Interim Condensed Consolidated Financial Statements of

ARTIS REAL ESTATE INVESTMENT TRUST

Three and six months ended June 30, 2016 and 2015
(Unaudited)

(In Canadian dollars)

Interim Condensed Consolidated Balance Sheets

(Unaudited)

(In thousands of Canadian dollars)

	Note	June 30, 2016	December 31, 2015
ASSETS			
Non-current assets:			
Investment properties	4	$ 5,090,843	$ 5,078,021
Investment properties under development	4	36,145	26,892
Investments in joint ventures	12	173,682	173,066
Property and equipment		3,390	3,586
Notes receivable		14,723	15,776
		5,318,783	5,297,341
Current assets:			
Investment properties held for sale	4	193,704	115,504
Deposits on investment properties		6,862	50
Prepaid expenses and other assets		11,985	7,872
Notes receivable		2,734	2,744
Accounts receivable and other receivables		12,974	11,757
Cash held in trust		4,459	8,605
Cash and cash equivalents		150,492	66,449
		383,210	212,981
		$ 5,701,993	$ 5,510,322
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities:			
Mortgages and loans payable	5	$ 1,672,329	$ 1,703,553
Senior unsecured debentures	6	199,685	199,631
Convertible debentures	7	116,010	209,140
Other long-term liabilities		3,810	2,910
		1,991,834	2,115,234
Current liabilities:			
Mortgages and loans payable	5	582,276	494,766
Convertible debentures	7	85,418	—
Security deposits and prepaid rent		35,136	32,049
Accounts payable and other liabilities		87,349	75,512
Bank indebtedness	8	300,000	225,000
		1,090,179	827,327
		3,082,013	2,942,561
Unitholders' equity		2,619,980	2,567,761
Commitments, contingencies and guarantees	14		
Subsequent events	17		
		$ 5,701,993	$ 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 June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Revenue		$ 132,400	$ 131,337	$ 265,394	$ 263,595
Expenses:					
Property operating		28,466	27,335	57,230	56,013
Realty taxes		21,557	20,192	43,801	40,673
		50,023	47,527	101,031	96,686
Net operating income		82,377	83,810	164,363	166,909
Other income (expenses):					
Corporate expenses		(3,521)	(2,831)	(7,159)	(5,693)
Interest expense		(27,193)	(27,478)	(54,469)	(55,374)
Interest income		330	335	628	698
Net income from investments in joint ventures	12	3,280	2,358	3,523	1,734
Fair value loss on investment properties	4	(22,745)	(6,430)	(35,896)	(54,996)
Foreign currency translation (loss) gain		(25,970)	3,637	(19,816)	(6,910)
Transaction costs		(862)	68	(901)	(367)
Gain (loss) on financial instruments		2,921	3,271	(2,882)	(2,358)
Net income		8,617	56,740	47,391	43,643
Other comprehensive income (loss) that may be reclassified to net income in subsequent periods:					
Unrealized foreign currency translation gain (loss)		25,519	(13,062)	(28,091)	45,425
Unrealized foreign currency translation gain (loss) on investments in joint ventures		507	(1,791)	(6,407)	9,841
Other comprehensive (loss) income that will not be reclassified to net income in subsequent periods:					
Unrealized (loss) gain from remeasurements of net pension obligation		(35)	43	(26)	1
		25,991	(14,810)	(34,524)	55,267
Total comprehensive income		$ 34,608	$ 41,930	$ 12,867	$ 98,910
Basic income per unit attributable to common unitholders	9 (d)	$ 0.03	$ 0.38	$ 0.27	$ 0.25
Diluted income per unit attributable to common unitholders	9 (d)	$ 0.03	$ 0.37	$ 0.27	$ 0.25
Weighted-average number of common units outstanding:					
Basic	9 (d)	141,190,835	137,274,672	140,202,763	136,948,289
Diluted	9 (d)	141,190,835	147,799,324	140,202,763	137,304,992

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	18,406	—	—	—	(460)	17,946	—	17,946
Unit-based compensation expense	—	—	—	—	156	156	—	156
Net income	—	—	43,643	—	—	43,643	—	43,643
Other comprehensive income	—	—	—	55,267	—	55,267	—	55,267
Distributions	—	—	(83,500)	—	—	(83,500)	—	(83,500)
Unitholders' equity, June 30, 2015	1,799,080	11,023	474,442	147,428	4,921	2,436,894	325,623	2,762,517
Changes for the period:								
Issuance of units, net of issue costs	15,991	—	—	—	(15)	15,976	—	15,976
Unit-based compensation expense	—	—	—	—	100	100	—	100
Net loss	—	—	(219,342)	—	—	(219,342)	—	(219,342)
Other comprehensive income	—	—	—	92,462	—	92,462	—	92,462
Distributions	—	—	(83,952)	—	—	(83,952)	—	(83,952)
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	125,579	—	—	—	—	125,579	—	125,579
Unit-based compensation expense	—	—	—	—	128	128	—	128
Net income	—	—	47,391	—	—	47,391	—	47,391
Other comprehensive loss	—	—	—	(34,524)	—	(34,524)	—	(34,524)
Distributions	—	—	(86,355)	—	—	(86,355)	—	(86,355)
Unitholders' equity, June 30, 2016	$ 1,940,650	$ 11,023	$ 132,184	$ 205,366	$ 5,134	$2,294,357	$ 325,623	$ 2,619,980

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 June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Cash provided by (used in):					
Operating activities:					
Net income		$ 8,617	$ 56,740	$ 47,391	$ 43,643
Distributions from joint ventures		1,445	125	2,749	125
Adjustments for non-cash items:					
Fair value loss on investment properties	4	22,745	6,430	35,896	54,996
Depreciation of property and equipment		219	167	432	376
Net income from investments in joint ventures	12	(3,280)	(2,358)	(3,523)	(1,734)
Tenant inducements amortized to revenue		4,076	3,349	7,951	6,365
Amortization of above- and below-market mortgages, net		(545)	(400)	(1,095)	(813)
Accretion on liability component of debentures		(187)	(172)	(386)	(344)
Straight-line rent adjustment	4	(1,072)	(22)	(2,052)	(934)
Unrealized foreign currency translation loss (gain)		26,304	(4,544)	20,104	7,642
(Gain) loss on financial instruments		(2,921)	(3,271)	2,882	2,358
Unit-based compensation expense		777	298	1,431	840
Amortization of financing costs included in interest expense		819	778	1,589	1,545
Other long-term employee benefits		421	402	897	797
Changes in non-cash operating items		4,184	(4,501)	3,562	(4,314)
		61,602	53,021	117,828	110,548
Investing activities:					
Acquisitions of investment properties, net of related debt	3	(115,121)	—	(115,121)	—
Proceeds from dispositions of investment properties, net of costs and related debt	3	55,125	33,024	55,125	33,024
Additions to investment properties	4	(21,475)	(6,386)	(28,099)	(10,750)
Additions to investment properties under development	4	(2,588)	(8,630)	(6,958)	(16,250)
Additions to joint ventures	12	(1,227)	(644)	(7,733)	(13,944)
Additions to tenant inducements		(10,384)	(4,547)	(18,124)	(8,180)
Additions to leasing commissions	4	(2,632)	(3,530)	(7,229)	(6,225)
Notes receivable principal repayments		496	455	971	903
Additions to property and equipment		(91)	(88)	(236)	(393)
Change in deposits on investment properties		(2,450)	(3,350)	(5,025)	(4,100)
Change in cash held in trust		2,455	646	2,960	574
		(97,892)	6,950	(129,469)	(25,341)
Financing activities:					
Issuance of common units, net of issue costs		117,919	8,288	125,579	17,946
Change in bank indebtedness		61,000	33,000	75,000	117,700
Distributions paid on common units		(37,728)	(37,035)	(76,274)	(74,268)
Distributions paid on preferred units		(3,320)	(4,547)	(7,916)	(9,115)
Mortgages and loans principal repayments		(14,136)	(14,715)	(28,944)	(29,879)
Repayment of mortgages and loans payable		(36,074)	(88,361)	(36,074)	(108,348)
Advance of mortgages and loans payable, net of financing costs		13,081	(122)	50,431	8,314
		100,742	(103,492)	101,802	(77,650)
Foreign exchange (loss) gain on cash held in foreign currency		(2,562)	(842)	(6,118)	606
Increase (decrease) in cash and cash equivalents		61,890	(44,363)	84,043	8,163
Cash and cash equivalents at beginning of period		88,602	102,333	66,449	49,807
Cash and cash equivalents at end of period		$ 150,492	$ 57,970	$ 150,492	$ 57,970
Supplemental cash flow information:					
Interest paid		$ 29,571	$ 29,433	$ 56,756	$ 56,607
Interest received		332	335	630	698

See accompanying notes to interim condensed consolidated financial statements.

Notes to Interim Condensed Consolidated Financial Statements

Three and six months ended June 30, 2016 and 2015 (unaudited)

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

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 during the six months ended June 30, 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.

In June 2016, the IASB amended IFRS 2 – *Share-based Payment*. The amendment clarifies the classification and measurement of share-based payment transactions, and is effective for annual periods beginning on or after January 1, 2018. The REIT is currently evaluating the impact of this amendment.

Note 3. Acquisitions and dispositions of investment properties

Acquisitions:

The REIT acquired the following properties during the six months ended June 30, 2016:

Property	Property count	Location	Acquisition date	Asset class
Madison Lifestyle Office Portfolio (1)	14	Madison, WI	June 13, 2016	Office

(1) The REIT acquired the first tranche of this portfolio during the second quarter. The second tranche closed on August 1, 2016.

The REIT acquired the following property during the six months ended June 30, 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.

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 June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Investment properties (note 4)	252,375	—	252,375	—
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	(137,254)	—	(137,254)	—
Cash consideration	115,121	—	115,121	—
Transaction costs expensed	862	—	901	18

Dispositions:

The REIT disposed of the following properties during the six months ended June 30, 2016:

Property	Property Count	Location	Disposition date	Asset class
Tamarack Centre	1	Cranbrook, BC	April 28, 2016	Retail
Whistler Hilton Retail Plaza (1)	1	Whistler, BC	May 2, 2016	Retail
Crosstown North	1	Twin Cities Area, MN	May 19, 2016	Industrial

(1) The REIT disposed of its 85% interest in this property.

The proceeds from the sale of the above properties, net of costs and related debt, were $55,125. The assets and liabilities associated with the properties were derecognized.

The REIT disposed of the following properties during the six months ended June 30, 2015:

Property	Property Count	Location	Disposition date	Asset class
Moose Jaw Sobeys	1	Moose Jaw, SK	June 18, 2015	Retail
1045 Howe Street	1	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.

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

	Six months ended June 30, 2016		
	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of period	$ 5,078,021	$ 26,892	$ 115,504
Additions:			
Acquisitions (note 3)	252,375	—	—
Capital expenditures	28,059	6,958	40
Leasing commissions	7,206	—	23
Dispositions	—	—	(77,251)
Reclassification of investment properties under development	(8,793)	8,793	—
Reclassification of investment properties held for sale	(161,605)	—	161,605
Foreign currency translation (loss) gain	(91,964)	(1,528)	28
Straight-line rent adjustments	1,952	1	99
Tenant inducement additions, net of amortization	10,474	36	(337)
Fair value loss	(24,882)	(5,007)	(6,007)
Balance, end of period	$ 5,090,843	$ 36,145	$ 193,704

	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 and four retail properties to investment properties held for sale that were listed with an external broker at June 30, 2016. These properties had an aggregate mortgage payable balance of $80,123 at June 30, 2016, which is included in current liabilities and is not accounted for as held for sale.

At June 30, 2016, investment properties with a fair value of $4,326,425 (December 31, 2015, $4,203,603) were 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 and six months ended June 30, 2016, properties with an appraised value of $58,800 and $232,410, respectively, 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 six months ended June 30, 2016 and the year ended December 31, 2015.

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:

	June 30, 2016			December 31, 2015		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Western Canada:						
Discount rate	9.50%	6.25%	7.61%	9.50%	6.25%	7.66%
Terminal capitalization rate	9.00%	4.50%	6.87%	9.00%	4.50%	6.94%
Capitalization rate	8.50%	4.50%	6.68%	8.75%	4.50%	6.76%
Investment horizon (years)	12.0	9.0	10.3	12.0	9.0	10.2
Central Canada:						
Discount rate	9.00%	6.25%	7.70%	9.00%	6.25%	7.71%
Terminal capitalization rate	8.50%	5.75%	6.53%	8.50%	5.75%	6.59%
Capitalization rate	8.25%	5.75%	6.34%	8.25%	5.75%	6.38%
Investment horizon (years)	12.0	9.0	10.2	12.0	10.0	10.2
Eastern Canada:						
Discount rate	7.75%	6.50%	7.20%	7.75%	6.50%	7.21%
Terminal capitalization rate	7.00%	5.50%	6.39%	7.00%	5.50%	6.43%
Capitalization rate	7.00%	5.25%	6.29%	6.75%	5.50%	6.28%
Investment horizon (years)	12.0	10.0	10.3	12.0	10.0	10.4
U.S.:						
Discount rate	9.00%	7.00%	8.08%	9.50%	7.00%	7.95%
Terminal capitalization rate	8.75%	5.75%	7.10%	9.00%	5.75%	6.98%
Capitalization rate	8.50%	5.50%	6.81%	8.75%	5.75%	6.71%
Investment horizon (years)	20.0	10.0	11.2	20.0	10.0	11.3
Overall:						
Discount rate	9.50%	6.25%	7.70%	9.50%	6.25%	7.68%
Terminal capitalization rate	9.00%	4.50%	6.80%	9.00%	4.50%	6.81%
Capitalization rate	8.50%	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

	June 30, 2016	December 31, 2015
Mortgages and loans payable	$ 2,255,916	$ 2,196,837
Net above- and below-market mortgage adjustments	7,436	8,977
Financing costs	(8,747)	(7,495)
	2,254,605	2,198,319
Current portion	582,276	494,766
Non-current portion	$ 1,672,329	$ 1,703,553

The majority of the REIT's assets have been pledged as security under mortgages and other security agreements. 64.4% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 16.1% 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 was 3.82% and the weighted-average nominal rate was 3.73% at June 30, 2016 (December 31, 2015, 3.96% and 3.89%, respectively). Maturity dates range from July 15, 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 June 30, 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
June 30, 2016	$ 200,000	$ 579	$ (894)	$ 199,685	$ —	$ 199,685
December 31, 2015	200,000	678	(1,047)	199,631	—	199,631

During the three and six months ended June 30, 2016, accretion to the liability of $50 and $99 (2015, $48 and $95) and financing cost amortization of $77 and $153 (2015, $73 and $146) were recorded.

In accordance with the Series A senior unsecured debenture supplemental indenture, the REIT must maintain various financial covenants. As at June 30, 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	$ 577	$ 85,418	$ 85,418	$ —
Series G	114,479	—	118,600	(2,590)	116,010	—	116,010
June 30, 2016	$ 200,649	$ 11,023	$ 203,441	$ (2,013)	$ 201,428	$ 85,418	$ 116,010
December 31, 2015	207,962	11,023	211,017	(1,877)	209,140	—	209,140

On June 24, 2016, the REIT delivered notice of redemption on all outstanding Series F convertible debentures, effective July 25, 2016.

During the three and six months ended June 30, 2016, accretion of $137 and $287 reduced the carrying value of the liability component (2015, $124 and $249).

Note 8. Bank indebtedness

The REIT has unsecured revolving term credit facilities in the aggregate amount of $500,000, 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 first tranche of the credit facilities in the amount of $300,000 matures on December 15, 2018. The second tranche of the credit facilities matures on April 29, 2021. Amounts drawn on the facilities bear interest at prime plus 0.70% or at the bankers' acceptance rate plus 1.70%. At June 30, 2016, the REIT had $300,000 drawn on the facilities (December 31, 2015, $225,000).

For purposes of the credit facilities, the REIT must maintain various financial covenants. As at June 30, 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
Public offering, net of issue costs of $5,093	8,712,400		109,911
Restricted units exercised	2,640		35
Distribution Reinvestment and Unit Purchase Plan	1,293,630		15,633
Balance at June 30, 2016	148,873,156	$	1,940,650

On June 17, 2016, the REIT issued 8,712,400 trust units at a price of $13.20 per unit for gross proceeds of $115,004. This included 1,136,400 units issued pursuant to the exercise of the underwriters' over-allotment option.

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		US 75,000	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 June 30, 2016, the REIT had issued senior unsecured debentures under one offering in the amount of $75,000 and common units under one offering in the amount of $115,004 under this short form base shelf prospectus.

(d) Weighted-average common units:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Net income	$ 8,617	$ 56,740	$ 47,391	$ 43,643
Adjustment for distributions to preferred unitholders (note 10)	(4,584)	(4,547)	(9,180)	(9,115)
Net income attributable to common unitholders	4,033	52,193	38,211	34,528
Adjustment for convertible debentures	—	2,714	—	—
Adjustment for restricted units	—	(201)	—	(103)
Adjustment for deferred units	—	(5)	—	(2)
Diluted net income attributable to common unitholders	$ 4,033	$ 54,701	$ 38,211	$ 34,423
The weighted-average number of common units outstanding was as follows:				
Basic common units	141,190,835	137,274,672	140,202,763	136,948,289
Effect of dilutive securities:				
Unit options	—	36,962	—	71,696
Convertible debentures	—	10,200,277	—	—
Restricted units	—	282,413	—	280,658
Deferred units	—	5,000	—	4,349
Diluted common units	141,190,835	147,799,324	140,202,763	137,304,992
Net income per unit attributable to common unitholders:				
Basic	$ 0.03	$ 0.38	$ 0.27	$ 0.25
Diluted	$ 0.03	$ 0.37	$ 0.27	$ 0.25

The computation of diluted net 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 and six months ended June 30, 2016, all of these instruments were anti-dilutive. For the three months ended June 30, 2015, out-of-the-money options were anti-dilutive. For the six months ended June 30, 2015, convertible debentures and out-of-the-money options were anti-dilutive.

Note 10. Distributions to unitholders

Total distributions declared to unitholders were as follows:

	Three months ended June 30, 2016		Three months ended June 30, 2015	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	$ 38,569	$ 0.27	$ 37,090	$ 0.27
Preferred unitholders - Series A	1,132	0.33	1,132	0.33
Preferred unitholders - Series C	1,265	0.42	1,228	0.41
Preferred unitholders - Series E	1,187	0.30	1,187	0.30
Preferred unitholders - Series G	1,000	0.31	1,000	0.31

	Six months ended June 30, 2016		Six months ended June 30, 2015	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	$ 76,183	$ 0.54	$ 74,006	$ 0.54
Preferred unitholders - Series A	2,264	0.66	2,264	0.66
Preferred unitholders - Series C	2,541	0.85	2,476	0.83
Preferred unitholders - Series E	2,375	0.59	2,375	0.59
Preferred unitholders - Series G	2,000	0.63	2,000	0.63

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 June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Property management fees	$ 54	$ 82	$ 136	$ 164
Capitalized leasing commissions	2	59	11	80
Capitalized project management fees	21	—	58	—
Capitalized building improvements	11,613	2,264	15,289	5,029
Capitalized development projects	744	2,577	1,215	4,822
Capitalized tenant inducements	204	55	522	95
Capitalized office furniture and fixtures	69	52	148	206
Realty tax assessment consulting fees	49	21	539	376
Rental revenues	(72)	(42)	(144)	(84)

The REIT incurred property management fees, leasing commissions 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 June 30, 2016, is $30 (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 June 30, 2016, is $6,488 (December 31, 2015, $1,724).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction. The amount payable at June 30, 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 June 30, 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.

New subsidiaries and joint arrangements of the REIT, excluding bare trustees, during the six months ended June 30, 2016 are as follows:

		Ownership interest	
Name of entity	Country	June 30, 2016	December 31, 2015
Park Lucero III L.P.	U.S.	90%	-

Note 12. Joint arrangements

The REIT had interests in the following joint arrangements:

			Ownership interest	
Property	Principal purpose	Type of arrangement	June 30, 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%
Park Lucero III	Investment property	Joint venture	90%	-
Graham Portfolio	Investment property	Joint venture	75%	75%
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%
Centre 70 Building	Investment property	Joint operation	85%	85%
Whistler Hilton Retail Plaza	Investment property	Joint operation	-	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 $7,733 during the six months ended June 30, 2016 to the Park Lucero I, Park Lucero II, Corridor Park, 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 June 30, 2016, the co-owners' share of mortgage liabilities is $111,252 (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:

	June 30, 2016	December 31, 2015
Non-current assets:		
Investment properties	$ 277,530	$ 246,144
Investment properties under development	37,280	61,465
Current assets:		
Prepaid expenses and other assets	501	351
Accounts receivable and other receivables	394	1,069
Cash and cash equivalents	4,897	4,995
	320,602	314,024
Non-current liabilities:		
Mortgages and loans payable	113,328	112,535
Current liabilities:		
Mortgages and loans payable	23,555	19,663
Security deposits and prepaid rent	2,212	1,424
Accounts payable and other liabilities	7,825	7,336
	146,920	140,958
Investments in joint ventures	$ 173,682	$ 173,066

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Revenue	$ 5,759	$ 3,292	$ 11,818	$ 5,780
Expenses:				
Property operating	1,632	1,001	3,305	1,773
Realty taxes	887	441	1,963	724
	2,519	1,442	5,268	2,497
Net operating income	3,240	1,850	6,550	3,283
Other income (expenses):				
Interest expense	(1,067)	(670)	(2,164)	(1,041)
Interest income	2	—	2	—
Fair value gain (loss) on investment properties	1,105	1,178	(865)	(508)
Net income from investments in joint ventures	$ 3,280	$ 2,358	$ 3,523	$ 1,734

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, including interest relating to debentures, have not been allocated to the segments.

	Three months ended June 30, 2016						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint venture adjustment	Total
Revenue	$ 53,099	$ 26,730	$ 15,590	$ 42,655	$ 85	$ (5,759)	$ 132,400
Expenses:							
Property operating	10,700	6,258	3,817	9,323	—	(1,632)	28,466
Realty taxes	7,692	4,309	2,655	7,788	—	(887)	21,557
	18,392	10,567	6,472	17,111	—	(2,519)	50,023
Net operating income	34,707	16,163	9,118	25,544	85	(3,240)	82,377
Other income (expenses):							
Corporate expenses	—	—	—	—	(3,521)	—	(3,521)
Interest expense	(8,765)	(4,079)	(2,552)	(6,549)	(6,315)	1,067	(27,193)
Interest income	257	8	4	4	59	(2)	330
Net income from investments in joint ventures	—	—	—	—	—	3,280	3,280
Fair value (loss) gain on investment properties	(13,994)	(6,033)	(6,488)	4,875	—	(1,105)	(22,745)
Foreign currency translation loss	—	—	—	—	(25,970)	—	(25,970)
Transaction costs	(5)	—	—	(857)	—	—	(862)
Gain on financial instruments	—	—	—	—	2,921	—	2,921
Net income (loss)	$ 12,200	$ 6,059	$ 82	$ 23,017	$ (32,741)	$ —	$ 8,617
Acquisition of investment properties	$ —	$ —	$ —	$ 252,375	$ —	$ —	$ 252,375
Additions to investment properties and investment properties under development	1,848	13,221	1,348	13,297	—	(5,651)	24,063
Additions to tenant inducements	5,391	2,429	1,870	2,390	—	(1,696)	10,384
Additions to leasing commissions	915	241	30	1,676	—	(230)	2,632

Three months ended June 30, 2015	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint venture adjustment	Total
Revenue	$ 55,556	$ 27,688	$ 14,094	$ 37,243	$ 48	$ (3,292)	$ 131,337
Expenses:							
Property operating	11,044	6,205	3,293	7,794	—	(1,001)	27,335
Realty taxes	7,454	3,608	2,619	6,952	—	(441)	20,192
	18,498	9,813	5,912	14,746	—	(1,442)	47,527
Net operating income	37,058	17,875	8,182	22,497	48	(1,850)	83,810
Other income (expenses):							
Corporate expenses	—	—	—	—	(2,831)	—	(2,831)
Interest expense	(9,370)	(4,183)	(2,823)	(6,019)	(5,753)	670	(27,478)
Interest income	278	10	7	13	27	—	335
Net income from investments in joint ventures	—	—	—	—	—	2,358	2,358
Fair value (loss) gain on investment properties	(28,193)	7,652	(4,729)	20,018	—	(1,178)	(6,430)
Foreign currency translation gain	—	—	—	—	3,637	—	3,637
Transaction costs	—	—	—	68	—	—	68
Gain on financial instruments	—	—	—	—	3,271	—	3,271
Net (loss) income	$ (227)	$ 21,354	$ 637	$ 36,577	$ (1,601)	$ —	$ 56,740
Acquisitions of investment properties	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Additions to investment properties and investment properties under development	4,604	6,924	2,971	2,824	—	(2,307)	15,016
Additions to tenant inducements	1,321	951	791	3,091	—	(1,607)	4,547
Additions to leasing commissions	831	735	300	1,972	—	(308)	3,530

	Six months ended June 30, 2016						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint venture adjustment	Total
Revenue	$ 105,751	$ 53,927	$ 30,950	$ 86,447	$ 137	$ (11,818)	$ 265,394
Expenses:							
Property operating	21,434	12,717	7,502	18,882	—	(3,305)	57,230
Realty taxes	15,737	8,707	5,299	16,021	—	(1,963)	43,801
	37,171	21,424	12,801	34,903	—	(5,268)	101,031
Net operating income	68,580	32,503	18,149	51,544	137	(6,550)	164,363
Other income (expenses):							
Corporate expenses	—	—	—	—	(7,159)	—	(7,159)
Interest expense	(17,599)	(7,941)	(5,150)	(13,459)	(12,484)	2,164	(54,469)
Interest income	511	15	10	7	87	(2)	628
Net income from investments in joint ventures	—	—	—	—	—	3,523	3,523
Fair value loss on investment properties	(20,831)	(8,025)	(6,167)	(1,738)	—	865	(35,896)
Foreign currency translation loss	—	—	—	—	(19,816)	—	(19,816)
Transaction costs	(5)	—	—	(896)	—	—	(901)
Loss on financial instruments	—	—	—	—	(2,882)	—	(2,882)
Net income (loss)	$ 30,656	$ 16,552	$ 6,842	$ 35,458	$ (42,117)	$ —	$ 47,391
Acquisition of investment properties	$ —	$ —	$ —	$ 252,375	$ —	$ —	$ 252,375
Additions to investment properties and investment properties under development	5,910	15,723	1,963	29,182	—	(17,721)	35,057
Additions to tenant inducements	9,054	5,075	2,414	4,134	—	(2,553)	18,124
Additions to leasing commissions	2,109	955	251	4,239	—	(325)	7,229

	June 30, 2016						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint venture adjustment	Total
Total assets	$ 2,049,342	$ 1,090,615	$ 604,337	$ 1,970,318	$ 134,301	$ (146,920)	$ 5,701,993
Total liabilities	882,136	394,900	266,428	941,702	743,767	(146,920)	3,082,013

	Six months ended June 30, 2015						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint venture adjustment	Total
Revenue	$ 112,312	$ 52,597	$ 29,778	$ 74,601	$ 87	$ (5,780)	$ 263,595
Expenses:							
Property operating	22,235	12,657	7,221	15,673	—	(1,773)	56,013
Realty taxes	15,046	7,239	5,272	13,840	—	(724)	40,673
	37,281	19,896	12,493	29,513	—	(2,497)	96,686
Net operating income	75,031	32,701	17,285	45,088	87	(3,283)	166,909
Other income (expenses):							
Corporate expenses	—	—	—	—	(5,693)	—	(5,693)
Interest expense	(19,881)	(8,357)	(5,688)	(11,897)	(10,592)	1,041	(55,374)
Interest income	566	22	16	27	67	—	698
Net income from investments in joint ventures	—	—	—	—	—	1,734	1,734
Fair value (loss) gain on investment properties	(77,533)	3,207	(630)	19,452	—	508	(54,996)
Foreign currency translation loss	—	—	—	—	(6,910)	—	(6,910)
Transaction costs	(33)	—	—	(334)	—	—	(367)
Loss on financial instruments	—	—	—	—	(2,358)	—	(2,358)
Net (loss) income	$ (21,850)	$ 27,573	$ 10,983	$ 52,336	$ (25,399)	$ —	$ 43,643
Acquisitions of investment	$ —	$ —	$ —	$ 24,732	$ —	$ (24,732)	$ —
Additions to investment properties and investment properties under development	8,168	12,060	5,727	12,382	—	(11,337)	27,000
Additions to tenant inducements	2,881	1,661	1,104	4,637	—	(2,103)	8,180
Additions to leasing commissions	2,074	1,308	493	2,705	—	(355)	6,225

	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 June 30, 2016, the REIT had issued letters of credit in the amount of $959 (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 June 30, 2016 was $9,245 (December 31, 2015, $9,337), with an estimated weighted-average remaining term of 0.8 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 June 30, 2016, the ratio of such indebtedness to gross book value was 48.3% (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	June 30, 2016	December 31, 2015
Mortgages and loans payable	5	$ 2,254,605	$ 2,198,319
Senior unsecured debentures	6	199,685	199,631
Convertible debentures	7	201,428	209,140
Bank indebtedness	8	300,000	225,000
Total debt		2,955,718	2,832,090
Unitholders' equity		2,619,980	2,567,761
		$ 5,575,698	$ 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 June 30, 2016, the REIT was a party to $1,103,649 of variable rate debt, including bank indebtedness (December 31, 2015, $905,819). At June 30, 2016, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $362,696 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 1.2889 and 1.3253 for the three and six months ended June 30, 2016, respectively, and the period end exchange rate of 1.3009 at June 30, 2016, would have increased net income by approximately $5,907 and $4,946 for the three and six months ended June 30, 2016, respectively. A $0.10 weakening in the US dollar against the Canadian dollar would have decreased other comprehensive income by approximately $68,743 and $67,781 for the three and six months ended June 30, 2016, 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 six months ended June 30, 2016.

		June 30, 2016		December 31, 2015	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	$ 5,090,843	$ 5,090,843	$ 5,078,021	$ 5,078,021
Investment properties under development	Level 3	36,145	36,145	26,892	26,892
Notes receivable	Level 2	17,457	19,140	18,520	20,236
Investment properties held for sale	Level 3	193,704	193,704	115,504	115,504
Derivative instruments	Level 2	2,054	2,054	—	—
		5,340,203	5,341,886	5,238,937	5,240,653
Liabilities:					
Mortgages and loans payable	Level 2	2,254,605	2,308,176	2,198,319	2,255,055
Senior unsecured debentures	Level 2	199,685	205,642	199,631	206,783
Convertible debentures	Level 1	201,428	201,294	209,140	208,817
Derivative instruments	Level 2	15,454	15,454	10,811	10,811
		2,671,172	2,730,566	2,617,901	2,681,466
		$ 2,669,031	$ 2,611,320	$ 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 $1,084 and loss of $4,927 were recorded for the three and six months ended June 30, 2016 (2015, gain of $3,271 and loss of $2,358), respectively, in relation to the fair value of these interest rate swaps.

The REIT recorded an unrealized gain of $4,005 and gain of $2,045 for the three and six months ended June 30, 2016, respectively, on the fair value of outstanding foreign currency contracts.

Note 17. Subsequent events

The following events occurred subsequent to June 30, 2016:

- The REIT repaid the outstanding face value of the Series F convertible debentures in the amount of $86,160.
- The REIT acquired the second tranche of the Madison Lifestyle Office Portfolio, a portfolio of office properties located in Madison, Wisconsin. The purchase price was US$66,000 and was satisfied with cash on hand and new mortgage financing in the amount of US$40,000, bearing an interest rate of USD LIBOR plus 2.10% per annum.
- The REIT drew a net balance on its revolving term credit facilities in the amount of $75,000.
- The REIT settled a foreign currency forward contract in the amount of $32,465.
- The REIT paid out two maturing mortgages in the aggregate amount of $54,417.
- The REIT financed one previously unencumbered retail property and refinanced one office property, receiving aggregate mortgage proceeds of $19,654. These mortgages bear interest at a weighted-average interest rate of 3.10% and have a weighted-average term to maturity of 6.3 years.
- The REIT entered into an interest rate swap on an existing mortgage in the amount of US$20,366, effectively locking the interest rate at 3.02% for a term of five years.
- The REIT filed a new preliminary short form base shelf prospectus. The REIT anticipates that the final short form base shelf prospectus will be filed in August 2016.
- The REIT entered into agreements with respect to the disposition of a retail property located in British Columbia and two retail properties located in Alberta. The aggregate sale price of these properties is $40,200. The REIT anticipates that the dispositions will close in August 2016.
- The REIT entered into an agreement with respect to the disposition of an industrial property located in Minnesota. The sale price of this property is US$9,252. The REIT anticipates that the disposition will close in August 2016.
- The REIT paid a quarterly cash distribution of $0.3125 per Series G Unit for the quarter ending July 31, 2016.
- The REIT declared a monthly cash distribution of $0.09 per unit for the month of July 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 August 4, 2016.