Interim Condensed Consolidated Financial Statements of

ARTIS REAL ESTATE INVESTMENT TRUST

Three and nine months ended September 30, 2015 and 2014
(Unaudited)

(In Canadian dollars)

Interim Condensed Consolidated Balance Sheets
(Unaudited)

(In thousands of Canadian dollars)

	Note	September 30, 2015	December 31, 2014
ASSETS			
Non-current assets:			
Investment properties	4	$ 5,174,523	$ 5,201,489
Investment properties under development	4	41,753	81,682
Investments in joint ventures	12	169,133	98,072
Property and equipment		3,408	3,405
Notes receivable		16,248	18,239
		5,405,065	5,402,887
Current assets:			
Investment properties held for sale	4	167,879	-
Deposits on investment properties		3,398	50
Prepaid expenses and other assets		9,742	6,671
Notes receivable		2,691	2,509
Accounts receivable and other receivables		10,545	10,955
Cash held in trust		6,342	5,973
Cash and cash equivalents		70,571	49,807
		271,168	75,965
		$ 5,676,233	$ 5,478,852
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities:			
Mortgages and loans payable	5	$ 1,691,306	$ 1,868,857
Senior unsecured debentures	6	199,604	199,527
Convertible debentures	7	205,291	189,573
Other long-term liabilities		2,401	1,144
		2,098,602	2,259,101
Current liabilities:			
Mortgages and loans payable	5	514,663	393,197
Security deposits and prepaid rent		32,354	30,546
Accounts payable and other liabilities		84,692	66,703
Bank indebtedness	8	175,073	300
		806,782	490,746
		2,905,384	2,749,847
Unitholders' equity		2,770,849	2,729,005
Commitments and guarantees	14		
Subsequent events	17		
		$ 5,676,233	$ 5,478,852

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Operations

(Unaudited)

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

	Note	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Revenue		$ 135,150	$ 125,425	$ 398,745	$ 368,974
Property operating expenses		51,856	46,776	148,542	135,921
Net operating income		83,294	78,649	250,203	233,053
Other income (expenses):					
Corporate expenses		(2,728)	(2,467)	(8,421)	(7,579)
Interest expense		(27,517)	(26,946)	(82,891)	(80,878)
Interest income		335	464	1,033	1,376
Net income (loss) from investments in joint ventures	12	3,550	(472)	5,284	117
Fair value (loss) gain on investment properties	4	(65,608)	11,725	(120,604)	19,583
Foreign currency translation loss		(9,913)	(4,834)	(16,823)	(17,595)
Transaction costs		(1,248)	(162)	(1,615)	(1,646)
(Loss) gain on financial instruments		(3,612)	860	(5,970)	(5,156)
Net (loss) income		(23,447)	56,817	20,196	141,275
Other comprehensive income that may be reclassified to net (loss) income in subsequent periods:					
Unrealized foreign currency translation gain		65,038	32,513	120,305	41,378
Other comprehensive income that will not be reclassified to net (loss) income in subsequent periods:					
Unrealized gain from remeasurements of net pension obligation		-	-	1	-
Comprehensive income		$ 41,591	$ 89,330	$ 140,502	$ 182,653
Basic (loss) income per unit attributable to common unitholders	9 (d)	$ (0.20)	$ 0.39	$ 0.05	$ 0.97
Diluted (loss) income per unit attributable to common unitholders	9 (d)	$ (0.20)	$ 0.38	$ 0.04	$ 0.96
Weighted-average number of common units outstanding:					
Basic	9 (d)	137,918,624	135,563,371	137,275,288	131,373,413
Diluted	9 (d)	137,918,624	146,245,223	137,585,471	142,033,815

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Unitholders' Equity

(Unaudited)

(In thousands of Canadian dollars)

	Common units capital contributions (note 9)	Equity component of convertible debentures	Retained earnings	Accumulated other comprehensive income	Contributed surplus	Total common equity	Total preferred equity	Total
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	-	-	-	-	469	469	-	469
Redemption of convertible debentures	-	(82)	-	-	-	(82)	-	(82)
Net 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
Changes for the period:								
Issuance of units, net of issue costs	6,807	-	-	-	(102)	6,705	-	6,705
Unit-based compensation	-	-	-	-	140	140	-	140
Redemption of convertible debentures	-	(49)	-	-	-	(49)	-	(49)
Net income	-	-	56,611	-	-	56,611	-	56,611
Other comprehensive income	-	-	-	25,466	-	25,466	-	25,466
Distributions	-	-	(41,216)	-	-	(41,216)	-	(41,216)
Unitholders' equity, December 31, 2014	1,780,674	11,023	514,299	92,161	5,225	2,403,382	325,623	2,729,005
Changes for the period:								
Issuance of units, net of issue costs	26,929	-	-	-	(460)	26,469	-	26,469
Unit-based compensation	-	-	-	-	206	206	-	206
Net income	-	-	20,196	-	-	20,196	-	20,196
Other comprehensive income	-	-	-	120,306	-	120,306	-	120,306
Distributions	-	-	(125,333)	-	-	(125,333)	-	(125,333)
Unitholders' equity, September 30, 2015	$ 1,807,603	$ 11,023	$ 409,162	$ 212,467	$ 4,971	$ 2,445,226	$ 325,623	$ 2,770,849

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands of Canadian dollars)

	Note	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Cash provided by (used in):					
Operating activities:					
Net (loss) income		$ (23,447)	$ 56,817	$ 20,196	$ 141,275
Distributions from joint ventures		1,051	99	1,176	271
Adjustments for non-cash items:					
Fair value loss (gain) on investment properties	4	65,608	(11,725)	120,604	(19,583)
Depreciation of property and equipment		183	143	559	429
Net (income) loss from investments in joint ventures	12	(3,550)	472	(5,284)	(117)
Tenant inducements amortized to revenue		3,558	2,733	9,923	7,714
Amortization of above- and below-market mortgages, net		(316)	(450)	(1,129)	(1,368)
Accretion on liability component of debentures		(185)	(153)	(529)	(309)
Straight-line rent adjustment	4	(1,025)	(1,021)	(1,959)	(3,478)
Unrealized foreign currency translation loss		6,841	5,869	14,483	12,629
Loss (gain) on financial instruments		3,612	(860)	5,970	5,156
Unit-based compensation expense		302	403	1,142	1,262
Amortization of financing costs included in interest		770	748	2,315	2,248
Other long-term employee benefits		407	-	1,204	-
Changes in non-cash operating items		8,688	9,899	4,374	4,568
		62,497	62,974	173,045	150,697
Investing activities:					
Acquisitions of investment properties, net of related debt	3	(10,149)	(26,996)	(10,149)	(86,273)
Proceeds from dispositions of investment properties, net of costs and related debt	3	-	(1)	33,024	16,671
Additions to investment properties	4	(9,094)	(7,473)	(19,844)	(13,172)
Additions to investment properties under development	4	(7,456)	(5,302)	(23,706)	(14,351)
Additions to joint ventures	12	(37,485)	(2,390)	(51,429)	(51,428)
Additions to tenant inducements		(12,030)	(6,029)	(20,210)	(14,124)
Additions to leasing commissions	4	(4,857)	(2,297)	(11,082)	(6,120)
Notes receivable principal repayments		1,016	435	1,919	1,161
Additions to property and equipment		(169)	(412)	(562)	(675)
Change in deposits on investment properties		1,600	(850)	(2,500)	(850)
Change in cash held in trust		(259)	(299)	315	(812)
		(78,883)	(51,614)	(104,224)	(169,973)
Financing activities:					
Issuance of common units, net of issue costs		8,523	7,403	26,469	135,150
Issuance of senior unsecured debentures, net of financing costs		-	75,270	-	199,387
Repayment of convertible debentures		-	-	-	(2,500)
Change in bank indebtedness		53,000	(75)	170,700	1,100
Distributions paid on common units		(37,134)	(37,554)	(111,402)	(107,090)
Distributions paid on preferred units		(4,638)	(4,423)	(13,753)	(13,201)
Mortgages and loans principal repayments		(14,849)	(14,519)	(44,728)	(43,805)
Repayment of mortgages and loans payable		-	(39,263)	(108,348)	(78,225)
Advance of mortgages and loans payable, net of financing costs		12,407	-	20,721	-
		17,309	(13,161)	(60,341)	90,816
Foreign exchange gain on cash held in foreign currency		11,678	2,059	12,284	3,379
Increase in cash and cash equivalents		12,601	258	20,764	74,919
Cash and cash equivalents at beginning of period		57,970	122,883	49,807	48,222
Cash and cash equivalents at end of period		$ 70,571	$ 123,141	$ 70,571	$ 123,141
Supplemental cash flow information:					
Interest paid		$ 27,135	$ 25,419	$ 83,742	$ 78,180
Interest received		335	464	1,033	1,376

See accompanying notes to interim condensed consolidated financial statements.

Note 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.

Note 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, 2014 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, 2014.

(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, 2014. There have been no changes to the critical accounting estimates and judgments in the nine months ended September 30, 2015.

(c) New or revised accounting standards adopted during the period:

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. This amendment did not result in a material impact on the consolidated financial statements.

(d) Future changes in accounting policies:

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 does not expect that this amendment will result in a material impact of the consolidated financial statements.

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

In May 2014, the IASB 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 does not expect that this amendment will result in a material impact of the consolidated financial statements.

The final version of IFRS 9 – *Financial Instruments* ("IFRS 9") was issued by the IASB 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 December 2014, the IASB amended IAS 1 – *Presentation of Financial Statements*. The amendments were done under the IASB's Disclosure Initiative to improve presentation and disclosure requirements, and are effective for annual periods beginning on or after January 1, 2016. The REIT is currently evaluating the impact of these amendments.

Note 3. Acquisitions and dispositions of investment properties:

Acquisitions:

The REIT acquired the following properties during the nine months ended September 30, 2015:

Property	Property count	Location	Acquisition date	Asset class
The Point at Inverness (1)	1	Greater Denver Area, CO	March 26, 2015	Office
Graham Portfolio (2)	8	Various cities in BC, AB & SK	July 23, 2015	Industrial

(1) The REIT acquired a 50% interest in this joint venture (see note 12).

(2) The REIT acquired a 75% interest in this joint venture (see note 12).

The REIT acquired the following parcel of development land during the nine months ended September 30, 2015:

Property	Location	Acquisition date	Asset class
Inverness Drive West	Greater Denver Area, CO	August 12, 2015	Office

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

Property	Property count	Location	Acquisition date	Asset class
Hudson's Bay Centre (1)	1	Greater Denver Area, 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 the following parcels of development land during the nine months ended September 30, 2014:

Property	Location	Acquisition date	Asset class
Park Lucero (1)	Phoenix Metropolitan Area, AZ	March 7, 2014	Industrial
Corridor Park (1)	Houston, TX	June 17, 2014	Office
Park 8Ninety	Houston, TX	September 18, 2014	Industrial

(1) The REIT acquired a 90% interest in this joint venture.

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 the acquisition of joint ventures, were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Investment properties	$ 10,149	$ 26,985	$ 10,149	$ 126,497
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	-	11	-	(40,224)
Cash consideration	$ 10,149	$ 26,996	$ 10,149	$ 86,273
Transaction costs expensed	$ 20	$ 402	$ 38	$ 1,237

Dispositions:

The REIT disposed of the following properties during the nine months ended September 30, 2015:

Property	Location	Disposition date	Asset class
Moose Jaw Sobeys	Moose Jaw, SK	June 18, 2015	Retail
1045 Howe Street	Greater Vancouver Regional District, BC	June 24, 2015	Office

The proceeds from the sale of the above properties, net of costs and related debt, were $33,024. The assets and liabilities associated with the properties were derecognized.

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

Property	Location	Disposition date	Asset class
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 these properties were derecognized.

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

	Nine months ended September 30, 2015		
	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of period	$ 5,201,489	$ 81,682	$ -
Additions:			
Acquisitions (note 3)	10,149	-	-
Capital expenditures	19,792	23,706	52
Leasing commissions	10,204	164	714
Dispositions	(50,371)	-	-
Reclassification of investment properties under development	65,049	(65,049)	-
Reclassification of investment properties held for sale	(161,500)	-	161,500
Foreign currency translation gain	189,731	2,592	2,609
Straight-line rent adjustment	1,867	26	66
Tenant inducement additions, net of amortization	8,745	(156)	1,698
Fair value (loss) gain	(120,632)	(1,212)	1,240
Balance, end of period	$ 5,174,523	$ 41,753	$ 167,879

	Year ended December 31, 2014	
	Investment properties	Investment properties under development
Balance, beginning of year	$ 4,851,877	$ 47,281
Additions:		
Acquisitions	187,028	14,560
Capital expenditures	21,522	21,178
Leasing commissions	8,240	1,146
Dispositions	(20,407)	-
Reclassification of investment properties under development	2,338	(2,338)
Foreign currency translation gain	97,707	1,089
Straight-line rent adjustment	4,655	22
Tenant inducement additions, net of amortization	8,816	510
Contingent consideration adjustment	(884)	-
Fair value gain (loss)	40,597	(1,766)
Balance, end of year	$ 5,201,489	$ 81,682

During the nine months ended September 30, 2015, the REIT reclassified two industrial properties and one retail property from investment properties under development to investment properties.

The REIT reclassified four office properties to investment properties held for sale that were listed with an external broker at September 30, 2015. These properties have an aggregate mortgage payable balance of $51,769 at September 30, 2015.

At September 30, 2015, investment properties with a fair value of $4,421,157 (December 31, 2014, $4,653,391) are pledged as security under mortgage agreements.

External valuations are performed quarterly on a rotational basis over a four year cycle. For the three and nine months ended September 30, 2015, 16 and 50 investment properties, respectively, of the total portfolio of 255 properties at September 30, 2015 (6.27% and 19.61%) 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, 2015 and the year ended December 31, 2014.

Under the fair value hierarchy, the fair value of the REIT's investment properties is considered a Level 3, as described in note 16 (b).

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

	September 30, 2015			December 31, 2014		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Western Canada:						
Discount rate	9.00 %	6.25 %	7.35 %	8.75 %	6.25 %	7.26 %
Terminal capitalization rate	8.00 %	4.50 %	6.58 %	8.00 %	4.50 %	6.41 %
Capitalization rate	7.50 %	4.50 %	6.29 %	7.50 %	4.50 %	6.14 %
Investment horizon (years)	12.0	10.0	10.3	17.0	10.0	10.7
Central Canada:						
Discount rate	9.00 %	7.25 %	7.74 %	9.00 %	7.25 %	7.76 %
Terminal capitalization rate	8.50 %	6.00 %	6.63 %	8.50 %	6.00 %	6.68 %
Capitalization rate	8.25 %	5.75 %	6.39 %	8.25 %	5.75 %	6.42 %
Investment horizon (years)	12.0	10.0	10.1	13.0	10.0	10.2
Eastern Canada:						
Discount rate	7.75 %	6.50 %	7.22 %	7.75 %	6.75 %	7.28 %
Terminal capitalization rate	7.00 %	5.50 %	6.49 %	7.00 %	5.75 %	6.55 %
Capitalization rate	6.75 %	5.75 %	6.31 %	7.00 %	5.50 %	6.30 %
Investment horizon (years)	12.0	10.0	10.4	14.0	10.0	10.6
U.S.:						
Discount rate	9.50 %	7.00 %	8.09 %	9.50 %	7.00 %	8.15 %
Terminal capitalization rate	9.00 %	5.75 %	6.97 %	9.00 %	6.00 %	7.13 %
Capitalization rate	8.75 %	5.75 %	6.71 %	8.75 %	6.00 %	6.88 %
Investment horizon (years)	20.0	9.0	11.3	20.0	9.0	11.2
Overall:						
Discount rate	9.50 %	6.25 %	7.57 %	9.50 %	6.25 %	7.55 %
Terminal capitalization rate	9.00 %	4.50 %	6.67 %	9.00 %	4.50 %	6.63 %
Capitalization rate	8.75 %	4.50 %	6.41 %	8.75 %	4.50 %	6.37 %
Investment horizon (years)	20.0	9.0	10.5	20.0	9.0	10.7

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

Note 5. Mortgages and loans payable:

	September 30, 2015	December 31, 2014
Mortgages and loans payable	$ 2,211,706	$ 2,267,285
Net above- and below-market mortgage adjustments	1,834	3,186
Financing costs	(7,571)	(8,417)
	2,205,969	2,262,054
Current portion	514,663	393,197
Non-current portion	$ 1,691,306	$ 1,868,857

The majority of the REIT's assets have been pledged as security under mortgages and other security agreements. 68.5% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 17.0% 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 3.98% and the weighted-average nominal rate is 3.85% at September 30, 2015 (December 31, 2014, 4.18% and 4.04%, respectively). Maturity dates range from October 1, 2015 to February 14, 2032.

The REIT's mortgage providers have various financial covenants. The REIT monitors these covenants, which are primarily debt service coverage ratios, and was in compliance with these requirements at September 30, 2015.

Note 6. Senior unsecured debentures:

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

Senior unsecured debenture issue	Issue date	Maturity date	Interest rate
Series A	March 27, 2014, September 10, 2014	March 27, 2019	3.753%

	Face value	Unamortized accretion	Unamortized financing costs	Carrying value	Current portion	Non-current portion
September 30, 2015	$ 200,000	$ 728	$ (1,124)	$ 199,604	$ -	$ 199,604
December 31, 2014	200,000	872	(1,345)	199,527	-	199,527

During the three and nine months ended September 30, 2015, accretion to the liability of $49 and $144 (2014, $10 and $10) and financing cost amortization of $75 and $221 (2014, $48 and $90) were recorded.

In accordance with the Series A senior unsecured debenture supplemental indenture, the REIT must maintain various financial covenants. As at September 30, 2015, the REIT was in compliance with these requirements.

Note 7. Convertible debentures:

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

Convertible redeemable debenture issue	Issue date	Maturity date	Interest rate
Series 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 F	$ 86,170	$ 11,023	$ 84,841	$ 456	$ 85,297	$ -	$ 85,297
Series G	117,867	-	122,110	(2,116)	119,994	-	119,994
September 30, 2015	$ 204,037	$ 11,023	$ 206,951	$ (1,660)	$ 205,291	$ -	$ 205,291
December 31, 2014	188,259	11,023	190,605	(1,032)	189,573	-	189,573

During the three and nine months ended September 30, 2015, accretion of $136 and $385 reduced the carrying value of the liability component (2014, $101 and $299).

Note 8. Bank indebtedness:

On December 17, 2014, the REIT entered into two unsecured revolving term credit facilities in the aggregate amount of $125,000, which can be utilized for general corporate and working capital purposes, short term financing of investment property acquisitions and the issuance of letters of credit. The REIT can draw on the facilities in Canadian or US dollars. On May 20, 2015, the aggregate amount of the unsecured revolving term credit facilities was increased to $200,000. On September 25, 2015, the aggregate amount was further increased to $300,000. The credit facilities mature on December 15, 2018. Amounts drawn on the facilities bear interest at prime plus 0.70% or at the bankers' acceptance rate plus 1.70%. At September 30, 2015, the REIT had $175,073 drawn on the facilities.

For purposes of the credit facilities, the REIT must maintain various financial covenants. As at September 30, 2015, the REIT was in compliance with these requirements.

Note 9. 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, 2013	126,938,476	$ 1,638,219
Public offerings, net of issue costs of $5,028	7,147,250	110,043
Options and restricted units exercised	200,164	2,986
Distribution Reinvestment and Unit Purchase Plan	1,678,573	24,957
At-the-market equity financing	320,000	4,469
Balance at December 31, 2014	136,284,463	1,780,674
Options and restricted units exercised	178,204	2,800
Distribution Reinvestment and Unit Purchase Plan	1,795,607	24,129
Balance at September 30, 2015	138,258,274	$ 1,807,603

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.

(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 July 17, 2014, 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. As at September 30, 2015, the REIT has issued senior unsecured debentures under one offering in the amount of $75,000 under this short form base shelf prospectus.

(d) Weighted-average common units:

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Net (loss) income	$ (23,447)	$ 56,817	$ 20,196	$ 141,275
Adjustment for distributions to preferred unitholders (note 10)	(4,638)	(4,423)	(13,753)	(13,201)
Net (loss) income attributable to common unitholders	(28,085)	52,394	6,443	128,074
Adjustment for convertible debentures	-	2,609	-	7,759
Adjustment for restricted units	-	(27)	(277)	4
Adjustment for deferred units	-	-	(7)	-
Diluted net (loss) income attributable to common unitholders	$ (28,085)	$ 54,976	$ 6,159	$ 135,837

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

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Basic common units	137,918,624	135,563,371	137,275,288	131,373,413
Effect of dilutive securities:				
Unit options	-	167,591	9,918	166,062
Convertible debentures	-	10,284,784	-	10,284,784
Restricted units	-	229,477	295,056	209,556
Deferred units	-	-	5,209	-
Diluted common units	137,918,624	146,245,223	137,585,471	142,033,815
Net (loss) income per unit attributable to common unitholders:				
Basic	$ (0.20)	$ 0.39	$ 0.05	$ 0.97
Diluted	$ (0.20)	$ 0.38	$ 0.04	$ 0.96

The computation of diluted net (loss) income per unit attributable to common unitholders includes unit options, convertible debentures, restricted units and deferred units when these instruments are dilutive. For the three months ended September 30, 2015, all instruments are anti-dilutive. For the nine months ended September 30, 2015, convertible debentures and out-of-the-money options are anti-dilutive. For the three and nine months ended September 30, 2014, out-of-the-money options are anti-dilutive.

Note 10. Distributions to unitholders:

Total distributions declared to unitholders are as follows:

	Three months ended September 30, 2015		Three months ended September 30, 2014	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	$ 37,266	$ 0.27	$ 36,625	$ 0.27
Preferred unitholders - Series A	1,132	0.33	1,132	0.33
Preferred unitholders - Series C	1,319	0.44	1,103	0.37
Preferred unitholders - Series E	1,187	0.30	1,188	0.30
Preferred unitholders - Series G	1,000	0.31	1,000	0.31

	Nine months ended September 30, 2015		Nine months ended September 30, 2014	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	$ 111,272	$ 0.81	$ 106,914	$ 0.81
Preferred unitholders - Series A	3,396	0.98	3,396	0.98
Preferred unitholders - Series C	3,795	1.27	3,242	1.08
Preferred unitholders - Series E	3,562	0.89	3,563	0.89
Preferred unitholders - Series G	3,000	0.94	3,000	0.94

Note 11. Related party transactions:

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

Other related party transactions are outlined as follows:

	Three months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
Property management fees	$ 82	$ 84	$ 246	$ 249
Capitalized leasing commissions	8	8	88	79
Capitalized project management fees	-	4	-	14
Capitalized building improvements	1,122	2,918	6,151	4,842
Capitalized development projects	4,064	3,559	8,886	9,192
Capitalized office furniture and fixtures	134	343	340	414
Capitalized tenant inducements	669	167	764	497
Property tax assessment consulting fees	900	29	1,276	366
Rental revenues	(71)	(42)	(155)	(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, 2015 is $28 (December 31, 2014, $29).

The REIT incurred costs for building improvements, development projects and tenant inducements paid to Marwest Construction Ltd. (''Marwest Construction'') and Marwest Development Corporation, companies related to certain trustees and officers of the REIT. The amount payable at September 30, 2015 is $2,654 (December 31, 2014, $3,253).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction. The amount payable at September 30, 2015 is $27 (December 31, 2014, $45).

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, 2015 is $852 (December 31, 2014, $nil).

The REIT collects office rents from Marwest Management and Fairtax Realty Advocates.

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.

New subsidiaries and joint arrangements of the REIT, excluding bare trustees, during the nine months ended September 30, 2015 are as follows:

		Ownership interest	
Name of entity	Country	September 30, 2015	December 31, 2014
ARTIS HRA Inverness Point GP, LLC	U.S.	50%	- %
ARTIS HRA Inverness Point, LP	U.S.	50%	- %
AR GL General Partner Ltd.	Canada	75%	- %
AR GL L.P.	Canada	75%	- %

Note 12. Joint arrangements:

The REIT had interests in the following joint arrangements:

			Ownership interest	
Property	Principal purpose	Type of arrangement	September 30, 2015	December 31, 2014
Corridor Park	Investment property	Joint venture	90%	90%
Park Lucero I	Investment property	Joint venture	90%	90%
Park Lucero II	Investment property	Joint venture	90%	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%	50%
The Point at Inverness	Investment property	Joint venture	50%	- %
Graham Portfolio	Investment property	Joint venture	75%	- %
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%

The REIT has assessed the above investment properties as joint arrangements as decisions about the relevant activities require unanimous consent of the parties sharing control. The REIT has determined the type of arrangement based upon the ownership structure of each individual investment property.

During the nine months ended September 30, 2015, the REIT entered into two joint venture arrangements for The Point at Inverness, an office property in the Greater Denver Area, Colorado and the Graham Portfolio, a group of industrial properties in British Columbia, Alberta and Saskatchewan. The REIT contributed $50,812 to these joint venture arrangements, inclusive of transaction costs of $1,577, which were expensed during the nine months ended September 30, 2015.

The REIT also contributed $2,194 during the nine months ended September 30, 2015 to the Park Lucero I, Park Lucero II, Corridor Park and Hudson's Bay Centre joint venture arrangements.

The REIT is contingently liable for the obligations of certain joint arrangements. As at September 30, 2015, the co-owners' share of mortgage liabilities is $116,700 (December 31, 2014, $82,376). 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, 2015	December 31, 2014
Non-current assets:		
Investment properties	$ 246,716	$ 87,746
Investment properties under development	51,885	72,262
Current assets:		
Prepaid expenses and other assets	533	230
Accounts receivable and other receivables	928	620
Cash held in trust	-	1,337
Cash and cash equivalents	4,690	3,025
	304,752	165,220
Non-current liabilities:		
Mortgages and loans payable	110,581	46,487
Current liabilities:		
Mortgages and loans payable	19,607	15,116
Security deposits and prepaid rent	1,647	497
Accounts payable and other liabilities	3,784	5,048
	135,619	67,148
Investments in joint ventures	$ 169,133	$ 98,072

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Revenue	$ 5,104	$ 2,158	$ 10,884	$ 5,786
Property operating expenses	1,971	949	4,468	2,547
Net operating income	3,133	1,209	6,416	3,239
Other income (expenses):				
Interest expense	(848)	(319)	(1,889)	(835)
Fair value gain (loss) on investment properties	1,265	(1,362)	757	(2,287)
Net income (loss) from investments in joint ventures	$ 3,550	$ (472)	$ 5,284	$ 117

Note 13. Segmented information:

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

	Three months ended September 30, 2015					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	$ 57,993	$ 24,844	$ 15,684	$ 36,583	$ 46	$ 135,150
Property operating expenses	20,459	10,276	6,843	14,278	-	51,856
Net operating income	37,534	14,568	8,841	22,305	46	83,294
Other income (expenses):						
Corporate expenses	-	-	-	-	(2,728)	(2,728)
Interest expense	(8,958)	(3,946)	(2,794)	(5,813)	(6,006)	(27,517)
Interest income	268	7	17	15	28	335
Net income from investments in joint ventures	360	1,631	-	1,559	-	3,550
Fair value (loss) gain on investment properties	(70,294)	2,823	(1,293)	3,156	-	(65,608)
Foreign currency translation loss	-	-	-	-	(9,913)	(9,913)
Transaction costs	(1,080)	(142)	-	(26)	-	(1,248)
Loss on financial instruments	-	-	-	-	(3,612)	(3,612)
Net (loss) income	$ (42,170)	$ 14,941	$ 4,771	$ 21,196	$ (22,185)	$ (23,447)
Acquisition of investment property	$ -	$ -	$ -	$ 10,149	$ -	$ 10,149
Additions to investment properties and investment properties under development	2,755	5,947	2,111	5,737	-	16,550
Additions to tenant inducements	5,441	1,641	1,092	3,856	-	12,030
Additions to leasing commissions	1,572	762	365	2,158	-	4,857

Three months ended September 30, 2014	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	$ 55,470	$ 23,869	$ 15,614	$ 30,336	$ 136	$ 125,425
Property operating expenses	18,666	9,695	5,894	12,521	-	46,776
Net operating income	36,804	14,174	9,720	17,815	136	78,649
Other income (expenses):						
Corporate expenses	-	-	-	-	(2,467)	(2,467)
Interest expense	(10,571)	(4,276)	(2,913)	(5,120)	(4,066)	(26,946)
Interest income	314	13	9	12	116	464
Net (loss) income from investments in joint ventures	-	(947)	-	475	-	(472)
Fair value gain (loss) on investment properties	7,469	(5,597)	738	9,115	-	11,725
Foreign currency translation loss	-	-	-	-	(4,834)	(4,834)
Transaction costs	-	(215)	-	53	-	(162)
Gain on financial instruments	-	-	-	-	860	860
Net income (loss)	$ 34,016	$ 3,152	$ 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	3,504	6,356	226	2,689	-	12,775
Additions to tenant inducements	3,926	615	197	1,291	-	6,029
Additions to leasing commissions	1,359	246	156	536	-	2,297

Nine months ended September 30, 2015	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	$ 170,305	$ 77,218	$ 45,462	$ 105,627	$ 133	$ 398,745
Property operating expenses	57,777	30,072	19,345	41,348	-	148,542
Net operating income	112,528	47,146	26,117	64,279	133	250,203
Other income (expenses):						
Corporate expenses	-	-	-	-	(8,421)	(8,421)
Interest expense	(28,839)	(12,128)	(8,482)	(16,844)	(16,598)	(82,891)
Interest income	834	29	33	42	95	1,033
Net income from investments in joint ventures	360	1,747	-	3,177	-	5,284
Fair value (loss) gain on investment properties	(147,827)	5,849	(1,923)	23,297	-	(120,604)
Foreign currency translation loss	-	-	-	-	(16,823)	(16,823)
Transaction costs	(1,113)	(142)	-	(360)	-	(1,615)
Loss on financial instruments	-	-	-	-	(5,970)	(5,970)
Net (loss) income	$ (64,057)	$ 42,501	$ 15,745	$ 73,591	$ (47,584)	$ 20,196
Acquisition of investment property	$ -	$ -	$ -	$ 10,149	$ -	$ 10,149
Additions to investment properties and investment properties under development	10,923	15,975	7,838	8,814	-	43,550
Additions to tenant inducements	8,322	3,296	2,196	6,396	-	20,210
Additions to leasing commissions	3,646	1,928	858	4,650	-	11,082

September 30, 2015	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Total assets	$ 2,327,359	$ 1,044,230	$ 607,202	$ 1,655,652	$ 41,790	$ 5,676,233
Total liabilities	924,854	368,620	275,800	720,530	615,580	2,905,384

	Nine months ended September 30, 2014					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Revenue	$ 163,447	$ 71,418	$ 46,568	$ 87,320	$ 221	$ 368,974
Property operating expenses	53,681	29,872	17,654	34,714	-	135,921
Net operating income	109,766	41,546	28,914	52,606	221	233,053
Other income (expenses):						
Corporate expenses	-	-	-	-	(7,579)	(7,579)
Interest expense	(32,414)	(13,329)	(9,150)	(15,107)	(10,878)	(80,878)
Interest income	944	38	26	38	330	1,376
Net (loss) income from investments in joint ventures	-	(4,653)	-	4,770	-	117
Fair value gain (loss) on investment properties	11,566	4,390	(4,824)	8,451	-	19,583
Foreign currency translation loss	-	-	-	-	(17,595)	(17,595)
Transaction costs	-	(540)	-	(1,106)	-	(1,646)
Loss on financial instruments	-	-	-	-	(5,156)	(5,156)
Net income (loss)	$ 89,862	$ 27,452	$ 14,966	$ 49,652	$ (40,657)	$ 141,275
Acquisitions of investment properties	$ -	$ 22,525	$ -	$ 103,972	$ -	$ 126,497
Additions to investment properties and investment properties under development	7,976	12,767	1,343	5,437	-	27,523
Additions to tenant inducements	7,952	2,107	379	3,686	-	14,124
Additions to leasing commissions	2,533	952	957	1,678	-	6,120

	December 31, 2014					
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Total
Total assets	$ 2,479,177	$ 1,014,079	$ 596,876	$ 1,361,790	$ 26,930	$ 5,478,852
Total liabilities	1,045,130	381,923	282,158	625,860	414,776	2,749,847

Note 14. Commitments and guarantees:

(a) Letters of credit:

As of September 30, 2015, the REIT had issued letters of credit in the amount of $747 (December 31, 2014, $821).

(b) Guarantees:

AX L.P. has guaranteed certain debt assumed by purchasers in connection with the disposition of two properties. These guarantees will remain until the debt is modified, refinanced or extinguished. Credit risk arises in the event that the purchasers default on repayment of their debt since it is guaranteed by the REIT. This credit risk is mitigated as the REIT has recourse under these guarantees in the event of default by the purchasers, in which case the REIT would have a claim against the underlying properties. The estimated amount of debt subject to the guarantees at September 30, 2015 is $9,381 (December 31, 2014, $5,262), with an estimated weighted-average remaining term of 1.6 years (December 31, 2014, 2.9 years). No liabilities in excess of the fair value of the guarantees has been recognized in these interim condensed consolidated financial statements as the estimated fair value of the borrowers' interests in the underlying properties is greater than the mortgages payable for which the REIT provided the guarantees.

Note 15. 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, 2015, the ratio of such indebtedness to gross book value was 45.4% (December 31, 2014, 44.9%), which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

The total managed capital for the REIT is summarized below:

	Note	September 30, 2015	December 31, 2014
Mortgages and loans payable	5	$ 2,205,969	$ 2,262,054
Senior unsecured debentures	6	199,604	199,527
Convertible debentures	7	205,291	189,573
Bank indebtedness	8	175,073	300
Total debt		2,785,937	2,651,454
Unitholders' equity		2,770,849	2,729,005
		$ 5,556,786	$ 5,380,459

Note 16. 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. The most significant of these risks, and the actions taken to manage them, are as follows:

(i) 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, 2015, the REIT is a party to $871,825 of variable rate debt, including bank indebtedness (December 31, 2014, $637,842). At September 30, 2015, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $375,167 of variable rate debt (December 31, 2014, $394,960).

(ii) 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 1.3130 and 1.2619 for the three and nine months ended September 30, 2015, respectively, and the period end exchange rate of 1.3394 at September 30, 2015 would have increased net income by approximately $6,400 and $2,391 for the three and nine months ended September 30, 2015, respectively. A $0.10 weakening in the US dollar against the Canadian dollar would have decreased other comprehensive income by approximately $68,197 and $64,189 for the three and nine months ended September 30, 2015, 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.

(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.

There were no transfers of assets or liabilities between hierarchy levels during the nine months ended September 30, 2015.

		September 30, 2015		December 31, 2014	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	$ 5,174,523	$ 5,174,523	$ 5,201,489	$ 5,201,489
Investment properties under development	Level 3	41,753	41,753	81,682	81,682
Notes receivable	Level 2	18,939	20,630	20,748	22,277
Investment properties held for sale	Level 3	167,879	167,879	-	-
Mortgage interest rate swaps	Level 2	-	-	172	172
		5,403,094	5,404,785	5,304,091	5,305,620
Liabilities:					
Mortgages and loans payable	Level 2	2,205,969	2,262,593	2,262,054	2,312,929
Senior unsecured debentures	Level 2	199,604	205,905	199,527	202,750
Convertible debentures	Level 1	205,291	205,409	189,573	193,827
Mortgage interest rate swaps	Level 2	13,061	13,061	6,852	6,852
		2,623,925	2,686,968	2,658,006	2,716,358
		$ 2,779,169	$ 2,717,817	$ 2,646,085	$ 2,589,262

The fair value of the REIT's accounts receivable and other receivables, cash and cash equivalents, cash held in trust, 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.

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 $3,612 and loss of $5,970 were recorded for the three and nine months ended September 30, 2015 (2014, gain of $860 and loss of $5,228), respectively, in relation to the fair value of these interest rate swaps.

Note 17. Subsequent events:

The following events occurred subsequent to September 30, 2015:

- The REIT drew $47,000 on its revolving term credit facility and repaid US$12,000.
- The REIT repaid six maturing mortgages in the amount of $47,821.
- The REIT disposed of 605 Waterford, an office property located in the Twin Cities Area, Minnesota. The property was sold for US$31,500.
- The REIT acquired Canadian Pacific Plaza, an office property located in the Twin Cities Area, Minnesota. The purchase price was US$68,550 and was satisfied with cash on hand and assumed eight-year mortgage financing, bearing an effective interest rate of 3.39% per annum.
- The REIT disposed of Willingdon Green, an office property located in the Greater Vancouver Regional District, British Columbia. The property was sold for $16,685.
- The REIT entered into an agreement with respect to the disposition of a retail property located in Alberta. The sale price of this property is $2,700. The REIT anticipates that the disposition will close in November 2015.
- The REIT declared a monthly cash distribution of $0.09 per unit for the month of October 2015.
- The REIT declared a quarterly cash distribution of $0.3125 per Series G preferred unit for the quarter ending October 31, 2015.

Note 18. Approval of financial statements:

The interim condensed consolidated financial statements were approved by the Board of Trustees and authorized for issue on November 5, 2015.