Interim Condensed Consolidated Financial Statements of

ARTIS REAL ESTATE INVESTMENT TRUST

Three months ended March 31, 2016 and 2015
(Unaudited)

(In Canadian dollars)

Interim Condensed Consolidated Balance Sheets

(Unaudited)

(In thousands of Canadian dollars)

	Note	March 31, 2016	December 31, 2015
ASSETS			
Non-current assets:			
Investment properties	4	$ 4,861,601	$ 5,078,021
Investment properties under development	4	29,396	26,892
Investments in joint ventures	12	170,218	173,066
Property and equipment		3,518	3,586
Notes receivable		15,226	15,776
		5,079,959	5,297,341
Current assets:			
Investment properties held for sale	4	238,921	115,504
Deposits on investment properties		3,405	50
Prepaid expenses and other assets		8,136	7,872
Notes receivable		2,723	2,744
Accounts receivable and other receivables		14,260	11,757
Cash held in trust		7,534	8,605
Cash and cash equivalents		88,602	66,449
		363,581	212,981
		$ 5,443,540	$ 5,510,322
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities:			
Mortgages and loans payable	5	$ 1,635,549	$ 1,703,553
Senior unsecured debentures	6	199,658	199,631
Convertible debentures	7	201,228	209,140
Other long-term liabilities		3,355	2,910
		2,039,790	2,115,234
Current liabilities:			
Mortgages and loans payable	5	539,027	494,766
Security deposits and prepaid rent		33,848	32,049
Accounts payable and other liabilities		81,318	75,512
Bank indebtedness	8	239,000	225,000
		893,193	827,327
		2,932,983	2,942,561
Unitholders' equity		2,510,557	2,567,761
Commitments, contingencies and guarantees	14		
Subsequent events	17		
		$ 5,443,540	$ 5,510,322

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 March 31, 2016		2015
Revenue		$	132,994	$	132,258
Expenses:					
Property operating			28,764		28,678
Realty taxes			22,244		20,481
			51,008		49,159
Net operating income			81,986		83,099
Other income (expenses):					
Corporate expenses			(3,638)		(2,862)
Interest expense			(27,276)		(27,896)
Interest income			298		363
Net income (loss) from investments in joint ventures	12		243		(624)
Fair value loss on investment properties	4		(13,151)		(48,566)
Foreign currency translation gain (loss)			6,154		(10,547)
Transaction costs			(39)		(435)
Loss on financial instruments			(5,803)		(5,629)
Net income (loss)			38,774		(13,097)
Other comprehensive (loss) income that may be reclassified to net income (loss) in subsequent periods:					
Unrealized foreign currency translation (loss) gain			(53,610)		58,487
Unrealized foreign currency translation (loss) gain on investments in joint ventures			(6,914)		11,632
Other comprehensive income (loss) that will not be reclassified to net income (loss) in subsequent periods:					
Unrealized gain (loss) from remeasurements of net pension obligation			9		(42)
			(60,515)		70,077
Total comprehensive (loss) income		$	(21,741)	$	56,980
Basic income (loss) per unit attributable to common unitholders	9 (d)	$	0.25	$	(0.13)
Diluted income (loss) per unit attributable to common unitholders	9 (d)	$	0.24	$	(0.13)
Weighted-average number of common units outstanding:					
Basic	9 (d)		139,214,692		136,618,279
Diluted	9 (d)		145,144,293		136,618,279

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 (a)(ii))	Equity component of convertible debentures	Retained earnings	Accumulated other comprehensive income	Contributed surplus	Total common equity	Total preferred equity	Total
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	10,116	—	—	—	(458)	9,658	—	9,658
Unit-based compensation	—	—	—	—	80	80	—	80
Net loss	—	—	(13,097)	—	—	(13,097)	—	(13,097)
Other comprehensive income	—	—	—	70,077	—	70,077	—	70,077
Distributions	—	—	(41,863)	—	—	(41,863)	—	(41,863)
Unitholders' equity, March 31, 2015	1,790,790	11,023	459,339	162,238	4,847	2,428,237	325,623	2,753,860
Changes for the period:								
Issuance of units, net of issue costs	24,281	—	—	—	(17)	24,264	—	24,264
Unit-based compensation	—	—	—	—	176	176	—	176
Net loss	—	—	(162,602)	—	—	(162,602)	—	(162,602)
Other comprehensive income	—	—	—	77,652	—	77,652	—	77,652
Distributions	—	—	(125,589)	—	—	(125,589)	—	(125,589)
Unitholders' equity, December 31, 2015	1,815,071	11,023	171,148	239,890	5,006	2,242,138	325,623	2,567,761
Changes for the period:								
Issuance of units, net of issue costs	7,660	—	—	—	—	7,660	—	7,660
Unit-based compensation	—	—	—	—	79	79	—	79
Net income	—	—	38,774	—	—	38,774	—	38,774
Other comprehensive loss	—	—	—	(60,515)	—	(60,515)	—	(60,515)
Distributions	—	—	(43,202)	—	—	(43,202)	—	(43,202)
Unitholders' equity, March 31, 2016	$ 1,822,731	$ 11,023	$ 166,720	$ 179,375	$ 5,085	$2,184,934	$ 325,623	$ 2,510,557

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

(In thousands of Canadian dollars)

	Note		2016		Three months ended March 31, 2015
Cash provided by (used in):					
Operating activities:					
Net income (loss)		$	38,774	$	(13,097)
Distributions from joint ventures			1,304		—
Adjustments for non-cash items:					
Fair value loss on investment properties	4		13,151		48,566
Depreciation of property and equipment			213		209
Net (income) loss from investments in joint ventures	12		(243)		624
Tenant inducements amortized to revenue			3,875		3,016
Amortization of above- and below-market mortgages, net			(550)		(413)
Accretion on liability component of debentures			(199)		(172)
Straight-line rent adjustment	4		(980)		(912)
Unrealized foreign currency translation (gain) loss			(6,200)		12,186
Loss on financial instruments			5,803		5,629
Unit-based compensation expense			654		542
Amortization of financing costs included in interest expense			770		767
Other long-term employee benefits			476		395
Changes in non-cash operating items			(622)		187
			56,226		57,527
Investing activities:					
Additions to investment properties	4		(6,624)		(4,364)
Additions to investment properties under development	4		(4,370)		(7,620)
Additions to joint ventures	12		(6,506)		(13,300)
Additions to tenant inducements			(7,740)		(3,633)
Additions to leasing commissions	4		(4,597)		(2,695)
Notes receivable principal repayments			475		448
Additions to property and equipment			(145)		(305)
Change in deposits on investment properties			(2,575)		(750)
Change in cash held in trust			505		(72)
			(31,577)		(32,291)
Financing activities:					
Issuance of common units, net of issue costs			7,660		9,658
Change in bank indebtedness			14,000		84,700
Distributions paid on common units			(38,546)		(37,233)
Distributions paid on preferred units			(4,596)		(4,568)
Mortgages and loans principal repayments			(14,808)		(15,164)
Repayment of mortgages and loans payable			—		(19,987)
Advance of mortgages and loans payable, net of financing costs			37,350		8,436
			1,060		25,842
Foreign exchange (loss) gain on cash held in foreign currency			(3,556)		1,448
Increase in cash and cash equivalents			22,153		52,526
Cash and cash equivalents at beginning of period			66,449		49,807
Cash and cash equivalents at end of period		$	88,602	$	102,333
Supplemental cash flow information:					
Interest paid		$	27,185	$	27,174
Interest received			298		363

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 office, retail and industrial 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) is 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, 2015 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, 2015.

(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, 2015. There have been no changes to the critical accounting estimates and judgments in the three months ended March 31, 2016.

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

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

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

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

(d) Future changes in accounting policies:

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.

A revised 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.

The IASB issued IFRS 16 – *Leases* ("IFRS 16") in January 2016 which replaces IAS 17 - *Leases* and IFRIC 4 - *Determining whether an Arrangement contains a Lease*. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The REIT is currently evaluating the impact of this new standard.

Note 3. Acquisitions and dispositions of investment properties

Acquisitions:

The REIT did not acquire any properties during the three months ended March 31, 2016.

The REIT acquired the following property during the three months ended March 31, 2015:

Property	Property count	Location	Acquisition date	Asset class
The Point at Inverness [(1)]	1	Greater Denver Area, CO	March 26, 2015	Office

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

Dispositions:

The REIT did not dispose of any properties during the three months ended March 31, 2016.

The REIT did not dispose of any properties during the three months ended March 31, 2015.

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

	Three months ended March 31, 2016		
	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of period	$ 5,078,021	$ 26,892	$ 115,504
Additions:			
Capital expenditures	6,617	4,370	7
Leasing commissions	4,597	—	—
Reclassification of investment properties under development	256	(256)	—
Reclassification of investment properties held for sale	(127,765)	—	127,765
Foreign currency translation loss	(96,174)	(1,610)	—
Straight-line rent adjustments	943	—	37
Tenant inducement additions, net of amortization	4,068	—	(203)
Fair value loss	(8,962)	—	(4,189)
Balance, end of period	$ 4,861,601	$ 29,396	$ 238,921

	Year ended December 31, 2015		
	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of year	$ 5,201,489	$ 81,682	$ —
Additions:			
Acquisitions	105,022	—	—
Capital expenditures	24,711	33,297	54
Leasing commissions	12,651	334	973
Dispositions	(52,977)	—	(86,310)
Reclassification of investment properties under development	90,496	(90,496)	—
Reclassification of investment properties held for sale	(193,327)	—	193,327
Foreign currency translation gain	236,214	3,356	4,987
Straight-line rent adjustments	2,830	30	110
Tenant inducement additions, net of amortization	12,575	(99)	5,114
Fair value loss	(361,663)	(1,212)	(2,751)
Balance, end of year	$ 5,078,021	$ 26,892	$ 115,504

The REIT reclassified one office property, four retail properties and one industrial property to investment properties held for sale that were listed with an external broker at March 31, 2016. These properties have an aggregate mortgage payable balance of $87,348 at March 31, 2016.

At March 31, 2016, investment properties with a fair value of $4,201,714 (December 31, 2015, $4,203,603) are pledged as security under mortgage agreements.

The REIT obtains external valuations for a selection of properties representing various geographical regions and asset classes across its portfolio. For the three months ended March 31, 2016, properties with an appraised value of $58,800 were appraised by qualified external valuation professionals. The REIT uses similar assumptions and valuation techniques in its internal valuations as used by the external valuation professionals.

The REIT determined the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method, which are generally accepted appraisal methodologies. There were no changes to the REIT's internal valuation methodology during the three months ended March 31, 2016.

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:

	March 31, 2016			December 31, 2015		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Western Canada:						
Discount rate	9.50%	6.25%	7.66%	9.50%	6.25%	7.66%
Terminal capitalization rate	9.00%	4.50%	6.92%	9.00%	4.50%	6.94%
Capitalization rate	8.75%	4.50%	6.75%	8.75%	4.50%	6.76%
Investment horizon (years)	12.0	9.0	10.2	12.0	9.0	10.2
Central Canada:						
Discount rate	9.00%	6.25%	7.71%	9.00%	6.25%	7.71%
Terminal capitalization rate	8.50%	5.75%	6.54%	8.50%	5.75%	6.59%
Capitalization rate	8.25%	5.75%	6.36%	8.25%	5.75%	6.38%
Investment horizon (years)	12.0	9.0	10.1	12.0	10.0	10.2
Eastern Canada:						
Discount rate	7.75%	6.50%	7.21%	7.75%	6.50%	7.21%
Terminal capitalization rate	7.00%	5.50%	6.43%	7.00%	5.50%	6.43%
Capitalization rate	7.00%	5.50%	6.32%	6.75%	5.50%	6.28%
Investment horizon (years)	12.0	10.0	10.4	12.0	10.0	10.4
U.S.:						
Discount rate	9.50%	7.00%	7.94%	9.50%	7.00%	7.95%
Terminal capitalization rate	9.00%	5.75%	6.97%	9.00%	5.75%	6.98%
Capitalization rate	8.75%	5.75%	6.68%	8.75%	5.75%	6.71%
Investment horizon (years)	20.0	10.0	11.3	20.0	10.0	11.3
Overall:						
Discount rate	9.50%	6.25%	7.68%	9.50%	6.25%	7.68%
Terminal capitalization rate	9.00%	4.50%	6.79%	9.00%	4.50%	6.81%
Capitalization rate	8.75%	4.50%	6.59%	8.75%	4.50%	6.60%
Investment horizon (years)	20.0	9.0	10.5	20.0	9.0	10.5

The above information represents the REIT's entire portfolio of investment properties, excluding properties included in the REIT's investments in joint ventures.

Note 5. Mortgages and loans payable

	March 31, 2016	December 31, 2015
Mortgages and loans payable	$ 2,173,921	$ 2,196,837
Net above- and below-market mortgage adjustments	7,962	8,977
Financing costs	(7,307)	(7,495)
	2,174,576	2,198,319
Current portion	539,027	494,766
Non-current portion	$ 1,635,549	$ 1,703,553

The majority of the REIT's assets have been pledged as security under mortgages and other security agreements. 69.5% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 16.3% 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 3.93% and the weighted-average nominal rate is 3.85% at March 31, 2016 (December 31, 2015, 3.96% and 3.89%, respectively). Maturity dates range from April 1, 2016 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 March 31, 2016.

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
March 31, 2016	$ 200,000	$ 629	$ (971)	$ 199,658	$ —	$ 199,658
December 31, 2015	200,000	678	(1,047)	199,631	—	199,631

During the three months ended March 31, 2016, accretion to the liability of $49 and financing cost amortization of $76 were recorded (2015, $47 and $73, respectively).

In accordance with the Series A senior unsecured debenture supplemental indenture, the REIT must maintain various financial covenants. As at March 31, 2016, 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	$ 536	$ 85,377	$ —	$ 85,377
Series G	114,145	—	118,254	(2,403)	115,851	—	115,851
March 31, 2016	$ 200,315	$ 11,023	$ 203,095	$ (1,867)	$ 201,228	$ —	$ 201,228
December 31, 2015	207,962	11,023	211,017	(1,877)	209,140	—	209,140

During the three months ended March 31, 2016, accretion of $150 reduced the carrying value of the liability component (2015, $125).

Note 8. Bank indebtedness

The REIT has two unsecured revolving term credit facilities in the aggregate amount of $300,000, 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. 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 March 31, 2016, the REIT had $239,000 drawn on the facilities.

For purposes of the credit facilities, the REIT must maintain various financial covenants. As at March 31, 2016, 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, 2014	136,284,463	$	1,780,674
Options and restricted units exercised	181,703		2,845
Distribution Reinvestment and Unit Purchase Plan	2,398,320		31,552
Balance at December 31, 2015	138,864,486		1,815,071
Distribution Reinvestment and Unit Purchase Plan	668,221		7,660
Balance at March 31, 2016	139,532,707	$	1,822,731

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 March 31, 2016, 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 March 31, 2016	2015
Net income (loss)	$ 38,774	$ (13,097)
Adjustment for distributions to preferred unitholders (note 10)	(4,596)	(4,568)
Net income (loss) attributable to common unitholders	34,178	(17,665)
Adjustment for convertible debentures	1,327	—
Adjustment for restricted units	40	—
Diluted net income (loss) attributable to common unitholders	$ 35,545	$ (17,665)
The weighted-average number of common units outstanding was as follows:		
Basic common units	139,214,692	136,618,279
Effect of dilutive securities:		
Convertible debentures	5,559,355	—
Restricted units	370,246	—
Diluted common units	145,144,293	136,618,279
Net income (loss) per unit attributable to common unitholders:		
Basic	$ 0.25	$ (0.13)
Diluted	$ 0.24	$ (0.13)

The computation of diluted net income (loss) 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 March 31, 2016, unit options, the Series G convertible debentures and deferred units were anti-dilutive. For the three months ended March 31, 2015, all these instruments were anti-dilutive.

Note 10. Distributions to unitholders

Total distributions declared to unitholders are as follows:

	Three months ended March 31, 2016		Three months ended March 31, 2015	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	$ 37,614	0.27	36,916	$ 0.27
Preferred unitholders - Series A	1,132	0.33	1,132	0.33
Preferred unitholders - Series C	1,276	0.43	1,248	0.42
Preferred unitholders - Series E	1,188	0.30	1,188	0.30
Preferred unitholders - Series G	1,000	0.31	1,000	0.31

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 March 31, 2016	2015
Property management fees	$ 82	$ 82
Capitalized leasing commissions fees	9	21
Capitalized project management fees	37	—
Capitalized building improvements	3,676	2,765
Capitalized development projects	471	2,245
Capitalized tenant inducements	318	40
Capitalized office furniture and fixtures	79	154
Realty tax assessment consulting fees	490	355
Rental revenues	(72)	(42)

The REIT incurred property management fees, leasing commission fees and project management fees under property management agreements with Marwest Management Canada Ltd. (''Marwest Management''), a company related to certain trustees and officers of the REIT, for three properties owned by the REIT. The amount payable at March 31, 2016, is $29 (December 31, 2015, $44).

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 March 31, 2016, is $3,184 (December 31, 2015, $1,724).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction. The amount payable at March 31, 2016, is $nil (December 31, 2015, $nil).

The REIT incurred costs for realty tax assessment consulting paid to Fairtax Realty Advocates, a company under control of close family members of key management personnel. The amount payable at March 31, 2016, is $nil (December 31, 2015, $194).

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.

Note 12. Joint arrangements

The REIT had interests in the following joint arrangements:

			Ownership interest	
Property	Principal Purpose	Type of Arrangement	March 31, 2016	December 31, 2015
Park 8Ninety I	Investment property	Joint venture	95%	95%
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%	50%
Graham Portfolio	Investment property	Joint venture	75%	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.

The REIT contributed $6,506 during the three months ended March 31, 2016 to the Park Lucero I, Park Lucero II, Hudson's Bay Centre and Park 8Ninety I joint venture arrangements.

The REIT is contingently liable for the obligations of certain joint arrangements. As at March 31, 2016, the co-owners' share of mortgage liabilities is $114,019 (December 31, 2015, $118,080). 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:

	March 31, 2016	December 31, 2015
Non-current assets:		
Investment properties	$ 276,584	$ 246,144
Investment properties under development	28,994	61,465
Current assets:		
Prepaid expenses and other assets	468	351
Accounts receivable and other receivables	653	1,069
Cash and cash equivalents	4,554	4,995
	311,253	314,024
Non-current liabilities:		
Mortgages and loans payable	110,578	112,535
Current liabilities:		
Mortgages and loans payable	19,813	19,663
Security deposits and prepaid rent	1,539	1,424
Accounts payable and other liabilities	9,105	7,336
	141,035	140,958
Investments in joint ventures	$ 170,218	$ 173,066

	Three months ended March 31, 2016	2015
Revenue	$ 6,059	$ 2,488
Expenses:		
Property operating	1,673	772
Realty taxes	1,076	283
	2,749	1,055
Net operating income	3,310	1,433
Other income (expenses):		
Interest expense	(1,097)	(371)
Fair value loss on investment properties	(1,970)	(1,686)
Net income (loss) from investments in joint ventures	$ 243	$ (624)

Note 13. Segmented information

The REIT owns and operates various properties located in Canada and the U.S. These properties are managed by and reported internally on the basis of geographical regions. Western Canada includes British Columbia and Alberta; Central Canada includes Saskatchewan and Manitoba; and Eastern Canada includes Ontario. Segmented information includes the REIT's joint ventures as presented using the proportionate share method. REIT expenses, as well as interest relating to debentures, have not been allocated to the segments.

	Three months ended March 31, 2016						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint venture adjustment	Total
Revenue	$ 52,652	$ 27,197	$ 15,360	$ 43,792	$ 52	$ (6,059)	$ 132,994
Expenses:							
Property operating	10,734	6,459	3,685	9,559	—	(1,673)	28,764
Realty taxes	8,045	4,398	2,644	8,233	—	(1,076)	22,244
	18,779	10,857	6,329	17,792	—	(2,749)	51,008
Net operating income	33,873	16,340	9,031	26,000	52	(3,310)	81,986
Other income (expenses):							
Corporate expenses	—	—	—	—	(3,638)	—	(3,638)
Interest expense	(8,834)	(3,862)	(2,598)	(6,910)	(6,169)	1,097	(27,276)
Interest income	254	7	6	3	28	—	298
Net income from investments in joint ventures	—	—	—	—	—	243	243
Fair value (loss) gain on investment properties	(6,837)	(1,992)	321	(6,613)	—	1,970	(13,151)
Foreign currency translation gain	—	—	—	—	6,154	—	6,154
Transaction costs	—	—	—	(39)	—	—	(39)
Loss on financial instruments	—	—	—	—	(5,803)	—	(5,803)
Net income (loss)	$ 18,456	$ 10,493	$ 6,760	$ 12,441	$ (9,376)	$ —	$ 38,774
Acquisition of investment properties	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Additions to investment properties and investment properties under development	4,062	2,502	615	15,885	—	(12,070)	10,994
Additions to tenant inducements	3,663	2,646	544	1,744	—	(857)	7,740
Additions to leasing commissions	1,194	714	221	2,563	—	(95)	4,597

	March 31, 2016						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint venture adjustment	Total
Total assets	$ 2,126,008	$ 1,080,785	$ 608,604	$ 1,705,547	$ 63,631	$ (141,035)	$ 5,443,540
Total liabilities	920,590	400,355	269,006	803,466	680,601	(141,035)	2,932,983

Three months ended March 31, 2015	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint venture adjustment	Total
Revenue	$ 56,756	$ 24,909	$ 15,684	$ 37,358	$ 39	$ (2,488)	$ 132,258
Expenses:							
Property operating	11,191	6,452	3,928	7,879	—	(772)	28,678
Realty taxes	7,592	3,631	2,653	6,888	—	(283)	20,481
	18,783	10,083	6,581	14,767	—	(1,055)	49,159
Net operating income	37,973	14,826	9,103	22,591	39	(1,433)	83,099
Other income (expenses):							
Corporate expenses	—	—	—	—	(2,862)	—	(2,862)
Interest expense	(10,511)	(4,174)	(2,865)	(5,878)	(4,839)	371	(27,896)
Interest income	288	12	9	14	40	—	363
Net loss from investments in joint ventures	—	—	—	—	—	(624)	(624)
Fair value (loss) gain on investment properties	(49,340)	(4,445)	4,099	(566)	—	1,686	(48,566)
Foreign currency translation loss	—	—	—	—	(10,547)	—	(10,547)
Transaction costs	(33)	—	—	(402)	—	—	(435)
Loss on financial instruments	—	—	—	—	(5,629)	—	(5,629)
Net (loss) income	$ (21,623)	$ 6,219	$ 10,346	$ 15,759	$ (23,798)	$ —	$ (13,097)
Acquisitions of investment properties	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Additions to investment properties and investment properties under development	3,564	5,136	2,756	9,558	—	(9,030)	11,984
Additions to tenant inducements	1,560	710	313	1,546	—	(496)	3,633
Additions to leasing commissions	1,243	573	193	733	—	(47)	2,695

December 31, 2015	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint venture adjustment	Total
Total assets	$ 2,124,465	$ 1,075,915	$ 607,600	$ 1,802,299	$ 41,001	$ (140,958)	$ 5,510,322
Total liabilities	913,406	393,655	256,991	852,604	666,863	(140,958)	2,942,561

Note 14. Commitments, contingencies and guarantees

(a) Letters of credit:

As of March 31, 2016, the REIT had issued letters of credit in the amount of $840 (December 31, 2015, $844).

(b) Contingencies:

The REIT performs an assessment of legal and tax proceedings and claims which have occurred or could occur as a result of ongoing operations of the trust. Based on the information available, the outcomes of these contingent liabilities are uncertain and do not satisfy the requirements to be recognized in the consolidated financial statements as liabilities.

(c) 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 March 31, 2016 is $9,291 (December 31, 2015, $9,337), with an estimated weighted-average remaining term of 1.1 years (December 31, 2015, 1.3 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 March 31, 2016, the ratio of such indebtedness to gross book value was 48.0% (December 31, 2015, 47.6%), 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	March 31, 2016	December 31, 2015
Mortgages and loans payable	5	$ 2,174,576	$ 2,198,319
Senior unsecured debentures	6	199,658	199,631
Convertible debentures	7	201,228	209,140
Bank indebtedness	8	239,000	225,000
Total debt		2,814,462	2,832,090
Unitholders' equity		2,510,557	2,567,761
		$ 5,325,019	$ 5,399,851

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 March 31, 2016, the REIT is a party to $901,988 of variable rate debt, including bank indebtedness (December 31, 2015, $905,819). At March 31, 2016, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with 353,479 of variable rate debt (December 31, 2015, $367,889).

(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 1.3659 for the three months ended March 31, 2016, and the period end exchange rate of 1.2971 at March 31, 2016 would have increased net income by approximately $6,241 for the three months ended March 31, 2016. A $0.10 weakening in the US dollar against the Canadian dollar would have decreased other comprehensive income by approximately $68,279 for the three months ended March 31, 2016. 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 three months ended March 31, 2016.

			March 31, 2016		December 31, 2015
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	$ 4,861,601	$ 4,861,601	$ 5,078,021	$ 5,078,021
Investment properties under development	Level 3	29,396	29,396	26,892	26,892
Notes receivable	Level 2	17,949	19,588	18,520	20,236
Investment properties held for sale	Level 3	238,921	238,921	115,504	115,504
Derivative instruments	Level 2	311	311	—	—
		5,148,178	5,149,817	5,238,937	5,240,653
Liabilities:					
Mortgages and loans payable	Level 2	2,174,576	2,229,333	2,198,319	2,255,055
Senior unsecured debentures	Level 2	199,658	206,057	199,631	206,783
Convertible debentures	Level 1	201,228	200,617	209,140	208,817
Derivative instruments	Level 2	16,619	16,619	10,811	10,811
		2,592,081	2,652,626	2,617,901	2,681,466
		$ 2,556,097	$ 2,497,191	$ 2,621,036	$ 2,559,187

The fair value of the REIT's accounts receivable and other receivables, cash held in trust, cash and cash equivalents, 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 values of notes receivable, derivative instruments, mortgages and loans payable and senior unsecured debentures have been determined by discounting the cash flows of these financial instruments using period end market rates for instruments of similar terms and credit risks.

The fair value of the convertible debentures is based on the market price of the debentures.

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 $3,843 was recorded for the three months ended March 31, 2016 (2015, loss of $5,629) in relation to the fair value of these interest rate swaps.

The REIT entered into a forward contract to purchase US$20,000 and recorded an unrealized loss on the contract of $2,278 for the three months ended March 31, 2016.

Note 17. Subsequent events

The following events occurred subsequent to March 31, 2016:

- The REIT increased the aggregate amount of its revolving term credit facilities to $500,000. The maturity date of the additional $200,000 is April 29, 2021.
- The REIT disposed of Tamarack Centre, a retail property located in Cranbrook, British Columbia. The property was sold for $41,500.
- The REIT disposed of its 85% interest in Whistler Hilton, a retail property located in Whistler, British Columbia. The REIT sold its interest for $28,730 and used part of the proceeds to repay the outstanding mortgage balance of $15,666.
- The REIT entered into forward contracts to sell $65,348 for US$50,000.
- The REIT repaid three maturing mortgages in the aggregate amount of $29,134.
- The REIT repaid $28,500 on its revolving term credit facility.
- The REIT declared a monthly cash distribution of $0.09 per unit for the month of April 2016.
- The REIT declared a quarterly cash distribution of $0.3125 per Series G Unit for the quarter ending April 30, 2016.

Note 18. Approval of financial statements

The interim condensed consolidated financial statements were approved by the Board of Trustees and authorized for issue on May 5, 2016.