Interim Condensed Consolidated Financial Statements of

ARTIS REAL ESTATE INVESTMENT TRUST

Three and nine months ended September 30, 2017 and 2016
(Unaudited)

(In Canadian dollars)

Interim Condensed Consolidated Balance Sheets

(Unaudited)

(In thousands of Canadian dollars)

	Note	September 30, 2017	December 31, 2016
ASSETS			
Non-current assets:			
Investment properties	4	$ 4,716,929	$ 4,991,825
Investment properties under development	4	73,631	65,199
Investments in joint ventures	5	196,024	213,565
Property and equipment		5,553	3,351
Notes receivable		11,359	12,972
		5,003,496	5,286,912
Current assets:			
Investment properties held for sale	4	118,912	119,178
Deposits on investment properties		967	369
Prepaid expenses and other assets		15,405	11,728
Notes receivable		2,172	2,815
Accounts receivable and other receivables		15,196	13,173
Cash held in trust		9,391	7,851
Cash		48,479	50,729
		210,522	205,843
		$ 5,214,018	$ 5,492,755
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities:			
Mortgages and loans payable	6	$ 1,266,033	$ 1,520,124
Senior unsecured debentures	7	199,824	199,740
Convertible debentures	8	—	119,358
Credit facilities	9	298,861	—
Other long-term liabilities		6,076	4,997
		1,770,794	1,844,219
Current liabilities:			
Mortgages and loans payable	6	370,575	627,838
Security deposits and prepaid rent		32,744	35,213
Accounts payable and other liabilities		78,453	88,439
Credit facilities	9	374,714	269,680
		856,486	1,021,170
		2,627,280	2,865,389
Unitholders' equity		2,586,738	2,627,366
Commitments, contingencies and guarantees	16		
Subsequent events	20		
		$ 5,214,018	$ 5,492,755

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Operations

(Unaudited)

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

	Note	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Revenue		$ 127,008	$ 143,094	$ 390,072	$ 408,488
Expenses:					
Property operating		30,065	32,534	91,633	89,764
Realty taxes		19,639	21,887	62,157	65,688
		49,704	54,421	153,790	155,452
Net operating income		77,304	88,673	236,282	253,036
Other income (expenses):					
Corporate expenses		(3,334)	(2,929)	(10,446)	(10,088)
Interest expense	12	(23,882)	(27,329)	(73,034)	(81,798)
Interest income		300	296	841	924
Net income from investments in joint ventures	5	7,896	3,763	15,538	7,286
Fair value gain (loss) on investment properties	4	2,486	18,430	(212)	(17,466)
Foreign currency translation (loss) gain		(3,542)	206	2,877	2,350
Transaction costs	3	(567)	(195)	(567)	(1,096)
Gain (loss) on financial instruments		8,231	(4,039)	8,841	(6,921)
Income before income taxes		64,892	76,876	180,120	146,227
Income tax (expense) recovery		(89)	—	252	—
Net income		64,803	76,876	180,372	146,227
Other comprehensive (loss) income that may be reclassified to net income in subsequent periods:					
Unrealized foreign currency translation (loss) gain		(33,545)	10,016	(68,892)	(40,035)
Unrealized foreign currency translation loss on investments in joint ventures		(11,210)	(139)	(16,025)	(6,546)
Other comprehensive loss that will not be reclassified to net income in subsequent periods:					
Unrealized loss from remeasurements of net pension obligation		(70)	(4)	(78)	(30)
		(44,825)	9,873	(84,995)	(46,611)
Total comprehensive income		$ 19,978	$ 86,749	$ 95,377	$ 99,616
Basic income per unit attributable to common unitholders	10 (d)	$ 0.40	$ 0.48	$ 1.11	$ 0.92
Diluted income per unit attributable to common unitholders	10 (d)	0.40	0.48	1.10	0.92
Weighted-average number of common units outstanding:					
Basic	10 (d)	150,593,190	149,226,734	150,573,197	143,232,709
Diluted	10 (d)	151,035,020	154,326,161	150,966,763	143,639,927

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 10 (a) (ii))	Equity component of convertible debentures	Retained earnings	Accumulated other comprehensive income (loss)	Contributed surplus	Total common equity	Total preferred equity	Total
Unitholders' equity, December 31, 2015	$ 1,815,071	$ 11,023	$ 186,901	$ 224,137	$ 5,006	$ 2,242,138	$ 325,623	$ 2,567,761
Changes for the period:								
Issuance of units, net of issue costs	134,287	(1)	—	—	—	134,286	—	134,286
Redemption of convertible debentures	—	(11,022)	—	—	11,022	—	—	—
Unit-based compensation expense	—	—	—	—	128	128	—	128
Net income	—	—	146,227	—	—	146,227	—	146,227
Other comprehensive loss	—	—	—	(46,611)	—	(46,611)	—	(46,611)
Distributions	—	—	(130,800)	—	—	(130,800)	—	(130,800)
Unitholders' equity, September 30, 2016	1,949,358	—	202,328	177,526	16,156	2,345,368	325,623	2,670,991
Changes for the period:								
Issuance of units, net of issue costs	8,986	—	—	—	—	8,986	—	8,986
Net loss	—	—	(30,292)	—	—	(30,292)	—	(30,292)
Other comprehensive income	—	—	—	25,932	—	25,932	—	25,932
Distributions	—	—	(48,251)	—	—	(48,251)	—	(48,251)
Unitholders' equity, December 31, 2016	1,958,344	—	123,785	203,458	16,156	2,301,743	325,623	2,627,366
Changes for the period:								
Issuance of units, net of issue costs	3,224	—	—	—	—	3,224	—	3,224
Net income	—	—	180,372	—	—	180,372	—	180,372
Other comprehensive loss	—	—	—	(84,995)	—	(84,995)	—	(84,995)
Distributions	—	—	(139,229)	—	—	(139,229)	—	(139,229)
Unitholders' equity, September 30, 2017	$ 1,961,568	$ —	$ 164,928	$ 118,463	$ 16,156	$ 2,261,115	$ 325,623	$ 2,586,738

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands of Canadian dollars)

	Note	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Cash provided by (used in):					
Operating activities:					
Net income		$ 64,803	$ 76,876	$ 180,372	$ 146,227
Distributions from joint ventures		782	815	2,388	3,564
Adjustments for non-cash items:					
Fair value (gain) loss on investment properties	4	(2,486)	(18,430)	212	17,466
Depreciation of property and equipment		211	212	676	644
Net income from investments in joint ventures	5	(7,896)	(3,763)	(15,538)	(7,286)
Amortization of tenant inducements		4,292	4,102	12,611	12,053
Amortization of above- and below-market mortgages, net		(283)	(515)	(899)	(1,610)
Accretion on liability component of debentures		(52)	(224)	(279)	(610)
Straight-line rent adjustments	4	(1,555)	(1,780)	(4,654)	(3,832)
Unrealized foreign currency translation loss (gain)		3,579	2,295	(1,255)	439
(Gain) loss on financial instruments		(8,231)	4,039	(8,841)	6,921
Unit-based compensation		536	319	1,343	1,750
Amortization of financing costs included in interest expense		831	906	2,539	2,495
Other long-term employee benefits		247	457	1,003	1,354
Changes in non-cash operating items		5,881	(675)	(8,456)	2,887
		60,659	64,634	161,222	182,462
Investing activities:					
Acquisitions of investment properties, net of related debt	3	(16,707)	(34,425)	(16,707)	(149,546)
Proceeds from dispositions of investment properties, net of costs and related debt	3	62,298	29,013	211,506	84,138
Additions to investment properties	4	(14,140)	(16,773)	(32,858)	(44,872)
Additions to investment properties under development	4	(10,557)	(6,583)	(29,060)	(13,541)
Additions to joint ventures	5	(3,018)	(14,232)	(8,031)	(21,965)
Additions to tenant inducements		(15,907)	(14,956)	(35,268)	(33,080)
Additions to leasing commissions	4	(2,630)	(3,987)	(9,855)	(11,216)
Notes receivable principal repayments		1,065	482	2,066	1,453
Additions to property and equipment		(2,025)	(73)	(2,892)	(309)
Change in deposits on investment properties		(500)	4,800	(500)	(225)
Change in cash held in trust		(827)	116	(1,628)	3,076
		(2,948)	(56,618)	76,773	(186,087)
Financing activities:					
Issuance of common units, net of issue costs		—	8,697	2,972	134,276
Repayment of convertible debentures		—	(86,160)	(116,549)	(86,160)
Change in revolving credit facilities		(64,000)	72,500	104,500	147,500
Change in non-revolving credit facilities, net of financing costs		298,825	—	298,825	—
Distributions paid on common units		(40,661)	(39,772)	(125,431)	(116,046)
Distributions paid on preferred units		(4,548)	(5,875)	(13,775)	(13,791)
Mortgages and loans principal repayments		(12,845)	(15,243)	(42,735)	(44,187)
Repayment of mortgages and loans payable		(269,417)	(60,095)	(391,811)	(96,169)
Advance of mortgages and loans payable, net of financing costs		39,807	18,821	45,098	69,252
		(52,839)	(107,127)	(238,906)	(5,325)
Foreign exchange gain (loss) on cash held in foreign currency		490	1,526	(1,339)	(4,592)
Increase (decrease) in cash		5,362	(97,585)	(2,250)	(13,542)
Cash, beginning of period		43,117	150,492	50,729	66,449
Cash, end of period		$ 48,479	$ 52,907	$ 48,479	$ 52,907
Supplemental cash flow information:					
Interest paid		$ 27,858	$ 28,408	$ 82,433	$ 85,164
Interest received		303	298	846	928

See accompanying notes to interim condensed consolidated financial statements.

(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 July 20, 2016 (the "Declaration of Trust"). The purpose of the REIT is to directly, or indirectly, own, manage, lease and (where appropriate) develop primarily 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, $1.4155 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 disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed.

These 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, 2016. 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, 2016.

(b) Use of estimates and judgments:

The preparation of the interim condensed 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, 2016. There have been no changes to the critical accounting estimates and judgments during the nine months ended September 30, 2017.

(c) Future changes in accounting standards:

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. IFRS 15 excludes contracts that are within the scope of IAS 17 - *Leases*, IFRS 4 - *Insurance Contracts* and IFRS 9 - *Financial Instruments*. The REIT has completed an initial scoping review of its revenues and anticipates that the only significant revenue stream that falls under the scope of IFRS 15 is its property operating and realty tax cost recoveries. The REIT is currently finalizing its assessment of this new standard, however, it does not expect a material impact to its consolidated financial statements from its adoption.

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, any gains or losses for the financial liability due to changes in an entity's credit risk must be recognized in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The REIT has completed a scoping and quantitative review of its financial instruments and does not anticipate any changes to the measurement of its financial instruments. Therefore, the REIT does not expect a material impact to its consolidated financial statements from the adoption 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. The changes do not materially impact the lessor accounting model. 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 does not expect a material impact to its consolidated financial statements from the adoption of this amendment.

Note 3. Acquisitions and dispositions of investment properties

Acquisitions:

On September 7, 2017, the REIT acquired an additional 10% interest in each of Park Lucero I, Park Lucero III and Park Lucero IV, industrial properties located in the Greater Phoenix Area, Arizona, for total consideration of $2,857. Prior to the acquisition date, the REIT owned 90% of these investment properties and the properties were classified as joint ventures and accounted for using the equity method. As a result of these acquisitions, the REIT now owns 100% of the properties and accounts for them on a consolidated basis. The REIT accounted for these acquisitions as step acquisitions and remeasured its existing 90% interests to fair value at the acquisition date.

On September 29, 2017, the REIT also acquired a parkade that is ancillary to an existing office property in Winnipeg, Manitoba.

The REIT acquired the following properties during the nine months ended September 30, 2016:

Property	Property count	Location	Acquisition date	Asset class
Madison Lifestyle Office Portfolio	16	Madison, WI	June 13, 2016, August 1, 2016	Office

The REIT acquired the following development project during the nine months ended September 30, 2016:

Property	Location	Acquisition date	Asset class
Millwright Building [1]	Twin Cities Area, MN	August 11, 2016	Office

(1) The REIT acquired an 80% 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 acquisitions of joint ventures, were as follows:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Investment properties	$ 19,544	$ 86,572	$ 19,544	$ 338,947
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	(2,962)	(52,147)	(2,962)	(189,401)
Other net assets	125	—	125	—
Cash consideration	$ 16,707	$ 34,425	$ 16,707	$ 149,546
Transaction costs expensed	$ 567	$ 181	$ 567	$ 1,082

Dispositions:

The REIT disposed of the following properties during the nine months ended September 30, 2017:

Property	Property count	Location	Disposition date	Asset class
Airdrie Flex Industrial	1	Airdrie, AB	February 6, 2017	Industrial
Southview Centre	1	Medicine Hat, AB	March 10, 2017	Retail
Westbank Hub Shopping Centre and Westbank Hub Centre North (1)	2	Westbank, BC	March 15, 2017	Retail
Ford Tower and Alpine Building	2	Calgary, AB	March 30, 2017	Office
Edson Shoppers	1	Edson, AB	April 7, 2017	Retail
Horizon Heights	1	Calgary, AB	July 5, 2017	Retail
Sherwood Centre	1	Edmonton, AB	August 15, 2017	Industrial
6075 Kestrel Road	1	Greater Toronto Area, ON	September 1, 2017	Industrial
Quarry Park Portfolio	3	Calgary, AB	September 15, 2017	Office

(1) The REIT disposed of its 75% interest in these properties.

The proceeds from the sale of the above properties, net of costs and related debt, were $211,506. The assets and liabilities associated with the properties were derecognized.

The REIT disposed of the following properties during the nine months ended September 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
Lunar Pointe	1	Twin Cities Area, MN	August 5, 2016	Industrial
Uplands Common	1	Lethbridge, AB	August 16, 2016	Retail
Clareview Town Centre	1	Edmonton, AB	August 17, 2016	Retail

(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 $84,138. The assets and liabilities associated with the properties were derecognized.

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

Nine months ended September 30, 2017

	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of period	$ 4,991,825	$ 65,199	$ 119,178
Additions:			
Acquisitions (note 3)	19,130	414	—
Reclassification from investments in joint ventures	47,441	3,800	—
Capital expenditures	32,258	29,060	600
Capitalized interest	—	98	—
Leasing commissions	9,652	43	160
Dispositions	(133,211)	—	(169,034)
Reclassification of investment properties under development	19,450	(19,450)	—
Reclassification of investment properties held for sale	(170,212)	—	170,212
Foreign currency translation loss	(126,853)	(3,932)	(3,455)
Straight-line rent adjustments	4,654	2	(2)
Tenant inducement additions, net of amortization	22,170	150	337
Fair value gain (loss)	625	(1,753)	916
Balance, end of period	$ 4,716,929	$ 73,631	$ 118,912

Year ended December 31, 2016

	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of year	$ 5,078,021	$ 26,892	$ 115,504
Additions:			
Acquisitions	340,115	—	—
Capital expenditures	57,373	23,864	40
Leasing commissions	16,139	141	53
Dispositions	(35,134)	—	(326,196)
Reclassification of investment properties under development	(18,631)	18,631	—
Reclassification of investment properties held for sale	(337,836)	—	337,836
Foreign currency translation (loss) gain	(35,484)	(338)	28
Straight-line rent adjustments	5,472	4	(30)
Tenant inducement additions, net of amortization	24,548	341	(394)
Fair value loss	(102,758)	(4,336)	(7,663)
Balance, end of year	$ 4,991,825	$ 65,199	$ 119,178

During the nine months ended September 30, 2017, the REIT reclassified two industrial properties from investment properties under development to investment properties.

The REIT reclassified two office properties and seven industrial properties to investment properties held for sale that were listed with an external broker or under unconditional sale agreements at September 30, 2017. These properties had an aggregate mortgage payable balance of $70,002 at September 30, 2017, which is not accounted for as held for sale and is included in current liabilities.

At September 30, 2017, investment properties with a fair value of $3,338,544 (December 31, 2016, $4,218,827) 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 nine months ended September 30, 2017, properties with an appraised value of $92,306 and $658,786 (2016, $100,250 and $332,660), 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 nine months ended September 30, 2017 and the year ended December 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 19.

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

	September 30, 2017			December 31, 2016		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Western Canada:						
Discount rate	9.50%	6.25%	7.69%	9.50%	6.25%	7.60%
Terminal capitalization rate	9.00%	4.25%	6.80%	9.00%	4.50%	6.81%
Capitalization rate	8.75%	4.25%	6.68%	8.75%	4.50%	6.75%
Investment horizon (years)	11.0	10.0	10.2	12.0	9.0	10.2
Central Canada:						
Discount rate	9.00%	6.25%	7.67%	9.00%	6.25%	7.70%
Terminal capitalization rate	8.50%	5.50%	6.42%	8.50%	5.75%	6.46%
Capitalization rate	8.25%	5.50%	6.28%	8.25%	5.50%	6.27%
Investment horizon (years)	12.0	10.0	10.4	12.0	9.0	10.3
Eastern Canada:						
Discount rate	7.75%	6.25%	7.11%	7.75%	6.50%	7.17%
Terminal capitalization rate	6.75%	4.75%	6.03%	7.00%	5.25%	6.35%
Capitalization rate	7.00%	4.75%	6.06%	7.00%	5.00%	6.25%
Investment horizon (years)	12.0	10.0	10.4	12.0	10.0	10.1
U.S.:						
Discount rate	9.00%	7.00%	8.08%	9.00%	7.00%	8.10%
Terminal capitalization rate	8.75%	5.75%	7.09%	8.75%	5.75%	7.16%
Capitalization rate	8.50%	5.50%	6.88%	8.50%	5.50%	6.89%
Investment horizon (years)	20.0	10.0	11.1	20.0	10.0	11.1
Overall:						
Discount rate	9.50%	6.25%	7.72%	9.50%	6.25%	7.71%
Terminal capitalization rate	9.00%	4.25%	6.69%	9.00%	4.50%	6.77%
Capitalization rate	8.75%	4.25%	6.55%	8.75%	4.50%	6.62%
Investment horizon (years)	20.0	10.0	10.6	20.0	9.0	10.5

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

Note 5. Joint arrangements

The REIT had interests in the following joint arrangements:

Property	Principal purpose	Type of arrangement	Ownership interest September 30, 2017	Ownership interest December 31, 2016
Park 8Ninety I	Investment property	Joint venture	95%	95%
Corridor Park	Investment property	Joint venture	90%	90%
Park Lucero I (1)	Investment property	Joint venture	-	90%
Park Lucero II	Investment property	Joint venture	90%	90%
Park Lucero III (1)	Investment property	Joint venture	-	90%
Park Lucero IV (1)	Investment property	Joint venture	-	90%
Millwright Building	Investment property	Joint venture	80%	80%
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%
Westbank Hub Centre North	Investment property	Joint operation	-	75%
Westbank Hub Shopping Centre	Investment property	Joint operation	-	75%
Cliveden Building	Investment property	Joint operation	50%	50%
Kincaid Building	Investment property	Joint operation	50%	50%

(1) On September 7, 2017, the REIT increased its ownership interest in these properties to 100%. Subsequent to these transactions, the REIT consolidates the financial results of Park Lucero I, Park Lucero III and Park Lucero IV. See Note 3 for further information.

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 $8,031 during the nine months ended September 30, 2017 to the Park Lucero, 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 September 30, 2017, the co-owners' share of mortgage liabilities was $96,671 (December 31, 2016, $114,575). Management believes that the assets available from its joint arrangements are sufficient for the purpose of satisfying such obligations.

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

	September 30, 2017	December 31, 2016
Non-current assets:		
Investment properties	$ 352,719	$ 284,249
Investment properties under development	—	92,305
Current assets:		
Prepaid expenses and other assets	381	292
Accounts receivable and other receivables	712	559
Cash	6,842	8,312
	360,654	385,717
Non-current liabilities:		
Mortgages and loans payable	152,412	117,804
Current liabilities:		
Mortgages and loans payable	4,553	34,709
Security deposits and prepaid rent	2,432	2,094
Accounts payable and other liabilities	5,233	17,545
	164,630	172,152
Investments in joint ventures	$ 196,024	$ 213,565

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Revenue	$ 7,083	$ 5,831	$ 19,774	$ 17,649
Expenses:				
Property operating	2,061	1,764	5,883	5,069
Realty taxes	1,065	885	3,242	2,848
	3,126	2,649	9,125	7,917
Net operating income	3,957	3,182	10,649	9,732
Other income (expenses):				
Interest expense	(1,886)	(1,192)	(4,597)	(3,356)
Interest income	2	2	5	4
Fair value gain on investment properties	5,823	1,771	9,481	906
Net income from investments in joint ventures	$ 7,896	$ 3,763	$ 15,538	$ 7,286

Note 6. Mortgages and loans payable

		September 30, 2017		December 31, 2016
Mortgages and loans payable	$	1,638,846	$	2,150,621
Net above- and below-market mortgage adjustments		5,194		6,540
Financing costs		(7,432)		(9,199)
		1,636,608		2,147,962
Current portion		370,575		627,838
Non-current portion	$	1,266,033	$	1,520,124

The majority of the REIT's investment properties have been pledged as security under mortgages and other security agreements. 45.3% of the REIT's mortgages and loans payable bear interest at fixed rates (December 31, 2016, 54.4%), and a further 28.4% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place (December 31, 2016, 22.8%). The weighted-average effective rate on all mortgages and loans payable was 3.86% and the weighted-average nominal rate was 3.71% at September 30, 2017 (December 31, 2016, 3.75% and 3.71%, respectively). Maturity dates range from December 31, 2017 to February 14, 2032.

The REIT's mortgage providers have various financial covenants. The REIT monitors these covenants, which are primarily debt service coverage ratios, and was in compliance with these requirements at September 30, 2017.

Note 7. Senior unsecured debentures

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

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

		Face value		Unamortized accretion		Unamortized financing costs		Carrying value		Current portion		Non-current portion
September 30, 2017	$	200,000	$	321	$	(497)	$	199,824	$	—	$	199,824
December 31, 2016		200,000		476		(736)		199,740		—		199,740

During the three and nine months ended September 30, 2017, accretion to the liability of $52 and $155 (2016, $51 and $150) and financing cost amortization of $80 and $239 (2016, $78 and $231), respectively, were recorded.

In accordance with the Series A senior unsecured debenture supplemental indenture, the REIT must maintain various financial covenants. At September 30, 2017, the REIT was in compliance with these requirements.

Note 8. Convertible debentures

During the nine months ended September 30, 2017, Series G convertible debentures with a face value of US$25 were converted and the REIT issued 1,318 units at the conversion price of US$18.96 per unit. On February 28, 2017, the REIT exercised its early redemption option and repaid the outstanding face value of the Series G convertible debentures in the amount of US$87,975.

	Face value	Equity portion	Liability portion	Accretion	Carrying value	Current portion	Non-current portion
September 30, 2017	$ —	$ —	$ —	$ —	$ —	$ —	$ —
December 31, 2016	118,158	—	122,411	(3,053)	119,358	—	119,358

During the three and nine months ended September 30, 2017, accretion of $nil and $124, reduced the carrying value of the liability component (2016, $173 and $460), respectively.

Note 9. Credit facilities

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.

In 2017, the REIT entered into two five-year unsecured non-revolving term credit facilities in the aggregate amount of $300,000, which can be utilized for general corporate and working capital purposes, property acquisitions and development financing. The financial covenants under these facilities are consistent with the financial covenants under the REIT's unsecured revolving term credit facilities, as disclosed in its consolidated financial statements for the year ended December 31, 2016.

The REIT's unsecured operating credit facilities are summarized as follows:

	September 30, 2017			December 31, 2016		
	Borrowing capacity	Amounts drawn	Available to be drawn	Amounts drawn	Available to be drawn	Applicable interest rates [1]
Revolving facilities maturing December 15, 2018	$ 300,000	$ 251,714	$ 48,286	$ 189,680	$ 110,320	BA rate plus 1.70% or prime plus 0.70% or LIBOR plus 1.70% or U.S. base rate plus 0.70%
Revolving facility maturing April 29, 2021	200,000	123,000	77,000	80,000	120,000	BA rate plus 1.70% or prime plus 0.70% or LIBOR plus 1.70% or U.S. base rate plus 0.70%
Non-revolving facility maturing July 6, 2022	150,000	150,000	—	—	—	3.57%
Non-revolving facility maturing July 18, 2022	150,000	150,000	—	—	—	3.50%
Financing costs		(1,139)		—		
Total credit facilities	800,000	673,575	125,286	269,680	230,320	
Current portion		374,714		269,680		
Non-current portion		$ 298,861		$ —		

(1) The REIT has entered into interest rate swaps on both of its non-revolving credit facilities.

For purposes of the credit facilities, the REIT must maintain various financial covenants. As at September 30, 2017, the REIT was in compliance with these requirements.

Note 10. 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, 2015	138,864,486	$ 1,815,071
Public offerings, net of issue costs of $5,106	8,712,400	109,898
Restricted units redeemed	62,338	774
Conversion of Series F convertible debentures	645	11
Distribution Reinvestment and Unit Purchase Plan	2,693,208	32,590
Balance at December 31, 2016	150,333,077	1,958,344
Restricted units redeemed	16,525	216
Conversion of Series G convertible debentures	1,318	36
Distribution Reinvestment and Unit Purchase Plan	242,312	2,972
Balance at September 30, 2017	150,593,232	$ 1,961,568

The REIT has a Distribution Reinvestment and Unit Purchase Plan ("DRIP") which allows unitholders the option to elect to receive all or a portion of their regular monthly distributions in additional REIT units. On January 13, 2017, the REIT announced the suspension of its DRIP until further notice.

(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	Face value	Annual distribution rate	Distribution rate reset date
Series A	August 2, 2012	3,450,000	$ 86,250	5.662%	September 30, 2022
Series C (1)	September 18, 2012	3,000,000	US 75,000	5.250%	March 31, 2018
Series E	March 21, 2013	4,000,000	100,000	4.750%	September 30, 2018
Series G	July 29, 2013	3,200,000	80,000	5.000%	July 31, 2019

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

On September 30, 2017, the annual distribution rate was reset for the Series A Units. The REIT did not exercise its right to redeem any of the Series A Units and none of these units were reclassified to Series B Units. Accordingly, all 3,450,000 Series A Units remain issued and outstanding for the subsequent five-year period commencing October 1, 2017. During this period, Series A unitholders will be entitled to receive a cumulative distribution yield of 5.662% per annum, payable quarterly, if, as and when declared by the Board of Trustees.

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 August 8, 2016, the REIT issued a short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of $2,000,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. As at September 30, 2017, the REIT had not issued any securities under this short form base shelf prospectus.

(d) Weighted-average common units:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Net income	$ 64,803	$ 76,876	$ 180,372	$ 146,227
Adjustment for distributions to preferred unitholders (note 11)	(4,548)	(4,611)	(13,775)	(13,791)
Net income attributable to common unitholders	60,255	72,265	166,597	132,436
Adjustment for convertible debentures	—	1,472	—	—
Adjustment for restricted units	68	(254)	154	(82)
Adjustment for deferred units	8	(50)	27	(20)
Diluted net income attributable to common unitholders	$ 60,331	$ 73,433	$ 166,778	$ 132,334
The weighted-average number of common units outstanding was as follows:				
Basic common units	150,593,190	149,226,734	150,573,197	143,232,709
Effect of dilutive securities:				
Convertible debentures	—	4,640,922	—	—
Restricted units	372,059	423,315	332,088	379,337
Deferred units	69,771	35,190	61,478	27,881
Diluted common units	151,035,020	154,326,161	150,966,763	143,639,927
Net income per unit attributable to common unitholders:				
Basic	$ 0.40	$ 0.48	$ 1.11	$ 0.92
Diluted	0.40	0.48	1.10	0.92

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 nine months ended September 30, 2017, there were no anti-dilutive instruments. For the three months ended September 30, 2016, unit options were anti-dilutive, for a total of 1,476,000 units. For the nine months ended September 30, 2016, unit options and convertible debentures were anti-dilutive, for an aggregate total of 6,116,922 units.

Note 11. Distributions to unitholders

Total distributions declared to unitholders were as follows:

	Three months ended September 30, 2017		Three months ended September 30, 2016	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	$ 40,660	$ 0.27	$ 40,320	$ 0.27
Preferred unitholders - Series A	1,132	0.33	1,132	0.33
Preferred unitholders - Series C	1,228	0.41	1,291	0.43
Preferred unitholders - Series E	1,188	0.30	1,188	0.30
Preferred unitholders - Series G	1,000	0.31	1,000	0.31

	Nine months ended September 30, 2017		Nine months ended September 30, 2016	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	$ 121,974	$ 0.81	$ 116,503	$ 0.81
Preferred unitholders - Series A	3,396	0.98	3,396	0.98
Preferred unitholders - Series C	3,816	1.27	3,832	1.28
Preferred unitholders - Series E	3,563	0.89	3,563	0.89
Preferred unitholders - Series G	3,000	0.94	3,000	0.94

Note 12. Interest expense

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Interest on mortgages and loans	$ 16,766	$ 20,914	$ 55,419	$ 62,865
Interest on senior unsecured debentures	1,878	1,877	5,599	5,609
Interest on convertible debentures	—	2,004	1,075	7,958
Interest on credit facilities	4,742	2,367	9,580	5,091
Net amortization of above- and below-market mortgages fair value adjustments	(283)	(515)	(899)	(1,610)
Amortization of financing costs	831	906	2,539	2,495
Accretion on liability component of debentures	(52)	(224)	(279)	(610)
	$ 23,882	$ 27,329	$ 73,034	$ 81,798

Note 13. Income taxes

The REIT currently qualifies as a mutual fund trust and a real estate investment trust ("REIT") for Canadian income tax purposes. Under current tax legislation, income distributed annually by the REIT to unitholders is a deduction in the calculation of its taxable income. As the REIT intends to distribute all of its taxable income to its unitholders, the REIT does not record a provision for current Canadian income taxes.

The REIT's U.S. properties are owned by subsidiaries that are REITs for U.S. income tax purposes. These subsidiaries intend to distribute all of their U.S. taxable income to Canada and are entitled to deduct such distributions for U.S. income tax purposes. As a result, the REIT does not record a provision for current federal U.S. income taxes on the taxable income earned by these subsidiaries. These U.S. subsidiaries are subject to certain state taxes and a 30% to 35% withholding tax on distributions to Canada. Any withholding taxes paid are recorded with the related distributions.

The REIT is subject to federal and state taxation in the U.S. on the taxable income earned by its U.S. management subsidiary.

Note 14. Related party transactions

For the three months ended September 30, 2017, the REIT has no related party transactions. In 2015, Marwest Management Canada Ltd., Marwest Construction Ltd., Marwest Development Corporation and Fairtax Realty Advocates were impacted by ownership restructuring. As a result of the changes in ownership, these entities are no longer controlled or jointly controlled by key management personnel of the REIT or their close family members. As such, they are not required to be disclosed as related party entities under IFRS. Commencing in the three months ended September 30, 2017, the REIT is no longer disclosing transactions with these entities as related party transactions.

Note 15. 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 and credit facilities, have not been allocated to the segments.

	Three months ended September 30, 2017						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint ventures adjustment	Total
Revenue	$ 37,495	$ 27,300	$ 15,731	$ 53,378	$ 187	$ (7,083)	$ 127,008
Expenses:							
Property operating	8,384	6,568	3,857	13,317	—	(2,061)	30,065
Realty taxes	5,413	4,219	2,591	8,481	—	(1,065)	19,639
	13,797	10,787	6,448	21,798	—	(3,126)	49,704
Net operating income	23,698	16,513	9,283	31,580	187	(3,957)	77,304
Other income (expenses):							
Corporate expenses	—	—	—	—	(3,334)	—	(3,334)
Interest expense	(4,504)	(2,920)	(2,228)	(9,232)	(6,884)	1,886	(23,882)
Interest income	220	18	7	22	35	(2)	300
Net income from investments in joint ventures	—	—	—	—	—	7,896	7,896
Fair value gain (loss) on investment properties	2,054	(3,215)	8,906	564	—	(5,823)	2,486
Foreign currency translation loss	—	—	—	—	(3,542)	—	(3,542)
Transaction costs	—	(404)		(163)	—	—	(567)
Gain on financial instruments	—	—	—	—	8,231	—	8,231
Income (loss) before income taxes	21,468	9,992	15,968	22,771	(5,307)	—	64,892
Income tax expense	—	—	—	(89)	—	—	(89)
Net income (loss)	$ 21,468	$ 9,992	$ 15,968	$ 22,682	$ (5,307)	$ —	$ 64,803
Acquisitions of investment properties	$ —	$ 13,850	$ —	$ 5,694	$ —	$ —	$ 19,544
Additions to investment properties and investment properties under development	2,831	8,806	1,500	13,270	—	(1,710)	24,697
Additions to tenant inducements	5,604	2,676	902	6,958	—	(233)	15,907
Additions to leasing commissions	1,022	533	43	1,890	—	(858)	2,630

	Three months ended September 30, 2016						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint ventures adjustment	Total
Revenue	$ 54,148	$ 26,504	$ 15,431	$ 52,792	$ 50	$ (5,831)	$ 143,094
Expenses:							
Property operating	10,492	6,572	3,607	13,627	—	(1,764)	32,534
Realty taxes	7,672	3,656	2,628	8,816	—	(885)	21,887
	18,164	10,228	6,235	22,443	—	(2,649)	54,421
Net operating income	35,984	16,276	9,196	30,349	50	(3,182)	88,673
Other income (expenses):							
Corporate expenses	—	—	—	—	(2,929)	—	(2,929)
Interest expense	(7,875)	(4,055)	(2,541)	(7,721)	(6,329)	1,192	(27,329)
Interest income	242	7	4	3	42	(2)	296
Net income from investments in joint ventures	—	—	—	—	—	3,763	3,763
Fair value gain (loss) on investment properties	4,670	4,897	(5,794)	16,428	—	(1,771)	18,430
Foreign currency translation gain	—	—	—	—	206	—	206
Transaction costs	(13)	—	—	(182)	—	—	(195)
Loss on financial instruments	—	—	—	—	(4,039)	—	(4,039)
Income (loss) before income taxes	33,008	17,125	865	38,877	(12,999)	—	76,876
Income tax expense	—	—	—	—	—	—	—
Net income (loss)	$ 33,008	$ 17,125	$ 865	$ 38,877	$ (12,999)	$ —	$ 76,876
Acquisitions of investment properties	$ —	$ —	$ —	$ 97,173	$ —	$ (10,601)	$ 86,572
Additions to investment properties and investment properties under development	2,651	9,420	6,441	16,153	—	(11,309)	23,356
Additions to tenant inducements	3,293	1,630	7,771	3,342	—	(1,080)	14,956
Additions to leasing commissions	718	229	1,920	1,599	—	(479)	3,987

	Nine months ended September 30, 2017						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint ventures adjustment	Total
Revenue	$ 120,910	$ 80,559	$ 46,134	$ 161,925	$ 318	$ (19,774)	$ 390,072
Expenses:							
Property operating	26,813	19,670	11,363	39,670	—	(5,883)	91,633
Realty taxes	18,812	12,192	7,763	26,632	—	(3,242)	62,157
	45,625	31,862	19,126	66,302	—	(9,125)	153,790
Net operating income	75,285	48,697	27,008	95,623	318	(10,649)	236,282
Other income (expenses):							
Corporate expenses	—	—	—	—	(10,446)	—	(10,446)
Interest expense	(16,967)	(9,782)	(7,201)	(26,855)	(16,826)	4,597	(73,034)
Interest income	664	47	18	29	88	(5)	841
Net income from investments in joint ventures	—	—	—	—	—	15,538	15,538
Fair value (loss) gain on investment properties	(1,802)	(14,229)	27,130	(1,830)	—	(9,481)	(212)
Foreign currency translation gain	—	—	—	—	2,877	—	2,877
Transaction costs	—	(404)	—	(163)	—	—	(567)
Gain on financial instruments	—	—	—	—	8,841	—	8,841
Income (loss) before income taxes	57,180	24,329	46,955	66,804	(15,148)	—	180,120
Income tax recovery	—	—	—	252	—	—	252
Net income (loss)	$ 57,180	$ 24,329	$ 46,955	$ 67,056	$ (15,148)	$ —	$ 180,372
Acquisitions of investment properties	$ —	$ 13,850	$ —	$ 5,694	$ —	$ —	$ 19,544
Additions to investment properties and investment properties under development	6,185	22,951	4,421	60,588	—	(32,227)	61,918
Additions to tenant inducements	13,721	6,729	3,095	18,954	—	(7,231)	35,268
Additions to leasing commissions	4,112	1,136	864	5,571	—	(1,828)	9,855

	September 30, 2017						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint ventures adjustment	Total
Total assets	$ 1,414,819	$ 1,146,381	$ 657,337	$ 2,135,859	$ 24,252	$ (164,630)	$ 5,214,018
Total liabilities	439,935	231,297	217,957	999,734	902,987	(164,630)	2,627,280

	Nine months ended September 30, 2016						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint ventures adjustment	Total
Revenue	$ 159,899	$ 80,431	$ 46,381	$ 139,239	$ 187	$ (17,649)	$ 408,488
Expenses:							
Property operating	31,926	19,289	11,109	32,509	—	(5,069)	89,764
Realty taxes	23,409	12,363	7,927	24,837	—	(2,848)	65,688
	55,335	31,652	19,036	57,346	—	(7,917)	155,452
Net operating income	104,564	48,779	27,345	81,893	187	(9,732)	253,036
Other income (expenses):							
Corporate expenses	—	—	—	—	(10,088)	—	(10,088)
Interest expense	(25,474)	(11,996)	(7,691)	(21,180)	(18,813)	3,356	(81,798)
Interest income	753	22	14	10	129	(4)	924
Net income from investments in joint ventures	—	—	—	—	—	7,286	7,286
Fair value (loss) gain on investment properties	(16,161)	(3,128)	(11,961)	14,690	—	(906)	(17,466)
Foreign currency translation gain	—	—	—	—	2,350	—	2,350
Transaction costs	(18)	—	—	(1,078)	—	—	(1,096)
Loss on financial instruments	—	—	—	—	(6,921)	—	(6,921)
Income (loss) before income taxes	63,664	33,677	7,707	74,335	(33,156)	—	146,227
Income tax expense	—	—	—	—	—	—	—
Net income (loss)	$ 63,664	$ 33,677	$ 7,707	$ 74,335	$ (33,156)	$ —	$ 146,227
Acquisitions of investment properties	$ —	$ —	$ —	$ 349,548	$ —	$ (10,601)	$ 338,947
Additions to investment properties and investment properties under development	8,561	25,143	8,404	45,335	—	(29,030)	58,413
Additions to tenant inducements	12,347	6,705	10,185	7,476	—	(3,633)	33,080
Additions to leasing commissions	2,827	1,184	2,171	5,838	—	(804)	11,216

	December 31, 2016						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint ventures adjustment	Total
Total assets	$ 1,697,992	$ 1,115,532	$ 626,732	$ 2,194,824	$ 29,827	$ (172,152)	$ 5,492,755
Total liabilities	763,599	343,232	269,031	1,035,065	626,614	(172,152)	2,865,389

Note 16. Commitments, contingencies and guarantees

(a) Letters of credit:

As of September 30, 2017, the REIT had issued letters of credit in the amount of $4,841 (December 31, 2016, $3,841).

(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 dispositions of four properties at September 30, 2017 (December 31, 2016, two properties). These guarantees will remain until the debt is modified, refinanced or extinguished. Credit risk arises in the event that the purchasers default on repayment of their debt since it is guaranteed by the REIT. This credit risk is mitigated as the REIT has recourse under these guarantees in the event of default by the purchasers, in which case the REIT would have a claim against the underlying properties. The estimated amount of debt subject to the guarantees at September 30, 2017 was $65,480 (December 31, 2016, $14,810), with an estimated weighted-average remaining term of 5.0 years (December 31, 2016, 3.4 years). No liabilities in excess of the fair values of the guarantees have been recognized in the consolidated financial statements as the estimated fair values of the borrowers' interests in the underlying properties are greater than the mortgages payable for which the REIT provided the guarantees.

Note 17. 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, credit facilities and unitholders' equity.

The REIT's Declaration of Trust permits the REIT to incur indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the REIT is not more than 70% of the gross book value of the REIT's total assets. Gross book value as defined in the Declaration of Trust includes the consolidated book value of the assets of the REIT, plus the amount of accumulated depreciation and amortization recorded in the books and records of the REIT, plus the amount of any deferred tax liability arising out of any indirect acquisitions, calculated in accordance with generally accepted accounting principles. As at September 30, 2017, the ratio of such indebtedness to gross book value was 48.1% (December 31, 2016, 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	September 30, 2017	December 31, 2016
Mortgages and loans payable	6	$ 1,636,608	$ 2,147,962
Senior unsecured debentures	7	199,824	199,740
Convertible debentures	8	—	119,358
Credit facilities	9	673,575	269,680
Total debt		2,510,007	2,736,740
Unitholders' equity		2,586,738	2,627,366
		$ 5,096,745	$ 5,364,106

Note 18. 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:

(a) Interest rate risk:

The REIT is exposed to interest rate risk on its borrowings. The Declaration of Trust restricts the REIT's indebtedness to 70% of the gross book value of the REIT's total assets. The REIT also monitors the amount of variable rate debt. The REIT has the majority of its mortgages payable and debentures in fixed rate terms. In addition, management considers the weighted-average term to maturity of long-term debt relative to the remaining average lease terms. At September 30, 2017, the REIT was a party to $1,570,699 of variable rate debt, including credit facilities (December 31, 2016, $1,250,599). At September 30, 2017, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $766,172 of variable rate debt, including swaps on credit facilities (December 31, 2016, $489,310).

(b) Foreign currency risk:

The REIT owns properties located in the U.S., and therefore, the REIT is subject to foreign currency fluctuations that may impact its financial position and results. In order to mitigate this risk, the REIT's debt on U.S. properties is 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 1.2472 and 1.3040 for the three and nine months ended September 30, 2017, respectively, and the period end exchange rate of 1.2480 at September 30, 2017, would have decreased net income by approximately $1,837 and $3,069 for the three and nine months ended September 30, 2017, respectively. A $0.10 weakening in the US dollar against the Canadian dollar would have decreased other comprehensive income by approximately $90,100 and $88,868 for the three and nine months ended September 30, 2017, 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.

Note 19. Fair value measurements

The REIT uses a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements of its financial instruments and its investment properties. Level 1 of the fair value hierarchy uses quoted market prices in active markets for identical assets or liabilities to determine the fair value of assets and liabilities. Level 2 includes valuations using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 valuations are based on inputs for the asset or liability that are not based on observable market data.

There were no transfers of assets or liabilities between hierarchy levels during the nine months ended September 30, 2017.

		September 30, 2017		December 31, 2016	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	$ 4,716,929	$ 4,716,929	$ 4,991,825	$ 4,991,825
Investment properties under development	Level 3	73,631	73,631	65,199	65,199
Notes receivable	Level 2	13,531	14,475	15,787	16,973
Investment properties held for sale	Level 3	118,912	118,912	119,178	119,178
Derivative instruments	Level 2	6,394	6,394	3,567	3,567
		4,929,397	4,930,341	5,195,556	5,196,742
Liabilities:					
Mortgages and loans payable	Level 2	1,636,608	1,652,119	2,147,962	2,178,696
Senior unsecured debentures	Level 2	199,824	201,434	199,740	202,795
Convertible debentures	Level 1	—	—	119,358	118,158
Credit facilities	Level 2	673,575	674,714	269,680	269,680
Derivative instruments	Level 2	2,807	2,807	7,957	7,957
		2,512,814	2,531,074	2,744,697	2,777,286
		$ 2,416,583	$ 2,399,267	$ 2,450,859	$ 2,419,456

The fair value of the REIT's accounts receivable and other receivables, cash held in trust, cash and accounts payable and other liabilities 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, senior unsecured debentures and credit facilities 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 REIT entered into interest rate swaps on a number of mortgages and its non-revolving credit facilities. The swaps are not designated in a hedge relationship. An unrealized gain of $4,644 and gain of $7,465 was recorded for the three and nine months ended September 30, 2017 (2016, gain of $699 and loss of $4,228), respectively, in relation to the fair value of these interest rate swaps.

The REIT recorded an unrealized gain of $3,587 and gain of $331 for the three and nine months ended September 30, 2017, respectively, on the fair value of outstanding foreign currency swap contracts (2016, loss of $3,997 and loss of $1,952).

Note 20. Subsequent events

The following events occurred subsequent to September 30, 2017:

- The REIT disposed of 488 Albert Street, an office property located in Nanaimo, British Columbia. The property was sold for $7,950.
- The REIT entered into an unconditional sale agreement for the disposition of seven industrial properties located in Minnesota. The sale price of this portfolio is US$70,600. The REIT anticipates that the disposition will close in November 2017.
- The REIT entered into an unconditional sale agreement for the disposition of an office property located in Alberta. The sale price of this property is $33,000. The REIT anticipates that the disposition will close in December 2017.
- The REIT entered into an unconditional purchase agreement for the acquisition of a new industrial distribution and logistics property in Minnesota. The purchase price of this property is US$26,850. The REIT anticipates that the acquisition will close in December 2017.
- The REIT drew on its revolving term credit facilities in the amount of $10,000.
- The REIT declared a monthly cash distribution of $0.09 per unit for the month of October 2017.
- The REIT declared a quarterly cash distribution of $0.3125 per Series G preferred unit for the quarter ending October 31, 2017.

Note 21. Approval of financial statements

These interim condensed consolidated financial statements were approved by the Board of Trustees and authorized for issue on November 6, 2017.