Weighted-average exercise price	Units	Weighted-average exercise price
Balance, beginning of period	3,365,213	$ 15.03	3,689,875	$ 14.92
Exercised	(60,088)	11.96	(50,062)	12.05
Expired	(6,250)	15.24	(20,000)	15.63
Balance, end of period	3,298,875	$ 15.09	3,619,813	$ 14.95
Options exercisable at end of period	1,328,875		619,001	

The weighted-average unit price at the date of exercise for unit options exercised during the three months ended March 31, 2014 was $15.75 (2013, $15.97).

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

19. Employee benefits (continued):

(b) Unit-based compensation (continued):

(i) Unit options (continued):

Options outstanding at March 31, 2014 consist of the following:

Exercise price	Number outstanding	Weighted-average remaining contractual life	Options outstanding weighted-average exercise price	Number exercisable
$ 11.28	73,375	1.00 years	$ 11.28	73,375
$ 13.30	239,750	1.50 years	$ 13.30	150,250
$ 13.44	280,250	1.75 years	$ 13.44	190,750
$ 14.10	1,005,500	2.25 years	$ 14.10	489,500
$ 16.36	1,700,000	3.00 years	$ 16.36	425,000
	3,298,875		$ 15.09	1,328,875

(ii) Restricted units:

Unit-based compensation expense related to restricted units outstanding under the equity incentive plan for the three months ended March 31, 2014 amounted to $293 (2013, $62). 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:

	Three months ended March 31, 2014	Three months ended March 31, 2013
	Units	Units
Balance, beginning of period	203,957	45,060
Accrued	3,574	769
Exercised	(152)	-
Expired	(2,062)	(251)
Balance, end of period	205,317	45,578
Restricted units vested at end of period	-	-

At March 31, 2014, 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)

20. Related party transactions:

The REIT may issue unit-based awards to trustees, officers, employees and consultants (note 19).

Other related party transactions are outlined as follows:

	Three months ended March 31, 2014	2013
Property management fees	83	80
Capitalized office furniture and fixtures	65	9
Capitalized leasing commissions	2	7
Capitalized building improvements and project management fees	4,072	4,288
Capitalized tenant inducements	1	533
Property tax assessment consulting fees	289	-
Rental revenues	(44)	(42)

The REIT incurred property management fees, leasing commission fees and project management 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 March 31, 2014 is $27 (December 31, 2013, $27).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction Ltd. ("Marwest Construction"), a company related to certain trustees and officers of the REIT. The amount payable at March 31, 2014 is $34 (December 31, 2013, $nil).

The REIT incurred costs for building improvements and tenant inducements paid to Marwest Construction and Marwest Development Corporation, a company related to certain trustees and officers of the REIT. The amount payable at March 31, 2014 is $978 (December 31, 2013, $1,161).

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, 2014 is $nil (December 31, 2013, $7).

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)

20. Related party transactions (continued):

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

		Ownership interest	
Name of entity	Country	March 31, 2014	December 31, 2013
Artis General Partner Ltd.	Canada	100%	100%
AX L.P.	Canada	100%	100%
Artis Property Management General Partner Ltd.	Canada	100%	100%
AX Property Management L.P.	Canada	100%	100%
Winnipeg Square Leaseco, Inc.	Canada	100%	100%
AX Longboat G.P. Inc.	Canada	50%	50%
AX Longboat L.P.	Canada	50%	50%
Artis US Holdings, Inc.	U.S.	100%	100%
Artis US Holdings II GP, Inc	U.S.	100%	-
Artis US Holdings II, LLC	U.S.	100%	-
Artis US Holdings II L.P.	U.S.	100%	-
Park Lucero I L.P.	U.S.	90%	-
Artis HRA 1700 Broadway GP, LLC	U.S.	50%	50%
Artis HRA 1700 Broadway, L.P.	U.S.	50%	50%

21. Joint arrangements:

The REIT had interests in the following joint arrangements:

			Ownership interest	
Property	Principal purpose	Type of arrangement	March 31, 2014	December 31, 2013
Park Lucero	Investment property	Joint venture	90%	-
1700 Broadway	Investment property	Joint venture	50%	50%
Centrepoint	Investment property	Joint venture	50%	50%
Centre 70 Building	Investment property	Joint operation	85%	85%
Whistler Hilton Retail Plaza	Investment property	Joint operation	85%	85%
Westbank Hub Centre North	Investment property	Joint operation	75%	75%
Westbank Hub Shopping Centre	Investment property	Joint operation	75%	75%
Cliveden Building	Investment property	Joint operation	50%	50%
Kincaid Building	Investment property	Joint operation	50%	50%

During the three months ended March 31, 2014, the REIT entered into a joint venture arrangement to develop Park Lucero, which is located in the Phoenix Metropolitan Area, Arizona. The REIT contributed $10,647 to the arrangement, inclusive of transaction costs of $63.

The REIT is contingently liable for the obligations of certain joint arrangements. As at March 31, 2014, the co-owners' share of mortgage liabilities is $60,797 (December 31, 2013, $57,485). Management believes that the assets available from its joint arrangements are sufficient for the purpose of satisfying such obligations.

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

21. Joint arrangements (continued):

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

	March 31, 2014	December 31, 2013
Non-current assets:		
Investment property	$ 62,600	$ 56,913
Investment properties under development	27,973	17,690
Current assets:		
Prepaid expenses and other assets	10	26
Accounts receivable and other receivables	251	305
Cash held in trust	742	736
Cash and cash equivalents	1,497	1,201
	93,073	76,871
Non-current liabilities:		
Mortgages and loans payable	34,197	30,706
Current liabilities:		
Mortgages and loans payable	545	520
Security deposits and prepaid rent	355	158
Accounts payable and other liabilities	3,157	3,053
	38,254	34,437
Investments in joint ventures	$ 54,819	$ 42,434

	Three months ended March 31, 2014	2013
Revenue	$ 1,541	$ -
Property operating expenses	698	-
	843	-
Other income (expenses):		
Interest expense	(213)	-
Fair value gain on investment properties	124	-
Income for the period from investments in joint ventures	$ 754	$ -

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

22. 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 debentures, have not been allocated to the segments.

	Three months ended March 31, 2014					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	$ 61,244	$ 17,598	$ 15,919	$ 28,757	$ 135	$ 123,653
Property operating expenses	20,578	8,216	6,209	11,315	-	46,318
	40,666	9,382	9,710	17,442	135	77,335
Other income (expenses):						
Corporate expenses	-	-	-	-	(2,530)	(2,530)
Interest expense	(12,069)	(3,460)	(3,127)	(5,065)	(2,869)	(26,590)
Interest income	313	13	9	14	42	391
(Loss) income from investments in joint ventures	-	(3,243)	-	3,997	-	754
Fair value (loss) gain on investment properties	(7,899)	261	(2,168)	(901)	-	(10,707)
Foreign currency translation loss	-	-	-	-	(4,355)	(4,355)
Transaction costs	-	-	-	(88)	-	(88)
Loss on financial instruments	-	-	-	-	(3,224)	(3,224)
Income (loss) for the period	$ 21,011	$ 2,953	$ 4,424	$ 15,399	$ (12,801)	$ 30,986
Acquisitions of investment properties	$ -	$ -	$ -	$ -	$ -	$ -
Additions to investment properties and investment properties under development	1,935	2,252	3	2,563	-	6,753
Additions to leasing costs	713	74	630	640	-	2,057
Additions to tenant inducements	2,073	784	20	963	-	3,840

	March 31, 2014					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Total assets	$ 2,696,389	$ 674,412	$ 597,988	$ 1,099,101	$ 132,307	$ 5,200,197
Total liabilities	1,156,090	293,993	308,533	603,833	331,689	2,694,138

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

22. Segmented information (continued):

	Three months ended March 31, 2013					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	$ 55,208	$ 15,513	$ 15,811	$ 22,205	$ 42	$ 108,779
Property operating expenses	16,986	6,467	5,387	8,423	-	37,263
	38,222	9,046	10,424	13,782	42	71,516
Other income (expenses):						
Corporate expenses	-	-	-	-	(2,333)	(2,333)
Interest expense	(11,807)	(3,300)	(2,834)	(3,815)	(2,885)	(24,641)
Interest income	347	37	17	11	71	483
Fair value gain on investment properties	23,705	9,846	400	873	-	34,824
Foreign currency translation loss	-	-	-	-	(1,385)	(1,385)
Transaction costs	(343)	-	(1,125)	(15)	-	(1,483)
Gain on financial instruments	-	-	-	-	596	596
Income (loss) for the period	$ 50,124	$ 15,629	$ 6,882	$ 10,836	$ (5,894)	$ 77,577
Acquisitions of investment properties	$ 38,600	$ -	$ 38,080	$ -	$ -	$ 76,680
Additions to investment properties and investment properties under development	1,461	4,429	128	332	-	6,350
Additions to leasing costs	1,120	103	131	505	-	1,859
Additions to tenant inducements	1,182	1,377	440	917	-	3,916

	December 31, 2013					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Total assets	$ 2,705,378	$ 672,699	$ 602,903	$ 1,035,970	$ 25,087	$ 5,042,037
Total liabilities	1,168,121	296,084	311,168	581,004	201,413	2,557,790

23. Commitments and guarantees:

(a) Letters of credit:

As of March 31, 2014, the REIT had issued letters of credit in the amount of $856 (December 31, 2013, $851).

(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, 2014 is $5,387 (December 31, 2013, $5,427), with an estimated weighted-average remaining term of 3.7 years (December 31, 2013, 3.9 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.

24. 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 mortgages and loans payable, senior unsecured debentures, convertible debentures, bank indebtedness 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 as defined in the Declaration of Trust includes 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, 2014, the ratio of such indebtedness to gross book value was 46.5% (December 31, 2013, 45.4%), 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 less than 70%, a minimum debt service coverage ratio of 1.4, and a minimum adjusted unitholders' equity of $750,000 for the purposes of the credit facility (note 13). As at March 31, 2014, the REIT was in compliance with these requirements.

In accordance with the Series A senior unsecured debenture supplemental indenture, the REIT must maintain a consolidated EBITDA to consolidated interest expense ratio of not less than 1.65, consolidated indebtedness to aggregate assets of not less than 65% and minimum adjusted unitholders' equity of $300,000. As at March 31, 2014, the REIT was in compliance with these requirements.

The REIT's mortgage providers also have various financial covenants. The REIT monitors these covenants, which are primarily debt service coverage ratios, and is in compliance with these requirements.

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

24. Capital management (continued):

The total managed capital for the REIT is summarized below:

	March 31, 2014	December 31, 2013
Mortgages and loans payable	$ 2,292,645	$ 2,287,597
Senior unsecured debentures	124,140	-
Convertible debentures	186,449	185,264
Bank indebtedness	-	-
Total debt	2,603,234	2,472,861
Unitholders' equity	2,506,059	2,484,247
	$ 5,109,293	$ 4,957,108

25. 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 March 31, 2014, the REIT is a party to $588,338 of variable rate debt (December 31, 2013, $575,463). At March 31, 2014, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $369,731 of variable rate debt (December 31, 2013, $323,489).

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	$ 2,217
Fixed rate debt due within one year	1,389
	$ 3,606

25. 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. 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 1.1056 for the three months ended March 31, 2014 and the period end exchange rate of 1.1053 at March 31, 2014 would have increased net income by approximately $142 for the three months ended March 31, 2014. A $0.10 weakening in the US dollar against the Canadian dollar would also have decreased other comprehensive income by approximately $43,406 for the three months ended March 31, 2014. 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, accounts receivable and other receivables, deposits on investment properties and notes receivable.

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 on accounts receivable and other receivables of $200 during the three months ended March 31, 2014 (2013, recovery of $6). 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)

25. Risk management and fair values (continued):

(a) Risk management (continued):

(ii) Credit risk (continued):

	March 31, 2014	December 31, 2013
Past due 0 - 30 days	$ 3,575	$ 2,315
Past due 31 - 90 days	658	456
Past due more than 91 days	823	564
	5,056	3,335
Allowance for doubtful accounts	(275)	(139)
	$ 4,781	$ 3,196

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, 2014 including bank indebtedness, accounts payable and other liabilities, convertible debentures, senior unsecured debentures and mortgages and loans payable. All debentures are 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 (1)	67,783	67,783	-	-	-
Convertible debentures	184,936	1,500	-	97,266	86,170
Senior unsecured debentures	125,000	-	-	125,000	-
Mortgages and loans payable (1)	2,332,066	275,057	765,322	672,159	619,528
	$ 2,709,785	$ 344,340	$ 765,322	$ 894,425	$ 705,698

(1) This includes balances included in the REIT's investments in joint ventures.

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

25. Risk management and fair values (continued):

(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.

		March 31, 2014		December 31, 2013	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	$ 4,924,887	$ 4,924,887	$ 4,851,877	$ 4,851,877
Investment properties under development	Level 3	10,299	10,299	47,281	47,281
Notes receivable	Level 2	20,037	21,088	20,464	21,181
Mortgage interest rate swaps	Level 2	2,648	2,648	4,279	4,279
Foreign exchange forward contract	Level 2	54	54	-	-
		4,957,925	4,958,976	4,923,901	4,924,618
Liabilities:					
Mortgages and loans payable	Level 2	2,292,645	2,322,984	2,287,597	2,307,518
Senior unsecured debentures	Level 2	124,140	125,000	-	-
Convertible debentures	Level 1, 2 (1)	186,449	195,551	185,264	190,206
Mortgage interest rate swaps	Level 2	4,036	4,036	2,395	2,395
		2,607,270	2,647,571	2,475,256	2,500,119
		$ 2,350,655	$ 2,311,405	$ 2,448,645	$ 2,424,499

(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.

25. Risk management and fair values (continued):

(b) Fair values (continued):

The fair values of the senior unsecured debentures and the convertible debentures are based on the market price of the debentures, or if no market price exists, the fair values are 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 a number of mortgages. The swaps are not designated in a hedge relationship. An unrealized loss of $3,350 was recorded for the three months ended March 31, 2014 (2013, gain of $496), in relation to the fair value of these interest rate swaps.

On February 13, 2014, the REIT entered into a forward contract to buy US$10,000 on April 1, 2014. An unrealized gain of $54 was recorded for the three months ended March 31, 2014 in relation to this contract.

26. Subsequent events:

On April 1, 2014, the REIT settled a forward contract to sell $10,999 for US$10,000.

On April 3, 2014, the REIT repaid two mortgages on two office properties in the amount of US$34,238.

On April 8, 2014, the REIT entered into a forward contract to sell $10,980 for US$10,000 on May 30, 2014.

On April 15, 2014, the REIT acquired 50% of the Hudson's Bay Centre, which is located in Denver, Colorado. The property was acquired for US$20,750 and the purchase price was satisfied with cash and new 7-year mortgage financing of US$10,625, which bears interest at 3.76% per annum.

On April 15, 2014, the REIT declared a monthly distribution of $0.09 per unit for April 2014.

On April 15, 2014, the REIT declared a quarterly cash distribution of $0.3125 per Series G unit for the quarter ending April 30, 2014.

On May 1, 2014, the REIT acquired Estevan Shoppers Mall which is located in Estevan, Saskatchewan. The property was acquired for $10,100 and the purchase price was satisfied with cash.

The REIT entered into an agreement with respect to the sale of a property located in British Columbia. The sale price of this disposition is $13,700. The REIT anticipates that the disposition will close in May of 2014.

27. Approval of financial statements:

The interim condensed consolidated financial statements were approved by the Board of Trustees and authorized for issue on May 8, 2014.