Interim Condensed Consolidated Financial Statements of

ARTIS REAL ESTATE INVESTMENT TRUST

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

(In Canadian dollars)

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Balance Sheets
(Unaudited)

(In thousands of Canadian dollars)

	September 30, 2014	December 31, 2013
ASSETS		
Non-current assets:		
Investment properties (note 4)	$ 5,039,577	$ 4,851,877
Investment properties under development (note 4)	42,333	47,281
Investments in joint ventures (note 21)	97,532	42,434
Property and equipment (note 5)	3,118	2,872
Notes receivable (note 6)	17,421	18,741
	5,199,981	4,963,205
Current assets:		
Investment properties held for sale (note 4)	47,992	-
Deposits on investment properties	968	103
Prepaid expenses and other assets (note 7)	8,604	10,694
Notes receivable (note 6)	1,882	1,723
Accounts receivable and other receivables (note 8)	13,982	12,537
Cash held in trust	6,604	5,553
Cash and cash equivalents	123,141	48,222
	203,173	78,832
	$ 5,403,154	$ 5,042,037
LIABILITIES AND UNITHOLDERS' EQUITY		
Non-current liabilities:		
Mortgages and loans payable (note 9)	$ 1,843,139	$ 2,006,614
Senior unsecured debentures (note 10)	199,467	-
Convertible debentures (note 11)	186,143	181,282
Preferred shares liability	86	81
	2,228,835	2,187,977
Current liabilities:		
Mortgages and loans payable (note 9)	393,325	280,983
Convertible debentures (note 11)	1,499	3,982
Security deposits and prepaid rent	29,045	25,787
Accounts payable and other liabilities (note 12)	68,002	59,061
Bank indebtedness (note 13)	1,100	-
	492,971	369,813
	2,721,806	2,557,790
Unitholders' equity (note 14)	2,681,348	2,484,247
Commitments and guarantees (note 23)		
Subsequent events (note 26)		
	$ 5,403,154	$ 5,042,037

See accompanying notes to interim condensed consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Operations
Three and nine months ended September 30, 2014 and 2013
(Unaudited)

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

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Revenue	$ 125,425	$ 121,032	$ 368,974	$ 340,548
Property operating expenses	46,776	42,425	135,921	118,686
	78,649	78,607	233,053	221,862
Other income (expenses):				
Corporate expenses	(2,467)	(2,322)	(7,579)	(7,009)
Interest expense	(26,946)	(26,223)	(80,878)	(76,172)
Interest income	464	507	1,376	1,614
(Loss) income from investments in joint ventures (note 21)	(472)	769	117	1,875
Fair value gain (loss) on investment properties (note 4)	11,725	(2,886)	19,583	60,973
Foreign currency translation (loss) gain	(4,834)	1,353	(17,595)	(4,654)
Transaction costs (note 16)	(162)	(299)	(1,646)	(5,371)
Gain (loss) on financial instruments (note 17)	860	(528)	(5,156)	4,739
Income for the period	56,817	48,978	141,275	197,857
Other comprehensive income (loss) that may be reclassified to net income in subsequent periods:				
Unrealized foreign currency translation gain (loss)	32,513	(8,515)	41,378	12,537
Comprehensive income for the period	$ 89,330	$ 40,463	$ 182,653	$ 210,394
Basic income per unit attributable to common unitholders (note 14 (d))	$ 0.39	$ 0.36	$ 0.97	$ 1.56
Diluted income per unit attributable to common unitholders (note 14 (d))	$ 0.38	$ 0.35	$ 0.96	$ 1.49
Weighted-average number of common units outstanding (note 14 (d)):				
Basic	135,563,371	126,207,356	131,373,413	120,949,292
Diluted	146,245,223	136,880,320	142,033,815	131,753,292

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, 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	181,948	-	-	-	(412)	181,536	173,732	355,268
Unit-based compensation (note 19 (b)(i))	-	-	-	-	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
Changes for the period:								
Issuance of units, net of issue costs	6,970	-	-	-	(207)	6,763	24	6,787
Unit-based compensation	-	-	-	-	349	349	-	349
Redemption of convertible debentures	-	(99)	-	-	-	(99)	-	(99)
Loss	-	-	(6,702)	-	-	(6,702)	-	(6,702)
Other comprehensive income	-	-	-	14,563	-	14,563	-	14,563
Distributions	-	-	(38,600)	-	-	(38,600)	-	(38,600)
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	135,648	-	-	-	(498)	135,150	-	135,150
Unit-based compensation (note 19 (b)(i))	-	-	-	-	469	469	-	469
Redemption of convertible debentures	-	(82)	-	-	-	(82)	-	(82)
Income	-	-	141,275	-	-	141,275	-	141,275
Other comprehensive income	-	-	-	41,378	-	41,378	-	41,378
Distributions	-	-	(121,089)	-	-	(121,089)	-	(121,089)
Unitholders' equity, September 30 2014	$ 1,773,867	$ 11,072	$ 498,904	$ 66,695	$ 5,187	$2,355,725	$ 325,623	$ 2,681,348

See accompanying notes to interim condensed consolidated financial statements.

ARTIS REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Cash Flows
Three and nine months ended September 30, 2014 and 2013
(Unaudited)

(In thousands of Canadian dollars)

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Cash provided by (used in):				
Operating activities:				
Income for the period	$ 56,817	$ 48,978	$ 141,275	$ 197,857
Adjustments for non-cash items:				
Fair value (gain) loss on investment properties (note 4)	(11,725)	2,886	(19,583)	(60,973)
Depreciation of property and equipment	143	129	429	357
Loss (income) from investments in joint ventures (note 21)	472	(769)	(117)	(1,875)
Distributions from joint ventures	99	-	271	-
Amortization:				
Tenant inducements amortized to revenue	2,733	2,202	7,714	6,372
Above- and below-market mortgages, net	(450)	(458)	(1,368)	(1,342)
Accretion on liability component of debentures	(153)	(84)	(309)	(242)
Straight-line rent adjustment (note 4)	(1,021)	(1,605)	(3,478)	(4,371)
Unrealized foreign currency translation loss (gain)	5,869	(1,430)	12,629	6,961
Unrealized fair value (gain) loss on financial instruments (note 17)	(860)	528	5,156	(4,739)
Unit-based compensation expense (note 19 (b))	403	455	1,262	1,338
Amortization of financing costs included in interest	748	776	2,248	2,382
Changes in non-cash operating items (note 18)	9,600	7,982	3,756	9,316
	62,675	59,590	149,885	151,041
Investing activities:				
Acquisition of investment properties, net of related debt (note 3)	(26,996)	(51,178)	(86,273)	(270,989)
Proceeds from dispositions of investment properties, net of costs (note 3)	(1)	11,440	16,671	11,440
Additions to investment properties (note 4)	(7,473)	(7,663)	(13,172)	(13,473)
Additions to investment properties under development (note 4)	(5,302)	(11,470)	(14,351)	(24,586)
Additions to joint ventures (note 21)	(2,390)	(1,579)	(51,428)	(27,799)
Additions to tenant inducements	(6,029)	(4,313)	(14,124)	(11,470)
Additions to leasing costs (note 4)	(2,297)	(2,165)	(6,120)	(5,956)
Notes receivable principal repayments	435	420	1,161	2,963
Additions to property and equipment	(412)	(506)	(675)	(806)
Change in deposits on investment properties	(850)	3,900	(850)	2,047
	(51,315)	(63,114)	(169,161)	(338,629)
Financing activities:				
Issuance of common units, net of issue costs	7,403	6,023	135,150	181,536
Issuance of preferred units, net of issue costs	-	77,165	-	173,732
Issuance of senior unsecured debentures, net of financing costs	75,270	-	199,387	-
Repayment of convertible debentures (note 11)	-	-	(2,500)	-
Change in bank indebtedness	(75)	(10,000)	1,100	-
Distributions paid on common units	(37,554)	(33,871)	(107,090)	(98,022)
Distributions paid on preferred units	(4,423)	(3,332)	(13,201)	(8,945)
Mortgages and loans principal repayments	(14,519)	(14,138)	(43,805)	(40,294)
Repayment of mortgages and loans payable	(39,263)	(21,317)	(78,225)	(70,004)
Advance of mortgages and loans payable, net of financing costs	-	46,914	-	81,016
	(13,161)	47,444	90,816	219,019
Foreign exchange gain on cash held in foreign currency	2,059	67	3,379	729
Increase in cash and cash equivalents	258	43,987	74,919	32,160
Cash and cash equivalents at beginning of period	122,883	42,667	48,222	54,494
Cash and cash equivalents at end of period	$ 123,141	$ 86,654	$ 123,141	$ 86,654
Supplemental cash flow information:				
Interest paid	$ 25,419	$ 23,187	$ 78,180	$ 72,428
Interest received	464	507	1,376	1,614

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) New or revised accounting standards 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. The adoption of 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. The adoption of this interpretation did not result in a material impact on the consolidated financial statements.

2. Significant accounting policies (continued):

(d) Future changes in accounting policies:

In November 2013, the IAS 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 amendment will result in a material impact on the consolidated financial statements.

In May 2014, the IASB amended IFRS 11 - *Joint Arrangements.* The amendment clarifies the accounting for acquisitions of interests in joint operations, and is effective for annual periods beginning on or after January 1, 2016. The REIT is currently evaluating the impact of this amendment.

The IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”) in May 2014. IFRS 15 provides a single, principles based five-step model to be applied to the recognition of revenue from contracts with customers. IFRS 15 replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue*, IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate* and SIC 31 – *Revenue - Barter Transactions Involving Advertising Services*. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. The REIT is currently evaluating the impact of this new standard.

In May 2014, the IAS amended IAS 16 – *Property, Plant and Equipment*. The amendment clarifies acceptable methods of depreciation and amortization, and is effective for annual periods beginning on or after January 1, 2016. The REIT is currently evaluating the impact of this amendment.

The final version of IFRS 9 - *Financial Instruments* ("IFRS 9") was issued by the IAS in July 2014 and will replace IAS 39 - *Financial Instruments: Recognition and Measurement ("IAS 39").* IFRS 9 establishes principles for the recognition, classification and measurement of financial assets and liabilities. IFRS 9 sets out 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. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of its financial assets. IFRS 9 retains most of the IAS 39 requirements for financial liabilities. The most significant change is 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.

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

3. Acquisitions and dispositions of investment properties:

Acquisitions:

The REIT acquired the following properties during the nine months ended September 30, 2014:

Property	Property count	Location	Acquisition date	Type
Hudson's Bay Centre (1)	1	Denver, CO	April 15, 2014	Office
Estevan Shoppers Mall	1	Estevan, SK	May 1, 2014	Retail
601 Tower at Carlson	1	Twin Cities Area, MN	June 11, 2014	Office
Crosstown North Business Center II & VI	2	Twin Cities Area, MN	June 16, 2014	Industrial
Shoppes of St. Vital	1	Winnipeg, MB	September 9, 2014	Retail

(1) The REIT acquired a 50% interest in this joint venture.

The REIT acquired industrial development land located in Houston, Texas during the nine months ended September 30, 2014.

The REIT also acquired development land located in the Phoenix Metropolitan Area, Arizona and in Houston, Texas as part of joint venture arrangements during the nine months ended September 30, 2014.

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	Edmonton Capital Region, 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	Office
Cara Foods Building (3)	-	Greater Toronto Area, ON	June 5, 2013	Office
Oakdale Village	1	Twin Cities Area, MN	June 10, 2013	Retail
PTI Building	1	Edmonton Capital Region, AB	June 28, 2013	Industrial
DirecTV Building	1	Greater Denver Area, CO	July 31, 2013	Office
North Scottsdale Corporate Center II	1	Phoenix Metropolitan Area, 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% interest in this property.

The REIT also acquired development land located in Winnipeg, Manitoba and in the Twin Cities Area, Minnesota 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):

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, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Investment properties	$ 26,985	$ 112,723	$ 126,497	$ 494,455
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	11	(61,545)	(40,224)	(223,466)
Cash consideration	$ 26,996	$ 51,178	$ 86,273	$ 270,989
Transaction costs expensed (note 16)	$ 402	$ 284	$ 1,237	$ 4,657

Dispositions:

The REIT disposed of the following properties during the nine months ended September 30, 2014:

Property	Location	Disposition date	Type
15 Blair Drive	Greater Toronto Area, ON	March 31, 2014	Industrial
King Edward Centre	Greater Vancouver Regional District, BC	May 22, 2014	Retail

The proceeds from the sale of the above properties, net of costs, were $16,671. The assets and liabilities associated with the properties were derecognized.

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 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.

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

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

		Nine months ended September 30, 2014				
		Investment properties		Investment properties under development		Investment properties held for sale
Balance, beginning of period	$	4,851,877	$	47,281	$	-
Additions:						
Acquisition (note 3)		111,937		14,560		-
Capital expenditures		13,172		14,351		-
Leasing costs		6,118		2		-
Dispositions		(16,671)		-		-
Reclassification of investment properties under development		31,482		(31,482)		-
Reclassification of investment properties held for sale		(45,415)		-		45,415
Foreign currency translation gain		54,978		558		2,268
Straight-line rent adjustment		3,461		-		17
Tenant inducements additions, net of amortization		6,382		28		-
Fair value gain (loss)		22,256		(2,965)		292
Balance, end of period	$	5,039,577	$	42,333	$	47,992

		Year ended December 31, 2013				
		Investment properties		Investment properties under development		Investment properties held for sale
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	$	-

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

External valuations are performed quarterly on a rotational basis over a four year cycle. For the three and nine months ended September 30, 2014, 15 and 45 investment properties, respectively, of the total portfolio of 244 properties at September 30, 2014 (6.1% and 18.4%) 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 nine months ended September 30, 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.

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.

(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):

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:

	September 30, 2014			December 31, 2013		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Western Canada:						
Discount rate	9.00%	6.50%	7.39%	9.25%	6.50%	7.43%
Terminal capitalization rate	8.50%	5.50%	6.49%	8.00%	5.50%	6.47%
Capitalization rate	8.25%	5.25%	6.22%	7.50%	5.25%	6.18%
Investment horizon (years)	17.0	10.0	10.7	18.0	10.0	10.8
Central Canada:						
Discount rate	8.50%	7.25%	7.70%	8.75%	7.50%	7.89%
Terminal capitalization rate	8.00%	6.00%	6.62%	8.00%	6.00%	6.75%
Capitalization rate	8.00%	5.75%	6.41%	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%	7.28%	8.00%	6.75%	7.27%
Terminal capitalization rate	7.00%	5.75%	6.59%	7.00%	5.75%	6.51%
Capitalization rate	7.00%	5.50%	6.33%	7.00%	5.50%	6.29%
Investment horizon (years)	14.0	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%	7.14%	9.00%	6.00%	7.29%
Capitalization rate	8.75%	6.00%	6.89%	8.75%	6.00%	7.06%
Investment horizon (years)	20.0	9.0	11.1	20.0	10.0	11.1
Overall:						
Discount rate	9.50%	6.50%	7.58%	9.50%	6.50%	7.60%
Terminal capitalization rate	9.00%	5.50%	6.65%	9.00%	5.50%	6.66%
Capitalization rate	8.75%	5.25%	6.40%	8.75%	5.25%	6.41%
Investment horizon (years)	20.0	9.0	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, investment properties under development and investment properties held for sale (continued):

The following sensitivity table outlines the impact of a 0.25% change in the weighted-average capitalization rate on investment properties at September 30, 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	$ (104,584)	$ 113,465
Central Canada	(25,420)	27,518
Eastern Canada	(22,610)	24,486
U.S.	(36,344)	39,141
	$ (188,958)	$ 204,610

At September 30, 2014, the REIT had two investment properties listed for sale with an external broker. The fair value of these investment properties of $47,992 has been classified as held for sale at September 30, 2014. These properties have a mortgage payable balance of $24,139 at September 30, 2014.

At September 30, 2014, included in investment properties is $29,160 (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 $92,550 at September 30, 2014 (December 31, 2013, $90,606).

At September 30, 2014, investment properties with a fair value of $4,591,965 (December 31, 2013, $4,671,490) are pledged as security under mortgage agreements and a credit facility.

5. Property and equipment:

	September 30, 2014	December 31, 2013
Office furniture and fixtures	$ 3,612	$ 3,026
Office equipment and software	1,152	1,063
Accumulated depreciation	(1,646)	(1,217)
	$ 3,118	$ 2,872

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

6. Notes receivable:

	September 30, 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.	$ 19,105	$ 20,385
Other notes receivable	198	79
	19,303	20,464
Current portion	1,882	1,723
Non-current portion	$ 17,421	$ 18,741

7. Prepaid expenses and other assets:

	September 30, 2014	December 31, 2013
Prepaid insurance	$ 729	$ 2,283
Prepaid taxes	4,766	1,965
Derivative instruments swaps (note 25 (b))	1,319	4,279
Other	1,790	2,167
	$ 8,604	$ 10,694

8. Accounts receivable and other receivables:

	September 30, 2014	December 31, 2013
Rents receivable (note 25 (a)(ii))	$ 5,379	$ 3,335
Allowance for doubtful accounts (note 25 (a)(ii))	(621)	(139)
Accrued recovery income	2,925	4,114
Other amounts receivable	6,299	5,227
	$ 13,982	$ 12,537

Included in other amounts receivable at September 30, 2014 are $2,458 accrued as a result of a contingent consideration clause included in the GSA Phoenix Professional Office Building purchase and sale agreement, $1,164 for tenant improvement work completed that is recoverable from a tenant and insurance proceeds of $331.

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

9. Mortgages and loans payable:

	September 30, 2014	December 31, 2013
Mortgages and loans payable	$ 2,241,153	$ 2,291,636
Net above- and below-market mortgage adjustments	3,604	4,972
Financing costs	(8,293)	(9,011)
	2,236,464	2,287,597
Current portion	393,325	280,983
Non-current portion	$ 1,843,139	$ 2,006,614

The majority of the REIT's assets have been pledged as security under mortgages and other security agreements. 73.6% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 16.5% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. The weighted-average effective rate on all mortgages and loans payable is 4.24% and the weighted-average nominal rate is 4.09% at September 30, 2014 (December 31, 2013, 4.27% and 4.10%, respectively). Maturity dates range from October 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 at par for gross proceeds of $125,000. On September 10, 2014, under the July 17, 2014 short form base shelf prospectus, the REIT issued additional 3.753% Series A senior unsecured debentures at a price of $101.24 with a face value of $75,000 for gross proceeds of $75,932. 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.

Interest expense on the senior unsecured debentures is determined by applying an effective rate of 3.82% 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, September 10, 2014	March 27, 2019	3.753%

Senior unsecured debenture issue	Face value	Unamortized accretion	Unamortized financing costs	Carrying value	Current portion	Non-current portion
Series A	$ 200,000	$ 921	$ (1,454)	$ 199,467	$ -	$ 199,467
September 30, 2014	$ 200,000	$ 921	$ (1,454)	$ 199,467	$ -	$ 199,467
December 31, 2013	-	-	-	-	-	-

(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	$ 15	$ 1,499	$ 1,499	$ -
Series F	86,170	11,023	84,841	302	85,143	-	85,143
Series G	98,630	-	102,181	(1,181)	101,000	-	101,000
September 30, 2014	$ 186,300	$ 11,072	$ 188,506	$ (864)	$ 187,642	$ 1,499	$ 186,143
December 31, 2013	183,767	11,154	185,764	(500)	185,264	3,982	181,282

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

12. Accounts payable and other liabilities:

	September 30, 2014	December 31, 2013
Accounts payable and accrued liabilities	$ 23,814	$ 30,420
Distributions payable	12,886	12,088
Accrued interest	9,767	7,019
Accrued property taxes	8,884	2,899
Tenant installments payable	5,396	2,932
Derivative instruments swaps (note 25 (b))	4,632	2,395
Cash-settled unit-based payments liability	1,132	355
Other	1,491	953
	$ 68,002	$ 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 could be utilized for general corporate operating purposes, including the acquisition of commercial properties and the issuance of letters of credit. The credit facility matured on September 12, 2014 and has not been replaced as at September 30, 2014.

On April 10, 2014, the REIT entered into a revolving term credit facility in the amount of $15,000 to finance tenant improvement work at an industrial property under a joint operation arrangement. Amounts drawn on the facility bear interest at prime plus 0.20%. At September 30, 2014, the REIT's share of the balance drawn on the facility is $1,100.

(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
Public offering, net of issue costs of $5,028	7,147,250	110,043
Options and restricted units exercised	166,559	2,604
Distribution Reinvestment and Unit Purchase Plan	1,234,800	18,532
At-the-market equity financing	320,000	4,469
Balance at September 30, 2014	135,807,085	$ 1,773,867

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 and nine months ended September 30, 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 most recently amended and restated on September 15, 2014, with an exclusive agent for the issuance and sale, from time to time, until August 17, 2016 of up to 4,980,000 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 prospectuses:

On June 15, 2012, the REIT issued a short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of $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. This base shelf expired on July 15, 2014. The REIT had issued common units under three offerings in the amount of $356,680, 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.

On July 17, 2014, 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, 2014, the REIT has issued senior unsecured debentures under one offering in the amount of $75,000 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 September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Income for the period	$ 56,817	$ 48,978	$ 141,275	$ 197,857
Adjustment for distributions to preferred unitholders (note 15)	(4,423)	(4,026)	(13,201)	(9,639)
Income for the period attributable to common unitholders	52,394	44,952	128,074	188,218
Adjustment for convertible debentures	2,609	2,631	7,759	7,755
Adjustment for restricted units	(27)	-	4	-
Diluted income attributable to common unitholders for the period	$ 54,976	$ 47,583	$ 135,837	$ 195,973

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

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Basic common units	135,563,371	126,207,356	131,373,413	120,949,292
Effect of dilutive securities:				
Unit options	167,591	78,321	166,062	209,357
Convertible debentures	10,284,784	10,594,643	10,284,784	10,594,643
Restricted units	229,477	-	209,556	-
Diluted common units	146,245,223	136,880,320	142,033,815	131,753,292
Income per unit attributable to common unitholders:				
Basic	$ 0.39	$ 0.36	$ 0.97	$ 1.56
Diluted	$ 0.38	$ 0.35	$ 0.96	$ 1.49

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 September 30, 2014 Total distributions	Three months ended September 30, 2014 Distributions per unit	Three months ended September 30, 2013 Total distributions	Three months ended September 30, 2013 Distributions per unit
Common unitholders	$ 36,625	$ 0.27	$ 34,095	$ 0.27
Preferred unitholders - Series A	1,132	0.33	1,132	0.33
Preferred unitholders - Series C	1,103	0.37	1,012	0.34
Preferred unitholders - Series E	1,188	0.30	1,188	0.30
Preferred unitholders - Series G	1,000	0.31	694	0.22

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

15. Distributions to unitholders (continued):

	Nine months ended September 30, 2014		Nine months ended September 30, 2013	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	$ 106,914	$ 0.81	$ 98,221	$ 0.81
Preferred unitholders - Series A	3,396	0.98	3,396	0.98
Preferred unitholders - Series C	3,242	1.08	3,047	1.02
Preferred unitholders - Series E	3,563	0.89	2,502	0.63
Preferred unitholders - Series G	3,000	0.94	694	0.22

16. Transaction costs:

The REIT incurred transaction costs in relation to the following:

	Three months ended September 30, 2014	2013	Nine months ended September 30, 2014	2013
Acquisitions of investment properties	$ 402	$ 284	$ 1,237	$ 4,657
Acquisitions of joint ventures	(240)	15	409	714
	$ 162	$ 299	$ 1,646	$ 5,371

17. Gain (loss) on financial instruments:

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

	Three months ended September 30, 2014	2013	Nine months ended September 30, 2014	2013
Convertible debentures	$ -	$ -	$ 72	$ -
Interest rate swaps	860	(1,093)	(5,228)	4,817
Forward and swap foreign exchange contracts	-	565	-	(78)
	$ 860	$ (528)	$ (5,156)	$ 4,739

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

18. Changes in non-cash operating items:

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Prepaid expenses and other assets	$ 222	$ (534)	$ (992)	$ (2,687)
Accounts receivable and other receivables	591	(6,825)	(1,140)	(3,597)
Cash held in trust	(299)	(695)	(812)	(3,846)
Security deposits and prepaid rent	528	148	2,766	2,238
Accounts payable and other liabilities	8,558	15,888	3,934	17,208
	$ 9,600	$ 7,982	$ 3,756	$ 9,316

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 September 30, 2014 is $4,088 (December 31, 2013, $2,937). The recognized pension obligation, net of plan assets at September 30, 2014 is $nil (December 31, 2013, $nil). The net expense for the defined benefit plans for the three and nine months ended September 30, 2014 is $295 and $893 (2013, $301 and $824), 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 8,500,000 units, of which a maximum of 4,000,000 units are reserved for the issuance of unit options.

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

19. Employee benefits (continued):

(b) Unit-based compensation (continued):

(i) Unit options:

Unit-based compensation expense related to unit options outstanding under the equity incentive plan for the three and nine months ended September 30, 2014 amounted to $141 and $469 (2013, $372 and $1,132), respectively. 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:

	Nine months ended September 30, 2014		Nine months ended September 30, 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	(166,213)	12.63	(142,937)	12.83
Expired	(292,750)	15.32	(95,750)	15.46
Balance, end of period	2,906,250	$ 15.14	3,451,188	$ 14.99
Options exercisable at end of period	1,824,000		1,320,126	

The weighted-average unit price at the date of exercise for unit options exercised during the nine months ended September 30, 2014 was $15.83 (2013, $15.45).

Options outstanding at September 30, 2014 consist of the following:

Exercise price	Number outstanding	Weighted-average remaining contractual life	Options outstanding weighted-average exercise price	Number exercisable
$ 11.28	47,750	0.50 years	$ 11.28	47,750
$ 13.30	203,000	1.00 years	$ 13.30	203,000
$ 13.44	245,000	1.25 years	$ 13.44	162,250
$ 14.10	869,500	1.75 years	$ 14.10	640,500
$ 16.36	1,541,000	2.50 years	$ 16.36	770,500
	2,906,250		$ 15.14	1,824,000

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

19. Employee benefits (continued):

(b) Unit-based compensation (continued):

(ii) Restricted units:

Unit-based compensation expense related to restricted units outstanding under the equity incentive plan for the three and nine months ended September 30, 2014 amounted to $262 and $793 (2013, $83 and $206), 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, 2014	Nine months ended September 30, 2013
	Units	Units
Balance, beginning of period	203,957	45,060
Granted	29,700	26,697
Accrued	10,907	2,915
Exercised	(855)	(457)
Expired	(14,232)	(709)
Balance, end of period	229,477	73,506
Restricted units vested at end of period	-	-

At September 30, 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 September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Property management fees	$ 84	$ 82	$ 249	$ 242
Capitalized leasing commissions	8	9	79	34
Capitalized project management fees	4	1	14	5
Capitalized office furniture and fixtures	343	222	414	466
Capitalized building improvements	2,918	1,136	4,842	2,726
Capitalized development projects	3,559	10,294	9,192	21,295
Capitalized tenant inducements	167	82	497	763
Property tax assessment consulting fees	29	69	366	91
Rental revenues	(42)	(42)	(126)	(126)

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 September 30, 2014 is $30 (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 September 30, 2014 is $nil (December 31, 2013, $nil).

The REIT incurred costs for building improvements, development projects 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 September 30, 2014 is $2,080 (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 September 30, 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	September 30, 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%	-
Artis Core Park West Land, Ltd.	U.S.	90%	-
Park Lucero I L.P.	U.S.	90%	-
Park Lucero II 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%
Artis HRA Hudsons Bay GP, LLC	U.S.	50%	-
Artis HRA Hudsons Bay L.P.	U.S.	50%	-

21. Joint arrangements:

The REIT had interests in the following joint arrangements:

			Ownership interest	
Property	Principal purpose	Type of arrangement	September 30, 2014	December 31, 2013
Corridor Park	Investment property	Joint venture	90%	-
Park Lucero	Investment property	Joint venture	90%	-
1700 Broadway	Investment property	Joint venture	50%	50%
Centrepoint	Investment property	Joint venture	50%	50%
Hudson's Bay Centre	Investment property	Joint venture	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 nine months ended September 30, 2014, the REIT entered into three joint venture arrangements. Park Lucero is a development project located in the Phoenix Metropolitan Area, Arizona, Hudson's Bay Centre is an office property in Denver, Colorado and Corridor Park is a development project located in Houston, Texas. The REIT contributed $51,837 to these joint venture arrangements, inclusive of transaction costs of $409 (note 16) which were expensed during the nine months ended September 30, 2014.

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

21. Joint arrangements (continued):

The REIT is contingently liable for the obligations of certain joint arrangements. As at September 30, 2014, the co-owners' share of mortgage liabilities is $76,831 (December 31, 2013, $57,485). Management believes that the assets available from its joint arrangements are sufficient for the purpose of satisfying such obligations.

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

	September 30, 2014	December 31, 2013
Non-current assets:		
Investment properties	$ 86,811	$ 56,913
Investment properties under development	66,406	17,690
Current assets:		
Prepaid expenses and other assets	235	26
Accounts receivable and other receivables	238	305
Cash held in trust	1,067	736
Cash and cash equivalents	2,041	1,201
	156,798	76,871
Non-current liabilities:		
Mortgages and loans payable	53,697	30,706
Current liabilities:		
Mortgages and loans payable	773	520
Security deposits and prepaid rent	506	158
Accounts payable and other liabilities	4,290	3,053
	59,266	34,437
Investments in joint ventures	$ 97,532	$ 42,434

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Revenue	$ 2,158	$ 1,518	$ 5,786	$ 2,207
Property operating expenses	949	711	2,547	895
	1,209	807	3,239	1,312
Other income (expenses):				
Interest expense	(319)	(203)	(835)	(290)
Fair value (loss) gain on investment properties	(1,362)	165	(2,287)	853
(Loss) income for the period from investments in joint ventures	$ (472)	$ 769	$ 117	$ 1,875

(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 September 30, 2014					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	$ 62,230	$ 17,109	$ 15,614	$ 30,336	$ 136	$ 125,425
Property operating expenses	20,930	7,431	5,894	12,521	-	46,776
	41,300	9,678	9,720	17,815	136	78,649
Other income (expenses):						
Corporate expenses	-	-	-	-	(2,467)	(2,467)
Interest expense	(11,434)	(3,413)	(2,913)	(5,120)	(4,066)	(26,946)
Interest income	318	9	9	12	116	464
(Loss) income from investments in joint ventures	-	(947)	-	475	-	(472)
Fair value gain (loss) on investment properties	4,654	(2,782)	738	9,115	-	11,725
Foreign currency translation loss	-	-	-	-	(4,834)	(4,834)
Transaction costs	(11)	(204)	-	53	-	(162)
Gain on financial instruments	-	-	-	-	860	860
Income (loss) for the period	$ 34,827	$ 2,341	$ 7,554	$ 22,350	$ (10,255)	$ 56,817
Acquisitions of investment properties	$ -	$ 12,425	$ -	$ 14,560	$ -	$ 26,985
Additions to investment properties and investment properties under development	4,198	5,662	226	2,689	-	12,775
Additions to leasing costs	1,515	90	156	536	-	2,297
Additions to tenant inducements	3,941	600	197	1,291	-	6,029

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

22. Segmented information (continued):

	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)

22. Segmented information (continued):

	Nine months ended September 30, 2014					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	$ 182,996	$ 51,869	$ 46,568	$ 87,320	$ 221	$ 368,974
Property operating expenses	60,141	23,412	17,654	34,714	-	135,921
	122,855	28,457	28,914	52,606	221	233,053
Other income (expenses):						
Corporate expenses	-	-	-	-	(7,579)	(7,579)
Interest expense	(35,441)	(10,302)	(9,150)	(15,107)	(10,878)	(80,878)
Interest income	953	29	26	38	330	1,376
(Loss) income from investments in joint ventures	-	(4,653)	-	4,770	-	117
Fair value gain (loss) on investment properties	10,297	5,659	(4,824)	8,451	-	19,583
Foreign currency translation loss	-	-	-	-	(17,595)	(17,595)
Transaction costs	(336)	(204)	-	(1,106)	-	(1,646)
Loss on financial instruments	-	-	-	-	(5,156)	(5,156)
Income (loss) for the period	$ 98,328	$ 18,986	$ 14,966	$ 49,652	$ (40,657)	$ 141,275
Acquisitions of investment properties	$ 10,100	$ 12,425	$ -	$ 103,972	$ -	$ 126,497
Additions to investment properties and investment properties under development	8,675	12,068	1,343	5,437	-	27,523
Additions to leasing costs	2,919	566	957	1,678	-	6,120
Additions to tenant inducements	8,254	1,805	379	3,686	-	14,124

	September 30, 2014					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Total assets	$ 2,725,516	$ 698,529	$ 598,688	$ 1,288,721	$ 91,700	$ 5,403,154
Total liabilities	1,119,102	298,155	282,745	611,104	410,700	2,721,806

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

22. 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

	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 September 30, 2014, the REIT had issued letters of credit in the amount of $725 (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 September 30, 2014 is $5,304 (December 31, 2013, $5,427), with an estimated weighted-average remaining term of 3.2 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 September 30, 2014, the ratio of such indebtedness to gross book value was 45.1% (December 31, 2013, 45.4%), which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

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 September 30, 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:

	September 30, 2014	December 31, 2013
Mortgages and loans payable (note 9)	$ 2,236,464	$ 2,287,597
Senior unsecured debentures (note 10)	199,467	-
Convertible debentures (note 11)	187,642	185,264
Bank indebtedness (note 13)	1,100	-
Total debt	2,624,673	2,472,861
Unitholders' equity	2,681,348	2,484,247
	$ 5,306,021	$ 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 September 30, 2014, the REIT is a party to $593,824 of variable rate debt (December 31, 2013, $575,463). At September 30, 2014, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $369,483 of variable rate debt (December 31, 2013, $323,489).

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 1.0924 and 1.0959 for the three and nine months ended September 30, 2014, respectively, and the period end exchange rate of 1.1208 at September 30, 2014 would have increased net income by approximately $5,384 and $2,839 for the three and nine months ended September 30, 2014, respectively. A $0.10 weakening in the US dollar against the Canadian dollar would have decreased other comprehensive income by approximately $58,337 and $55,792 for the three and nine months ended September 30, 2014, respectively. Conversely, a $0.10 strengthening in the US dollar against the Canadian dollar would have had an equal but opposite effect. This analysis assumes that all variables, in particular interest rates, remain constant.

(c) Other price risk:

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

(ii) Credit risk:

The REIT's maximum exposure to credit risk is equivalent to the carrying value of each class of financial asset as separately presented in cash and cash equivalents, cash held in trust, 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 six U.S. states. Included in property operating expenses is an impairment loss on accounts receivable and other receivables of $231 and $642 during the three and nine months ended September 30, 2014 (2013, $4 and $76), respectively. The credit quality of the accounts receivable and other receivables amount is considered adequate.

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

25. Risk management and fair values (continued):

(a) Risk management (continued):

(ii) Credit risk (continued):

	September 30, 2014	December 31, 2013
Past due 0 - 30 days	$ 2,454	$ 2,315
Past due 31 - 90 days	1,138	456
Past due more than 91 days	1,787	564
	5,379	3,335
Allowance for doubtful accounts	(621)	(139)
	$ 4,758	$ 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 September 30, 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	$ 1,100	$ 1,100	$ -	$ -	$ -
Accounts payable and other liabilities (1)	72,292	72,292	-	-	-
Convertible debentures	186,300	1,500	-	98,630	86,170
Senior unsecured debentures	200,000	-	-	200,000	-
Mortgages and loans payable (1)	2,295,898	370,905	1,041,136	254,614	629,243
	$ 2,755,590	$ 445,797	$ 1,041,136	$ 553,244	$ 715,413

(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.

		September 30, 2014		December 31, 2013	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	$ 5,039,577	$ 5,039,577	$ 4,851,877	$ 4,851,877
Investment properties under development	Level 3	42,333	42,333	47,281	47,281
Notes receivable	Level 2	19,303	20,602	20,464	21,181
Investment properties held for sale	Level 3	47,992	47,992	-	-
Mortgage interest rate swaps	Level 2	1,319	1,319	4,279	4,279
		5,150,524	5,151,823	4,923,901	4,924,618
Liabilities:					
Mortgages and loans payable	Level 2	2,236,464	2,275,141	2,287,597	2,307,518
Senior unsecured debentures	Level 2	199,467	200,507	-	-
Convertible debentures	Level 1, 2 (1)	187,642	195,935	185,264	190,206
Mortgage interest rate swaps	Level 2	4,632	4,632	2,395	2,395
		2,628,205	2,676,215	2,475,256	2,500,119
		$ 2,522,319	$ 2,475,608	$ 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 gain of $860 and loss of $5,228 were recorded for the three and nine months ended September 30, 2014 (2013, loss of $1,093 and gain of $4,817), respectively, in relation to the fair value of these interest rate swaps.

26. Subsequent events:

On October 1, 2014, the REIT refinanced a maturing mortgage on an industrial property, receiving an uplift of US$3,560.

On October 8, 2014, the REIT acquired development land in Calgary, Alberta with cash on hand for $8,100.

On October 15, 2014, the REIT refinanced maturing mortgages on two retail properties, receiving an uplift of $3,115.

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

On October 15, 2014, the REIT declared a quarterly cash distribution of $0.3125 per Series G unit for the quarter ending October 31, 2014.

On October 20, 2014, the REIT acquired development land in the Twin Cities Area, Minnesota with cash on hand for US$3,750.

On November 5, 2014, the REIT repaid two maturing mortgages on two properties in the amount of $16,081.

The REIT has an agreement with respect to the acquisition of a retail property located in Alberta. The purchase price of the property is $39,500. The REIT anticipates that the acquisition will close in November of 2014, and will be financed through a combination of cash consideration and assumed mortgage financing.

27. Approval of financial statements:

The interim condensed consolidated financial statements were approved by the Board of Trustees and authorized for issue on November 6, 2014.