

Consolidated Financial Statements of

**ARTIS REAL ESTATE
INVESTMENT TRUST**

Years ended December 31, 2019 and 2018

(In Canadian dollars)



Management's Responsibility for Financial Statements

The management of Artis Real Estate Investment Trust is responsible for the preparation and integrity of the consolidated financial statements contained in the annual report. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and necessarily include some amounts that are based on management's best estimate and judgment. Management has determined such amounts on a reasonable basis and considers that the consolidated financial statements present fairly the financial position of the REIT, the results of its operations and its cash flows. Management has also prepared financial information presented elsewhere in this annual report and has ensured that it is consistent with that in the consolidated financial statements. To fulfill its responsibility, management maintains internal accounting controls and systems and establishes policies and procedures to ensure the reliability of financial information and to safeguard assets.

The Board of Trustees is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Trustees carries out this responsibility principally through its Audit Committee, composed entirely of outside and unrelated trustees. The Audit Committee meets regularly with management of the REIT and with the independent auditors. The consolidated financial statements have been reviewed and approved by the Board of Trustees on the recommendation of its Audit Committee.

The REIT's independent auditor, Deloitte LLP, has been appointed by the unitholders to audit the consolidated financial statements and express an opinion thereon.

"Armin Martens"

Armin Martens, P.Eng., MBA
President and Chief Executive Officer
February 27, 2020

"Jim Green"

Jim Green, CPA, CA
Chief Financial Officer
February 27, 2020

Independent Auditor's Report

To the Unitholders of Artis Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of Artis Real Estate Investment Trust (the "Trust"), which comprise the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of operations, changes in unitholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Haik (Haig) Vanlian.

/s/ Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
February 27, 2020

Consolidated Balance Sheets

(In thousands of Canadian dollars)

	Note	December 31, 2019	December 31, 2018
ASSETS			
Non-current assets:			
Investment properties	4	\$ 4,618,719	\$ 4,941,825
Investment properties under development	4	102,590	119,604
Investments in joint ventures	5	186,610	176,501
Property and equipment	6	7,786	6,533
Notes receivable	8	93,832	16,216
		5,009,537	5,260,679
Current assets:			
Investment properties held for sale	4	221,915	320,465
Inventory properties	7	14,632	11,227
Deposits on investment properties		—	2,237
Prepaid expenses and other assets	9	10,533	20,582
Notes receivable	8	3,996	4,543
Accounts receivable and other receivables	10	21,013	21,101
Cash held in trust		5,938	10,200
Cash		42,455	66,143
		320,482	456,498
Total assets		\$ 5,330,019	\$ 5,717,177
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities:			
Mortgages and loans payable	11	\$ 1,005,196	\$ 1,272,452
Senior unsecured debentures	12	249,372	199,565
Credit facilities	13	886,522	772,538
Other long-term liabilities		1,000	8,319
		2,142,090	2,252,874
Current liabilities:			
Mortgages and loans payable	11	396,152	412,558
Senior unsecured debentures	12	199,959	199,971
Security deposits and prepaid rent		32,834	35,842
Accounts payable and other liabilities	14	88,231	77,887
		717,176	726,258
Total liabilities		2,859,266	2,979,132
Unitholders' equity		2,470,753	2,738,045
Commitments, contingencies and guarantees	28		
Subsequent events	32		
Total liabilities and unitholders' equity		\$ 5,330,019	\$ 5,717,177

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

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

				Year ended December 31,
	Note		2019	2018
Revenue	18	\$	521,660	\$ 512,870
Expenses:				
Property operating			130,099	127,697
Realty taxes			81,705	80,850
Total operating expenses			211,804	208,547
Net operating income			309,856	304,323
Other income (expenses):				
Corporate expenses	19		(15,810)	(14,436)
Interest expense	20		(108,809)	(101,164)
Interest income			3,212	1,974
Net income from investments in joint ventures	5		36,843	8,754
Fair value loss on investment properties	4		(94,727)	(37,099)
Foreign currency translation gain (loss)			10,668	(8,113)
Transaction costs	21		(301)	(6,418)
Fair value (loss) gain on derivative instruments and other transactions	22		(16,379)	11,342
Income before income taxes			124,553	159,163
Income tax expense	23		(1,816)	(527)
Net income			122,737	158,636
Other comprehensive (loss) income that may be reclassified to net income in subsequent periods:				
Unrealized foreign currency translation (loss) gain			(66,214)	105,935
Unrealized foreign currency translation (loss) gain on investments in joint ventures			(6,125)	10,254
Other comprehensive income (loss) that will not be reclassified to net income in subsequent periods:				
Unrealized gain (loss) from remeasurements of net pension obligation			671	(437)
Other comprehensive (loss) income			(71,668)	115,752
Total comprehensive income		\$	51,069	\$ 274,388
Basic income per unit attributable to common unitholders	15 (e)	\$	0.72	\$ 0.89
Diluted income per unit attributable to common unitholders	15 (e)		0.72	0.88
Weighted-average number of common units outstanding:				
Basic	15 (e)		142,434,694	153,069,303
Diluted	15 (e)		142,434,694	153,569,072

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Unitholders' Equity

(In thousands of Canadian dollars)

	Common units capital contributions	Retained earnings	Accumulated other comprehensive income (loss)	Contributed surplus	Total common equity	Total preferred equity	Total
Unitholders' equity, December 31, 2017	\$ 1,961,659	\$ 170,807	\$ 130,964	\$ 16,156	\$ 2,279,586	\$ 325,623	\$ 2,605,209
Changes for the year:							
Issuance of common units, net of issue costs (note 15)	44,174	—	—	—	44,174	—	44,174
Issuance of preferred units, net of issue costs (note 15)	—	—	—	—	—	121,304	121,304
Redemption of preferred units (note 15)	—	—	—	(26,952)	(26,952)	(69,753)	(96,705)
Reclassification of contributed surplus	—	(10,796)	—	10,796	—	—	—
Units acquired and cancelled through normal course issuer bid (note 15)	(43,998)	—	—	10,975	(33,023)	(267)	(33,290)
Units acquired through normal course issuer bid, not cancelled at year end (note 15)	(2,188)	—	—	657	(1,531)	(26)	(1,557)
Net income	—	158,636	—	—	158,636	—	158,636
Other comprehensive income	—	—	115,752	—	115,752	—	115,752
Distributions	—	(175,478)	—	—	(175,478)	—	(175,478)
Unitholders' equity, December 31, 2018	1,959,647	143,169	246,716	11,632	2,361,164	376,881	2,738,045
Changes for the year:							
Issuance of common units, net of issue costs (note 15)	1,076	—	—	—	1,076	—	1,076
Redemption of preferred units (note 15)	—	—	—	(2,753)	(2,753)	(75,710)	(78,463)
Units acquired and cancelled through normal course issuer bid (note 15)	(161,976)	—	—	24,394	(137,582)	(6,687)	(144,269)
Net income	—	122,737	—	—	122,737	—	122,737
Other comprehensive loss	—	—	(71,668)	—	(71,668)	—	(71,668)
Distributions	—	(96,705)	—	—	(96,705)	—	(96,705)
Unitholders' equity, December 31, 2019	\$ 1,798,747	\$ 169,201	\$ 175,048	\$ 33,273	\$ 2,176,269	\$ 294,484	\$ 2,470,753

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

		Year ended December 31,	
	Note	2019	2018
Cash provided by (used in):			
Operating activities:			
Net income		\$ 122,737	\$ 158,636
Adjustments for:			
Distributions from joint ventures		3,730	4,126
Net income from investments in joint ventures	5	(36,843)	(8,754)
Fair value loss on investment properties	4	94,727	37,099
Fair value loss (gain) on derivative instruments and other transactions	22	16,379	(11,342)
Unrealized foreign currency translation (gain) loss		(10,820)	6,834
Other items not affecting cash	24	25,880	19,739
Changes in non-cash operating items	24	(11,940)	7,389
		203,850	213,727
Investing activities:			
Acquisitions of investment properties, net of related debt	3	(36,349)	(118,782)
Proceeds from dispositions of investment properties, net of costs and related debt	3	247,819	126,508
Distribution from disposition of investment property in a joint venture, net of costs and related debt	5	—	7,850
Additions to investment properties		(45,766)	(35,661)
Additions to investment properties under development		(86,639)	(56,544)
Additions to tenant inducements and leasing commissions		(60,553)	(59,585)
Additions to joint ventures	5	(17,087)	(18,228)
Additions to property and equipment		(1,801)	(565)
Issuances of notes receivable		(8,074)	(7,293)
Notes receivable principal repayments		9,650	3,274
Change in deposits on investment properties		2,165	2,410
Change in cash held in trust		4,123	(1,733)
		7,488	(158,349)
Financing activities:			
Repayment of mortgages and loans payable		(98,252)	(132,807)
Advance of mortgages and loans payable, net of financing costs		14,650	68,992
Issuance of senior unsecured debentures, net of financing costs	12	248,946	199,217
Redemption of senior unsecured debentures	12	(200,000)	—
Advance of revolving credit facilities		538,229	419,274
Repayment of revolving credit facilities, including financing costs		(415,653)	(394,231)
Repayment of lease liabilities		(91)	—
Issuance of preferred units, net of issue costs	15	—	121,304
Purchase of common units under normal course issuer bid	15	(138,403)	(34,605)
Purchase of preferred units under normal course issuer bid	15	(5,866)	(242)
Redemption of preferred units	15	(78,463)	(96,705)
Distributions paid on common units		(77,331)	(160,313)
Distributions paid on preferred units		(20,589)	(20,708)
		(232,823)	(30,824)
Foreign exchange (loss) gain on cash held in foreign currency		(2,203)	5,757
(Decrease) increase in cash		(23,688)	30,311
Cash, beginning of year		66,143	35,832
Cash, end of year		\$ 42,455	\$ 66,143

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended December 31, 2019 and 2018

(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 600 - 220 Portage Avenue, Winnipeg, Manitoba, R3C 0A5.

The Declaration of Trust provides that the REIT may make cash distributions to unitholders of the REIT. The amount distributed annually (currently \$0.54 per common unit, \$1.4155 per Series A Unit, \$1.3680 per Series E Unit and \$1.50 per Series I Unit) is set by the Board of Trustees.

Note 2. Significant accounting policies

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of presentation and measurement:

The consolidated financial statements have been prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated. The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements unless otherwise indicated.

The consolidated financial statements have been prepared on the historical cost basis with the exception of investment properties, derivative financial instruments and the cash-settled unit-based payment liabilities, which are measured at fair value.

(c) Principles of consolidation:

The consolidated financial statements include the accounts of the REIT and entities controlled by the REIT and its subsidiaries (including joint arrangements). Control is achieved when the REIT has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. The REIT reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

All intercompany assets and liabilities, equity, revenue, expenses and cash flows relating to transactions between entities within the REIT are eliminated in full on consolidation.

(d) Translation of foreign currencies:

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the REIT.

Assets and liabilities of foreign operations are translated at the rate of exchange in effect at the balance sheet date. Revenue and expense items are translated at the average exchange rate for the period. Gains or losses on translation are included in other comprehensive income as foreign currency translation gains or losses. When there is a reduction in the net investment as a result of dilution or sale, or reduction in the equity of the foreign operation as a result of a capital transaction, amounts previously recognized in accumulated other comprehensive income are reclassified into net income.

For assets, liabilities, revenues and expenses that do not form part of the net investment in foreign operations, foreign currency translation gains or losses are included in net income. Monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expense items are translated at the rate in effect at the date of the transaction.

(e) Financial instruments:

Financial assets are classified, at initial recognition, and subsequently measured, based on three categories: (i) amortized cost, (ii) fair value through other comprehensive income ("FVOCI"), or (iii) fair value through profit and loss ("FVTPL"). Financial assets are classified and measured on the basis of both the business model in which the assets are managed and the contractual cash flow characteristics of the asset. With the exception of trade receivables that do not contain a significant financing component, the REIT initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price. Financial assets are recorded at amortized cost when financial assets are held with the objective of collecting contractual cash flows and those cash flows represent solely payments of principal and interest ("SPPI") and are not designated as FVTPL. Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Financial liabilities are classified and measured in two categories: (i) amortized cost or (ii) FVTPL.

The REIT classifies and measures its notes receivable, accounts receivable and other receivables, cash held in trust, cash, mortgages and loans payable, senior unsecured debentures, preferred shares liability, preferred units liabilities, accounts payable and other liabilities and credit facilities at amortized costs. All derivative instruments, including embedded derivatives, are classified as at FVTPL and are recorded on the consolidated balance sheet at fair value.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, with the exception of those classified as at FVTPL, are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. Transaction costs directly attributable to the acquisition or issuance of financial assets or liabilities classified as at FVTPL are recognized immediately in net income.

Financial assets, other than those classified as at FVTPL, are assessed for impairment at the end of each reporting period using the expected credit loss ("ECL") model. The ECL model is based on an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The REIT measures loss allowance for notes receivable, accounts receivable and other receivables at the lifetime expected credit losses.

(f) Investment properties:

Investment properties include properties held to earn rental income and properties that are being constructed or developed for future use as investment properties. Investment properties are measured at fair value with any changes therein recognized in profit or loss for the year.

Investment properties are classified as investment properties under development once construction at the property has commenced. Investment properties under development include initial acquisition costs and other direct costs during the period of development. Borrowing costs associated with direct expenditures on properties under development are capitalized from the commencement of the construction until the date of practical completion. The REIT considers practical completion to have occurred when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

The REIT occupies a portion of space in several of its investment properties. In the case of mixed use investment property and property held for use in the production of goods or services, the REIT classifies the property as investment property when only an insignificant portion is owner-occupied. The REIT considers the owner-occupied portion as insignificant when the property is primarily held to earn rental income.

A property acquisition is accounted for as a business combination using the acquisition method if the assets acquired and liabilities assumed constitute a business, and the REIT obtains control of the business. The cost of a business combination is measured as the fair value of the assets given up, equity instruments issued and liabilities assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. The REIT recognizes assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination. Changes in the fair value of contingent consideration arrangements that qualify as measurement period adjustments, adjustments arising from additional information obtained about an acquisition within one year of its date, are adjusted retrospectively. All other changes in fair value are recognized in profit or loss for the period.

Leasing commissions and straight-line rent receivables are included in the carrying amount of investment properties.

Payments to tenants under lease obligations are included in the carrying amount of investment properties. Payments that are determined to primarily benefit the tenant are treated as tenant inducements that reduce revenue.

Right-of-use assets, held under leases, that are investment properties are recognized in the REIT's consolidated balance sheet at fair value.

(g) Joint arrangements:

Joint arrangements are arrangements where the parties sharing ownership have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The REIT accounts for its joint arrangements as either joint ventures or joint operations.

A joint venture is an arrangement where the REIT jointly owns an investment property with another party and has rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The investment in the joint venture is initially measured at cost at the date of acquisition and adjusted thereafter for the REIT's share of changes in its net assets, less distributions received and any identified impairment loss. The REIT's share of the profit or loss from its investments in joint ventures is recognized in profit or loss for the year.

A joint operation is an arrangement where the REIT jointly owns an investment property with another party and has rights to the assets, and obligations for the liabilities, relating to the arrangement. The REIT accounts for joint operations by recording its proportionate share of their assets, liabilities, revenues, expenses and cash flows in its consolidated financial statements.

(h) Inventory properties:

Commercial condominium projects are recorded as inventory properties. Inventory properties are recorded at the lower of cost, including pre-development expenditures and capitalized borrowing costs, and net realizable value, which the REIT determines using the estimated selling price in the ordinary course of business, less estimated selling costs and development costs to complete.

Inventory properties are reviewed for impairment at each reporting date. An impairment loss is recognized in net income when the carrying value of the asset exceeds its net realizable value.

Transfers to inventory properties are based on a change in use evidenced by the commencement of development activities and expenditures, with a view to sell, at which point an investment property is transferred to inventory properties.

(i) Property and equipment:

Office furniture and fixtures and office equipment and software are carried at cost less accumulated depreciation, and are depreciated on a straight-line basis over their useful lives which are estimated to be between five to ten years. The estimated useful life, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimates accounted for on a prospective basis.

As a lessee of office premises, office equipment and vehicles, the REIT recognizes right-of-use assets and the related lease liabilities at the commencement date of the leases, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The recognized right-of-use assets are depreciated on a straight-line basis over the lease term. The related lease liabilities are included other payables and liabilities and other long-term liabilities.

(j) Assets held for sale and discontinued operations:

Non-current assets, or disposal groups comprising assets and liabilities, are categorized as held for sale at the point in time when the asset or disposal group is available for immediate sale, management has committed to a plan to sell and is actively locating a buyer at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is highly probable and expected to be completed within a one-year period. Investment properties measured under the fair value model and held for sale continue to be measured by the guidelines of IAS 40 - *Investment Property*. All other assets held for sale are stated at the lower of their carrying amount and fair value less selling costs. An asset that is subsequently reclassified as held and in use, with the exception of an investment property measured under the fair value model, is measured at the lower of its recoverable amount and the carrying amount that would have been recognized had the asset never been classified as held for sale.

A disposal group is classified as discontinued operation if it meets the following conditions: (i) it is a component that can be distinguished operationally and financially from the rest of the REIT's operations and (ii) it represents either a separate major line of business or geographical area of operations. The results of operations associated with disposal groups classified as discontinued operations held for sale are reported separately in the consolidated statement of operations.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(k) Cash held in trust:

Cash held in trust consists of cash held by financial institutions with restrictions pursuant to several mortgage and letter of credit agreements.

(l) Provisions:

A provision is recognized if, as a result of a past event, the REIT has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are remeasured at each balance sheet date using the current discount rate. The increase in the provision due to passage of time is recognized as interest expense.

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the REIT has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

(m) Revenue recognition:

The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue from investment properties includes all amounts earned from tenants related to lease agreements, including base rent, property operating cost and realty tax recoveries, lease termination income and other incidental income.

The total amount of base rent in lease agreements is accounted for on a straight-line basis over the term of the respective leases. A straight-line rent receivable, which is included in the carrying amount of investment properties, is recorded for the difference between the rental revenue recorded and the contractual rent received.

Property operating cost and realty tax recoveries are accrued and recognized as revenue in the period that the recoverable costs are incurred and become chargeable to tenants.

Tenant inducements are recognized as a reduction to revenue and are amortized on a straight-line basis over the term of the lease.

(n) Long-term benefits:

The costs of the REIT's defined benefit pension plans are accrued based on estimates, using actuarial techniques, of the amount of benefits employees have earned in return for their services in the current and prior periods. The present value of the defined benefit liability and current service cost is determined by discounting the estimated benefits using the projected unit credit method to determine the fair value of the plan assets and total actuarial gains and losses and the proportion thereof which will be recognized. The fair value of the plan assets is based on current market values. The present value of the defined benefit liability is based on the discount rate determined by reference to the yield of high quality corporate bonds of similar currency, having terms of maturity which align closely with the period of maturity of the liability.

Liabilities recognized in respect of other long-term benefits are measured at the present value of the estimated future cash outflows expected to be made by the REIT in respect of services provided by employees up to the reporting date.

(o) Unit-based compensation:

The REIT may issue unit-based awards to trustees, officers, employees and consultants. For cash-settled unit-based payment transactions in the form of restricted and deferred units, a liability is recognized and remeasured to fair value at each reporting date and at the settlement date. Any change in the fair value of the liability is recognized as compensation expense for the period.

For equity-settled unit-based payment transactions in the form of unit options, the REIT measures compensation expense using the fair value at the grant date, recognized over the vesting period.

(p) Earnings per unit:

Basic earnings per REIT unit is computed by dividing net income for the period attributable to common unitholders by the weighted-average number of common units outstanding during the reporting period. Diluted earnings per unit is calculated based on the weighted-average number of common units outstanding during the period, plus the effect of dilutive unit equivalents of restricted units and deferred units.

(q) 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. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts reported in the consolidated financial statements are as follows:

- Accounting for business combinations - The REIT's accounting policy relating to business combinations is described in note 2 (f). Judgment is applied in determining whether property acquisitions constitute the purchase of a business or the purchase of assets.
- Accounting for tenant inducements - The REIT's accounting policy relating to tenant inducements is described in note 2 (f) and note 2 (m). The REIT makes judgments with respect to whether tenant inducements provided in connection with a lease enhance the value of the leased property which determines whether such amounts are treated as capital expenditures or as tenant inducements that reduce revenue.
- Capitalized cost of investment properties under development - The REIT's accounting policy relating to investment properties under development is described in note 2 (f). Judgment is applied in identifying the point at which practical completion of the investment property under development occurs.
- Classification of leases - The REIT's accounting policy for the classification of its leases as a lessor is described in note 2 (m). The REIT makes judgments in determining whether certain leases are operating or finance leases. The REIT determined that all of its leases are operating leases.
- Classification of property as investment property or owner-occupied property - The REIT's accounting policy for the classification of properties that comprise a portion that is held to earn rental income and another portion that is held for use in the production or supply of goods or services or for administrative purposes is described in note 2 (f). Judgment is applied in determining whether the portion of the property held for use in the production or supply of goods or services or for administrative purposes is insignificant in comparison to the portion held to earn rental income.
- Classification of joint arrangements - The REIT's accounting policy relating to joint arrangements is described in note 2 (g) and note 5. Judgment is applied in determining whether joint arrangements constitute a joint venture or a joint operation.

Information about assumptions and estimation uncertainties that are critical to the determination of the amounts reported in the consolidated financial statements are as follows:

- Valuation of investment properties - The fair value of investment properties represents an estimate of the price that would be agreed upon between knowledgeable, willing parties in an arm's length transaction. The critical estimates and assumptions underlying the valuation of investment properties are described in note 4.
- Valuation of deferred tax liabilities and assets - The critical estimates and assumptions underlying the valuation of deferred tax liabilities and assets are described in note 23.
- Allowance for doubtful accounts - The critical estimates and assumptions underlying the valuation of allowance for doubtful accounts are described in note 30 (b).
- Fair value of financial instruments - The fair value of financial instruments is estimated as the amount for which an instrument could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The estimates and assumptions underlying the fair value of financial instruments are described in note 31.

(r) New or revised accounting standards adopted during the year:

The REIT adopted IFRS 16 – *Leases* ("IFRS 16") on its effective date of January 1, 2019. IFRS 16 replaces IAS 17 – *Leases* ("IAS 17") and IFRIC 4 – *Determining whether an Arrangement Contains a Lease* ("IFRIC 4"). The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17 and the REIT will continue to classify leases with its tenants as operating leases. For leases in which the REIT is a lessee, at the commencement date of the lease, the REIT recognizes right-of-use assets and lease liabilities measured at the present value of lease payments to be made over the lease term. After the commencement date, the lease liabilities are increased to reflect the accretion of interest and reduced for the lease payments made. The recognized right-of-use assets are depreciated on a straight-line basis over the lease term. The REIT applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less and leases of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The REIT adopted IFRS 16 using the modified retrospective method. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The REIT elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The REIT also elected to use the recognition exemptions for lease contracts for which the lease term ends within 12 months as of the date of initial application and leases for which the underlying asset is of low value. The REIT has reviewed all lease contracts in which it is a lessee. The REIT has one land lease and the fair value has been included in investment properties prior to initial application. No adjustment is required on initial application for the land lease. The REIT also has lease contracts for vehicles and office equipment. The REIT recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets, resulting in an increase of property and equipment of \$133 and increase in other long-term liabilities of \$133 as at January 1, 2019.

In June 2017, the IASB issued IFRIC 23 – *Uncertainty over Income Tax Treatments* ("IFRIC 23"). IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The adoption of this interpretation did not result in a material impact to the consolidated financial statements.

In October 2017, the IASB amended IFRS 9 – *Financial Instruments* ("IFRS 9"). The amendments clarify that for the purpose of assessing whether a prepayment feature meets the condition to be classified as measured at amortized cost, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. The amendment is effective for annual periods beginning on or after January 1, 2019. This amendment did not result in a material impact to the consolidated financial statements.

In October 2017, the IASB amended IAS 28 – *Long-term Interests in Associates and Joint Ventures* ("IAS 28"). The amendments clarify that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28. The amendments apply retrospectively to annual periods beginning on or after January 1, 2019. This amendment did not result in a material impact to the consolidated financial statements.

In December 2017, the IASB amended IFRS 3 – *Business Combinations* ("IFRS 3"). The amendments clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The amendments apply to business combinations for which the acquisition date is on or after January 1, 2019. The REIT applies the amendments to acquisitions completed on or after January 1, 2019.

Note 3. Acquisitions and dispositions of investment properties

Acquisitions:

The REIT acquired the following property during the year ended December 31, 2019:

Property	Property count	Location	Acquisition date	Asset class
Boulder Lakes Business Park II	1	Twin Cities Area, MN	October 25, 2019	Office

On May 15, 2019, the REIT acquired an additional 15% interest in the Centre 70 Building, an office property located in Calgary, Alberta for total consideration of \$3,023. Prior to the acquisition date, the REIT owned 85% of this investment property as a joint operation and recorded its proportionate share of the assets, liabilities, revenues, expenses and cash flows in its consolidated financial statements. As a result of this acquisition, the REIT owns 100% of the property and accounts for it on a 100% consolidated basis. The REIT accounted for this acquisition as step acquisition and recorded a bargain purchase gain of \$1,106.

On May 16, 2019, the REIT acquired an additional 5% interest in Park 8Ninety I, an industrial property located in the Greater Houston Area, Texas for total consideration of \$6,261. Prior to the acquisition date, the REIT owned 95% of this investment property and the property was classified as joint venture and accounted for using the equity method. As a result of this acquisition, the REIT owns 100% of the property and accounts for it on a consolidated basis. The REIT accounted for this acquisition as step acquisition and remeasured its existing 95% interests to fair value at the acquisition date.

On August 8, 2019, the REIT acquired a surface parking lot ancillary to an existing office property in Winnipeg, Manitoba.

On November 1, 2019, the REIT acquired a parcel of industrial development land adjacent to an existing industrial property in the Greater Houston Area, Texas.

The REIT acquired the following properties during the year ended December 31, 2018:

Property	Property count	Location	Acquisition date	Asset class
Stapley Center	1	Greater Phoenix Area, AZ	August 13, 2018	Office
Boulder Lakes Business Park I	1	Twin Cities Area, MN	November 27, 2018	Office

On March 7, 2018, the REIT acquired an additional 50% interest in each of 1700 Broadway and Hudson's Bay Centre, office properties located in the Greater Denver Area, Colorado. Prior to the acquisition date, the REIT owned 50% 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 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 50% interests to fair value at the acquisition date. The REIT recorded a net fair value gain of \$1,697 on this remeasurement, which was included in net income from investments in joint ventures.

The REIT acquired the remaining 50% interests for total consideration of \$50,148. This consideration primarily consisted of the issuance of common units at a price of \$14.85 per unit for gross consideration of \$47,300. The REIT recorded a bargain purchase gain related to the issuance of the units of \$3,504. As part of acquiring the previously unowned 50% of the net assets of these properties, the REIT also recorded additional bargain purchase gains of \$1,880 for a total gain of \$5,384.

On October 5, 2018, the REIT acquired an additional 10% interest in Park Lucero II, an industrial property located in the Greater Phoenix Area, Arizona for total consideration of \$2,090. Prior to the acquisition date, the REIT owned 90% of this investment property and the property was classified as joint venture and accounted for using the equity method. As a result of this acquisition, the REIT owns 100% of the property and accounts for it on a consolidated basis. The REIT accounted for this acquisition as step acquisition and remeasured its existing 90% interests to fair value at the acquisition date.

On October 19, 2018, the REIT acquired a surface parking lot ancillary to an existing office property in Winnipeg, Manitoba.

In addition, the REIT acquired the following parcels of development land during the year ended December 31, 2018:

Property	Location	Acquisition date	Asset class
Cedar Port	Houston (Bayport), TX	March 26, 2018	Industrial
Tower Business Center ⁽¹⁾	Greater Denver Area, CO	April 20, 2018	Industrial
1630 Aspen	Madison, WI	May 31, 2018	Office

(1) The REIT acquired an 80% interest in this joint venture arrangement.

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:

		2019	Year ended December 31, 2018
Investment properties (note 4)	\$	71,635	\$ 252,680
Long-term debt, including acquired above- and below-market mortgages, net of financing costs		(34,109)	(83,803)
Other net liabilities		(71)	(92)
		37,455	168,785
Consideration was comprised of the following:			
Common units (note 15(a)(ii))		—	43,651
Cash consideration		36,349	118,782
Bargain purchase gains		1,106	5,384
Foreign currency translation gain		—	968
Total consideration	\$	37,455	\$ 168,785
Transaction costs expensed (note 21)	\$	301	\$ 1,393

Dispositions:

The REIT disposed of the following properties during the year ended December 31, 2019:

Property	Property count	Location	Disposition date	Asset class
169 Inverness Drive West I & II ⁽¹⁾	1	Greater Denver Area, CO	April 9, 2019	Office
Reenders Square	1	Winnipeg, MB	May 21, 2019	Retail
Britannia Building	1	Calgary, AB	May 22, 2019	Office
Nanaimo Portfolio	4	Nanaimo, BC	June 17, 2019	Office & Retail
1700 Broadway	1	Greater Denver Area, CO	June 27, 2019	Office
GSA Professional Office Building	1	Greater Phoenix Area, AZ	July 26, 2019	Office
415 Yonge Street	1	Greater Toronto Area, ON	September 27, 2019	Office
Estevan Retail Portfolio	2	Estevan, SK	October 30, 2019	Retail
495 Richmond Road	1	Ottawa, ON	November 27, 2019	Office
Centre 70 Building	1	Calgary, AB	December 16, 2019	Office
Minnesota Retail Portfolio ⁽¹⁾	6	Twin Cities Area, MN	December 19, 2019	Retail

(1) These dispositions also include a parcel of development land.

The cash proceeds from the sale of the above properties, net of costs and related debt, were \$247,819. The REIT also received a note receivable, secured by the disposed property, in the amount of \$79,000 in conjunction with the sale of 415 Yonge Street (note 8). The assets and liabilities associated with the properties were derecognized.

The REIT disposed of the following properties during the year ended December 31, 2018:

Property	Property count	Location	Disposition date	Asset class
Humana Building	1	Greater Phoenix Area, AZ	January 23, 2018	Office
1810 Dublin Avenue	1	Winnipeg, MB	March 22, 2018	Industrial
630 - 4th Avenue SW	1	Calgary, AB	June 1, 2018	Office
Production Court & Eau Claire Place II	2	Greater Vancouver Area, BC & Calgary, AB	June 27, 2018	Office

On September 11, 2018, the REIT contributed industrial development land located in the Greater Houston Area, Texas, to a new joint venture arrangement, Park 8Ninety II.

The cash proceeds from the sale of the above properties, net of costs and related debt, were \$126,508. The assets and liabilities associated with the properties were derecognized.

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

			Year ended December 31, 2019
	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of year	\$ 4,941,825	\$ 119,604	\$ 320,465
Additions:			
Acquisitions (note 3)	71,635	—	—
Reclassification from investments in joint ventures ⁽¹⁾	66,765	—	—
Capital expenditures	42,116	82,994	3,650
Capitalized interest ⁽²⁾	—	3,740	—
Leasing commissions	14,415	1,168	1,158
Straight-line rent adjustments	5,446	—	631
Tenant inducement additions, net of amortization	16,133	2,762	1,532
Dispositions	(162,475)	—	(385,289)
Foreign currency translation loss	(106,548)	(1,964)	(1,812)
Fair value gain (loss)	19,400	2,601	(116,728)
Reclassification of investment properties under development	95,827	(95,827)	—
Reclassification of investment properties held for sale	(385,820)	(12,488)	398,308
Balance, end of year	\$ 4,618,719	\$ 102,590	\$ 221,915

(1) On May 16, 2019, the REIT increased its ownership interest in Park 8Ninety I to 100%. See note 3 for further information.

(2) During the year ended December 31, 2019, interest was capitalized to investment properties under development at a weighted average effective interest rate of 3.81%.

	Year ended December 31, 2018		
	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of year	\$ 4,720,362	\$ 79,701	\$ 110,188
Additions:			
Acquisitions (note 3)	241,560	11,120	—
Reclassification from investments in joint ventures ^{(1) (3)}	108,390	—	—
Capital expenditures	35,659	56,544	2
Capitalized interest ⁽⁵⁾	—	1,304	—
Leasing commissions	10,511	2,283	246
Straight-line rent adjustments	5,485	—	6
Tenant inducement additions, net of amortization	25,655	—	1,129
Contribution to investments in joint ventures ⁽²⁾	—	(10,421)	—
Dispositions	(121,205)	(521)	(31,468)
Transfer to inventory properties ⁽⁴⁾	(8,800)	(1,816)	—
Foreign currency translation gain	169,867	5,417	7,795
Fair value (loss) gain	(43,384)	10,104	(3,819)
Reclassification of investment properties under development	34,111	(34,111)	—
Reclassification of investment properties held for sale	(236,386)	—	236,386
Balance, end of year	\$ 4,941,825	\$ 119,604	\$ 320,465

(1) On March 7, 2018, the REIT increased its ownership interest in 1700 Broadway and Hudson's Bay Centre to 100%. See note 3 for further information.

(2) On September 11, 2018, the REIT contributed land under development to Park 8Ninety II, a joint venture arrangement. See note 3 for further information.

(3) On October 5, 2018, the REIT increased its ownership interest in Park Lucero II to 100%. See note 3 for further information.

(4) During the year ended December 31, 2018, an investment property and the related development expenditures were transferred to inventory properties. See note 7 for further information.

(5) During the year ended December 31, 2018, interest was capitalized to investment properties under development at a weighted average effective interest rate of 3.84%.

During the year ended December 31, 2019, the REIT reclassified three industrial properties and one office densification project from investment properties under development to investment properties.

The REIT had one retail property, seven office properties and one parcel of development land classified as investment properties held for sale that were listed with external brokers or under unconditional sale agreements at December 31, 2019 (December 31, 2018, 10 retail properties and six office properties). The properties held for sale had an aggregate mortgage payable balance of \$66,587 at December 31, 2019 (December 31, 2018, \$114,935). This balance is not accounted for as held for sale but is included in current liabilities as the REIT intends to repay or have the purchaser assume the mortgages upon disposition of the related investment properties.

At December 31, 2019, included in investment properties was \$47,933 (December 31, 2018, \$44,709) of net straight-line rent receivables arising from the recognition of rental income on a straight-line basis over the lease term.

Investment properties include right-of-use assets held under a lease with an aggregate fair value of \$13,997 at December 31, 2019 (December 31, 2018, \$12,978). The lease payments required under this lease were fully paid at the time of acquisition of the property.

At December 31, 2019, investment properties with a fair value of \$3,031,195 (December 31, 2018, \$3,587,739) 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 year ended December 31, 2019, properties (including the REIT's ownership interest in properties held in joint venture arrangements) with an appraised value of \$563,870 (2018, \$977,379), 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. Internal valuations are performed by the REIT's valuations team who report directly to the Chief Financial Officer. The valuations processes and results are reviewed by management on a quarterly basis.

The REIT determined the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method. Under the discounted cash flow method, expected future cash flows are discounted using an appropriate rate based on the risk of the property. Expected future cash flows for each investment property are based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. The REIT uses leasing history, market reports, tenant profiles and building assessments, among other things, in determining the most appropriate assumptions. Discount and capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one net income is stabilized and capitalized at a rate appropriate for each investment property. The stabilized net income incorporates allowances for vacancy, management fees and structural repair reserves. The resulting capitalized value is further adjusted, where appropriate, for costs to stabilize the net income and non-recoverable capital expenditures. There were no changes to the REIT's internal valuation methodology during the years ended December 31, 2019 and 2018.

A change in the discount or capitalization rates used could have a material impact on the fair value of the REIT's investment properties. When discount or capitalization rates compress, the estimated fair values of investment properties increase. When discount or capitalization rates expand, the estimated fair values of investment properties decrease.

A change in estimated future rental income and expenses could have a material impact on the fair value of the REIT's investment properties. Estimated rental income and expenses are affected by, but not limited to, changes in rent and expense growth and occupancy rates.

Under the fair value hierarchy, the fair value of the REIT's investment properties is considered a Level 3, as described in note 31.

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

	December 31, 2019			December 31, 2018		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Canada:						
Discount rate	9.50 %	5.00 %	7.38 %	9.50%	5.25%	7.43%
Terminal capitalization rate	9.00 %	3.75 %	6.34 %	9.00%	3.75%	6.36%
Capitalization rate	9.00 %	3.75 %	6.23 %	8.75%	3.75%	6.30%
Investment horizon (years)	11.0	10.0	10.3	12.0	10.0	10.3
U.S.:						
Discount rate	9.00 %	6.25 %	7.86 %	9.00%	6.50%	7.94%
Terminal capitalization rate	8.00 %	5.25 %	6.86 %	8.75%	5.50%	6.92%
Capitalization rate	8.00 %	5.00 %	6.73 %	8.50%	5.25%	6.77%
Investment horizon (years)	12.0	10.0	10.4	15.0	10.0	10.6
Total portfolio:						
Discount rate	9.50 %	5.00 %	7.55 %	9.50%	5.25%	7.62%
Terminal capitalization rate	9.00 %	3.75 %	6.53 %	9.00%	3.75%	6.57%
Capitalization rate	9.00 %	3.75 %	6.41 %	8.75%	3.75%	6.47%
Investment horizon (years)	12.0	10.0	10.3	15.0	10.0	10.4

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

The 2018 comparative information for rates and investment horizons has been restated to reflect the 2019 presentation.

The following sensitivity table outlines the impact of a 0.25% change in the weighted-average capitalization rate on investment properties at December 31, 2019:

	Change to fair value if capitalization rate increased by 0.25%	Change to fair value if capitalization rate decreased by 0.25%
Canada	\$ (110,436)	\$ 120,471
U.S.	(74,905)	80,844
	\$ (185,341)	\$ 201,315

Note 5. Joint arrangements

The REIT has interests in the following joint arrangements:

Property	Principal purpose	Type of arrangement	Ownership interest	
			December 31, 2019	December 31, 2018
Park 8Ninety I ⁽¹⁾	Investment property	Joint venture	— %	95 %
Park 8Ninety II	Investment property	Joint venture	95 %	95 %
Park 8Ninety IV	Investment property	Joint venture	95 %	— %
Corridor Park	Investment property	Joint venture	90 %	90 %
Millwright Building	Investment property	Joint venture	80 %	80 %
Tower Business Center	Investment property	Joint venture	80 %	80 %
Graham Portfolio	Investment property	Joint venture	75 %	75 %
The Point at Inverness	Investment property	Joint venture	50 %	50 %
Centre 70 Building ⁽¹⁾	Investment property	Joint operation	— %	85 %
Cliveden Building	Investment property	Joint operation	50 %	50 %
Kincaid Building	Investment property	Joint operation	50 %	50 %

(1) During 2019, the REIT increased its ownership interest in these properties to 100%. 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.

During the year ended December 31, 2019, the REIT entered into a new joint venture arrangement for Park 8Ninety IV, an industrial development project in the Greater Houston Area, Texas.

During the year ended December 31, 2019, the REIT contributed \$17,087 to Tower Business Center, Park 8Ninety I, Park 8Ninety II, Corridor Park and the Millwright Building joint venture arrangements.

During the year ended December 31, 2018, the Centrepont joint venture disposed of its investment property and the REIT received net proceeds of \$7,850 from its share of the disposition.

The REIT is contingently liable for the obligations of certain joint arrangements. As at December 31, 2019, the co-owners' share of mortgage liabilities was \$40,816 (December 31, 2018, \$37,642). 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:

	December 31, 2019	December 31, 2018
Non-current assets:		
Investment properties	\$ 306,051	\$ 255,661
Investment properties under development	—	40,635
Current assets:		
Prepaid expenses and other assets	86	244
Accounts receivable and other receivables	1,281	822
Cash	9,207	3,808
Total assets	316,625	301,170
Non-current liabilities:		
Mortgages and loans payable	93,977	44,017
Current liabilities:		
Mortgages and loans payable	27,598	59,068
Security deposits and prepaid rent	3,483	3,264
Accounts payable and other liabilities	4,957	18,320
Total liabilities	130,015	124,669
Investments in joint ventures	\$ 186,610	\$ 176,501
		Year ended December 31,
	2019	2018
Revenue	\$ 17,958	\$ 21,195
Expenses:		
Property operating	4,938	5,560
Realty taxes	3,513	4,422
Total operating expenses	8,451	9,982
Net operating income	9,507	11,213
Other income (expenses):		
Interest expense	(4,372)	(5,592)
Interest income	7	8
Fair value gain on investment properties	31,701	1,428
Fair value gain on business combinations ⁽¹⁾	—	1,697
Net income from investments in joint ventures	\$ 36,843	\$ 8,754

(1) The gain relates to the step acquisitions of 1700 Broadway and Hudson's Bay Centre. See note 3 for further information.

Note 6. Property and equipment

	December 31, 2019	December 31, 2018
Office furniture and fixtures	\$ 12,262	\$ 10,582
Office equipment and software	1,423	1,354
Right-of-use leased assets	611	—
Accumulated depreciation	(6,510)	(5,403)
	\$ 7,786	\$ 6,533

Note 7. Inventory properties

The changes to the REIT's inventory properties were as follows:

	December 31, 2019	December 31, 2018
Balance, beginning of year	\$ 11,227	\$ —
Transfers from investment properties	—	8,800
Transfers from investment properties under development	—	1,816
Capital expenditures	3,268	611
Capitalized interest	137	—
Balance, end of year	\$ 14,632	\$ 11,227

During the year ended December 31, 2018, the REIT transferred an industrial property being converted into commercial condominium units to inventory properties at the fair value on the transfer date. Inventory properties earned net operating income of \$284 for the year ended December 31, 2019 (2018, \$99).

Note 8. Notes receivable

	December 31, 2019	December 31, 2018
Note receivable, maturing in July 2022, bearing interest at 5.05% per annum, interest-only monthly payment until maturity, secured by an office property.	\$ 79,000	\$ —
Note receivable from tenant maturing in May 2023, bearing interest at 5.89% per annum, repayable in varying blended monthly installments. A default under the terms of the note constitutes a default of the lease of the tenant.	8,554	10,814
Note receivable from tenant, maturing in November 2031, bearing interest at 8.50% per annum, repayable in blended monthly installments of US\$50.	5,856	3,710
Note receivable from tenant maturing in September 2021, bearing interest at 1.00% per annum, repayable in blended monthly installments of \$64.	1,326	2,075
Other notes receivable	3,092	4,160
	97,828	20,759
Current portion	3,996	4,543
Non-current portion	\$ 93,832	\$ 16,216

Note 9. Prepaid expenses and other assets

	December 31, 2019	December 31, 2018
Prepaid insurance	\$ 3,499	\$ 3,234
Prepaid realty taxes	1,029	1,165
Prepaid acquisition, disposition and development costs	1,176	593
Derivative instruments (note 31)	1,303	12,322
Other prepaid expenses	3,526	3,268
	\$ 10,533	\$ 20,582

Note 10. Accounts receivable and other receivables

	December 31, 2019	December 31, 2018
Rents receivable (note 30 (b))	\$ 8,108	\$ 8,970
Allowance for doubtful accounts (note 30 (b))	(406)	(471)
Accrued recovery income	5,352	4,019
Other receivables	7,959	8,583
	\$ 21,013	\$ 21,101

Note 11. Mortgages and loans payable

	December 31, 2019	December 31, 2018
Mortgages and loans payable	\$ 1,403,401	\$ 1,690,671
Net above- and below-market mortgage adjustments	3,170	1,175
Financing costs	(5,223)	(6,836)
	1,401,348	1,685,010
Current portion	396,152	412,558
Non-current portion	\$ 1,005,196	\$ 1,272,452

The majority of the REIT's investment properties have been pledged as security under mortgages and other security agreements. As at December 31, 2019, 32.1% of the REIT's mortgages and loans payable bear interest at fixed rates (December 31, 2018, 40.0%), and a further 27.1% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place (December 31, 2018, 31.6%). The weighted-average effective rate on all mortgages and loans payable was 3.94% and the weighted-average nominal rate was 3.77% at December 31, 2019 (December 31, 2018, 4.27% and 4.07%, respectively). Maturity dates range from January 1, 2020 to June 1, 2031.

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 December 31, 2019 and 2018.

Note 12. Senior unsecured debentures

On February 7, 2018, under the August 8, 2016 short form base shelf prospectus, the REIT issued Series B floating rate senior unsecured debentures for gross proceeds of \$200,000. Interest is payable quarterly on February 7, May 7, August 7 and November 7 in each year. These debentures are not redeemable by the REIT prior to maturity and rank equally with all other indebtedness of the REIT.

On February 22, 2019, under the August 23, 2018 short form base shelf prospectus, the REIT issued 3.674% Series C senior unsecured debentures for gross proceeds of \$250,000. Interest is payable semi-annually on February 22 and August 22 in each year. These debentures are not redeemable by the REIT prior to maturity and rank equally with all other indebtedness of the REIT.

On March 27, 2019, upon maturity, the REIT repaid the outstanding face value of the 3.753% Series A senior unsecured debentures in the amount of \$200,000.

Interest expense on the senior unsecured debentures is determined by applying the effective interest rate to the outstanding liability balance. The difference between actual cash interest payments and interest expense is an accretion to the liability.

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

Senior unsecured debenture issue	Issue date	Maturity date	Applicable interest rates ⁽¹⁾
Series B	February 7, 2018	February 7, 2020	3.354 %
Series C	February 22, 2019	February 22, 2021	3.674 %

(1) The REIT has entered into an interest rate swap agreement on the Series B senior unsecured debentures.

	Face value	Unamortized accretion	Unamortized financing costs	Carrying value	Current portion	Non-current portion
Series B	\$ 200,000	\$ —	\$ (41)	\$ 199,959	\$ 199,959	\$ —
Series C	250,000	—	(628)	249,372	—	249,372
December 31, 2019	\$ 450,000	\$ —	\$ (669)	\$ 449,331	\$ 199,959	\$ 249,372
December 31, 2018	400,000	51	(515)	399,536	199,971	199,565

During the year ended December 31, 2019, accretion to the liability of \$51 and financing cost amortization of \$901 (2018, \$216 and \$682, respectively) were recorded.

In accordance with the Series B and Series C senior unsecured debenture supplemental indentures, the REIT must maintain a consolidated EBITDA to consolidated interest expense ratio of not less than 1.65, consolidated indebtedness to aggregate assets of not more than 65% and minimum adjusted unitholders' equity of \$300,000. As at December 31, 2019 and 2018, the REIT was in compliance with these requirements.

Note 13. Credit facilities

The REIT has unsecured revolving term credit facilities in the aggregate amount of \$700,000, 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 REIT also has 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 REIT's unsecured credit facilities are summarized as follows:

	December 31, 2019			December 31, 2018			
	Borrowing capacity	Amounts drawn	Available to be drawn	Amounts drawn	Available to be drawn	Applicable interest rates ⁽¹⁾	
Revolving facilities maturing December 14, 2021	\$ 400,000	\$ 341,117	\$ 58,883	\$ 283,907	\$ 116,093	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, 2023	300,000	246,994	53,006	190,800	109,200	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	—	150,000	—		3.57 %
Non-revolving facility maturing July 18, 2022	150,000	150,000	—	150,000	—		3.50 %
Financing costs		(1,589)		(2,169)			
Total credit facilities	\$1,000,000	\$ 886,522	\$ 111,889	\$ 772,538	\$ 225,293		

(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 a consolidated indebtedness to consolidated gross book value ratio of not more than 65%, a consolidated secured indebtedness to consolidated gross book value ratio of not more than 50%, a minimum consolidated EBITDA to debt service ratio of 1.4, a minimum unitholders' equity of not less than the sum of \$1,700,000 and 75% of net proceeds received in connection with any equity offerings made after the date of the credit facilities agreement, a minimum unencumbered property assets value to consolidated unsecured indebtedness ratio of 1.4, and a minimum consolidated EBITDA to consolidated interest expense ratio of 1.65. As at December 31, 2019 and 2018, the REIT was in compliance with these requirements.

Note 14. Accounts payable and other liabilities

	December 31, 2019	December 31, 2018
Accounts payable and accrued liabilities	\$ 39,018	\$ 33,988
Distributions payable	7,458	8,674
Accrued interest	8,694	8,744
Accrued realty taxes	11,136	14,189
Tenant installments payable	2,939	4,152
Derivative instruments (note 31)	8,187	4,006
Cash-settled unit-based payments liability	9,205	2,942
Other payables and liabilities	1,594	1,192
	\$ 88,231	\$ 77,887

Note 15. 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, 2017	150,599,666	\$ 1,961,659
Restricted units redeemed	35,749	464
Deferred units redeemed	4,189	59
Private placement, net of issue costs of \$145 ⁽¹⁾	3,185,152	43,651
Units acquired and cancelled through normal course issuer bid	(3,374,071)	(43,998)
Units acquired through normal course issuer bid, not cancelled at year end	(167,856)	(2,188)
Balance at December 31, 2018	150,282,829	1,959,647
Restricted units redeemed	51,981	606
Deferred units redeemed	39,546	470
Units acquired and cancelled through normal course issuer bid	(12,417,833)	(161,976)
Balance at December 31, 2019	137,956,523	\$ 1,798,747

(1) The REIT issued units related to the step-acquisitions of 1700 Broadway and Hudson's Bay Centre. See note 3 for further information.

(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:

	Series A	Series C	Series E	Series G	Series I	Total
Number of units outstanding at December 31, 2017	3,450,000	3,000,000	4,000,000	3,200,000	—	13,650,000
Preferred units redeemed	—	(3,000,000)	—	—	—	(3,000,000)
Preferred units issued	—	—	—	—	5,000,000	5,000,000
Units acquired and cancelled through normal course issuer bid	(4,000)	—	(3,800)	(3,300)	—	(11,100)
Units acquired through normal course issuer bid, not cancelled at year end	(600)	—	—	(500)	—	(1,100)
Number of units outstanding at December 31, 2018	3,445,400	—	3,996,200	3,196,200	5,000,000	15,637,800
Units acquired and cancelled through normal course issuer bid	(58,100)	—	(162,300)	(57,700)	—	(278,100)
Preferred units redeemed	—	—	—	(3,138,500)	—	(3,138,500)
Number of units outstanding at December 31, 2019	3,387,300	—	3,833,900	—	5,000,000	12,221,200

The carrying value of the REIT's outstanding preferred units are as follows:

	Series A	Series C	Series E	Series G	Series I	Total
Annual distribution rate	5.662 %	5.250 %	5.472 %	5.000 %	6.000 %	
Distribution rate reset date	September 30, 2022	—	September 30, 2023	—	April 30, 2023	
Carrying value at December 31, 2017	\$ 82,143	\$ 69,753	\$ 96,537	\$ 77,190	\$ —	\$ 325,623
Preferred units redeemed	—	(69,753)	—	—	—	(69,753)
Preferred units issued	—	—	—	—	121,304	121,304
Units acquired and cancelled through normal course issuer bid	(95)	—	(92)	(80)	—	(267)
Units acquired through normal course issuer bid, not cancelled at year end	(14)	—	—	(12)	—	(26)
Carrying value at December 31, 2018	82,034	—	96,445	77,098	121,304	376,881
Units acquired and cancelled through normal course issuer bid	(1,383)	—	(3,916)	(1,388)	—	(6,687)
Preferred units redeemed	—	—	—	(75,710)	—	(75,710)
Carrying value at December 31, 2019	\$ 80,651	\$ —	\$ 92,529	\$ —	\$ 121,304	\$ 294,484
Face value at December 31, 2019	\$ 84,683	\$ —	\$ 95,847	\$ —	\$ 125,000	\$ 305,530
Face value at December 31, 2018	86,135	—	99,905	79,905	125,000	390,945

(i) Series A:

On August 2 and 10, 2012, the REIT issued a total of 3,450,000 Cumulative Rate Reset Preferred Trust Units, Series A (the "Series A Units") for aggregate gross proceeds of \$86,250. The Series A Units pay a cumulative distribution yield of 5.25% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial five-year period ending September 30, 2017. The distribution rate was reset on September 30, 2017 at 5.662% and will be reset on September 30, 2022 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 4.06%.

The REIT may redeem the Series A Units on September 30, 2022 and on September 30 every five years thereafter. The holders of Series A Units have the right to reclassify their Series A Units to Preferred Units, Series B (the "Series B Units"), subject to certain conditions, on September 30, 2022 and on September 30 every five years thereafter. The Series B Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series B Units have the right to reclassify their Series B Units to Series A Units on September 30, 2027 and on September 30 every five years thereafter.

(ii) Series C:

On September 18, 2012, the REIT issued 3,000,000 Cumulative Rate Reset Preferred Trust Units, Series C (the "Series C Units") for aggregate gross proceeds of US\$75,000. The Series C Units paid a fixed cumulative distribution yield of 5.25% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial approximately five and a half-year period ended March 31, 2018. On March 31, 2018, the REIT redeemed all 3,000,000 outstanding Series C Units with an aggregate face value of US\$75,000. The REIT recognized a foreign currency translation loss of \$26,952 on this redemption through contributed surplus.

(iii) Series E:

On March 21, 2013, the REIT issued 4,000,000 Cumulative Rate Reset Preferred Trust Units, Series E (the "Series E Units") for aggregate gross proceeds of \$100,000. The Series E Units paid a cumulative distribution yield of 4.75% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial period ended September 30, 2018. The distribution rate was reset on September 30, 2018 at 5.472% and will be reset on September 30, 2023 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 3.30%.

The REIT may redeem the Series E Units on September 30, 2023 and on September 30 every five years thereafter. The holders of Series E Units have the right to reclassify their Series E Units to Preferred Units, Series F (the "Series F Units"), subject to certain conditions, on September 30, 2023 and on September 30 every five years thereafter. The Series F Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series F Units have the right to reclassify their Series F Units to Series E Units on September 30, 2028 and on September 30 every five years thereafter.

(iv) Series G:

On July 29, 2013, the REIT issued 3,200,000 Cumulative Rate Reset Preferred Trust Units, Series G (the "Series G Units") for aggregate gross proceeds of \$80,000. This included 200,000 Series G Units issued pursuant to the partial exercise of the Underwriters' option. The Series G Units paid a cumulative distribution yield of 5.00% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial period ended July 31, 2019. On July 31, 2019, the REIT redeemed all 3,138,500 outstanding Series G Units with an aggregate face value of \$78,463.

(v) Series I:

On January 31, 2018, under the August 8, 2016 short form base shelf prospectus, the REIT issued 5,000,000 Cumulative Minimum Rate Reset Preferred Trust Units, Series I (the "Series I Units") for aggregate gross proceeds of \$125,000. The Series I Units pay a cumulative distribution yield of 6.00% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial five-year period ending April 30, 2023. The distribution rate will be reset on April 30, 2023 and every five years thereafter at a rate equal to the greater of (i) the sum of the then five-year Government of Canada bond yield and 3.93% and (ii) 6.00%.

The REIT may redeem the Series I Units on April 30, 2023 and on April 30 every five years thereafter. The holders of Series I Units have the right to reclassify their Series I Units to Preferred Units, Series J (the "Series J Units"), subject to certain conditions, on April 30, 2023 and on April 30 every five years thereafter. The Series J Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series J Units have the right to reclassify their Series J Units to Series I Units on April 30, 2028 and on April 30 every five years thereafter.

The Series A Units, Series E Units and Series I Units rank equally with each other and with the outstanding Series B Units, Series F Units and Series J Units into which they may be reclassified, and rank in priority to the trust units.

(c) Normal course issuer bid:

On December 13, 2019, the REIT announced that the Toronto Stock Exchange ("TSX") approved the renewal of its normal course issuer bid ("NCIB"). Under the renewed bid, the REIT has the ability to purchase for cancellation up to a maximum of 10% of the REIT's public float of common units and preferred units as at December 5, 2019 as follows:

	Public float	10% of public float
Common units	119,019,978	11,901,997
Preferred unit series:		
Series A	3,387,300	338,730
Series E	3,835,700	383,570
Series I	4,900,000	490,000

Purchases will be made at market prices through the facilities of the TSX and all common units and preferred units acquired by the REIT under this bid will be cancelled. This bid will remain in effect until the earlier of December 16, 2020, or the date on which the REIT has purchased the maximum number of units permitted under the bid. During the year ended December 31, 2019, the REIT acquired 12,417,833 common units at market prices aggregating \$138,403, resulting in contributed surplus of \$23,573, which was the excess of stated capital over redemption proceeds. During the year ended December 31, 2019, the REIT also acquired 58,100, 162,300 and 57,700 Series A, E and G Units, respectively, at market prices aggregating \$5,866, resulting in contributed surplus of \$821, which was the excess of stated capital over redemption proceeds.

During the year ended December 31, 2018, the REIT acquired 3,541,927 common units at market prices aggregating \$34,605, resulting in contributed surplus of \$11,581, which was the excess of stated capital over redemption proceeds. During the year ended December 31, 2018, the REIT also acquired 4,600, 3,800 and 3,800 Series A, E and G Units, respectively, at market prices aggregating \$242, resulting in contributed surplus of \$51, which was the excess of stated capital over redemption proceeds.

(d) Short form base shelf prospectus:

On August 23, 2018, 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 \$1,000,000 (i) common units of the REIT; (ii) preferred 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 December 31, 2019, the REIT had issued senior unsecured debentures under one offering in the amount of \$250,000 under this short form base shelf prospectus.

(e) Weighted-average common units:

	Year ended December 31,	
	2019	2018
Net income	\$ 122,737	\$ 158,636
Adjustment for distributions to preferred unitholders (note 17)	(19,936)	(21,948)
Net income attributable to common unitholders	102,801	136,688
Adjustment for restricted units	—	(1,140)
Adjustment for deferred units	—	(403)
Diluted net income attributable to common unitholders	\$ 102,801	\$ 135,145
The weighted-average number of common units outstanding was as follows:		
Basic common units	142,434,694	153,069,303
Effect of dilutive securities:		
Restricted units	—	427,187
Deferred units	—	72,582
Diluted common units	142,434,694	153,569,072
Net income per unit attributable to common unitholders:		
Basic	\$ 0.72	\$ 0.89
Diluted	0.72	0.88

The computation of diluted net income per unit attributable to common unitholders includes restricted units and deferred units when these instruments are dilutive. For the year ended December 31, 2019, restricted and deferred units were anti-dilutive, for an aggregate total of 535,557 and 280,942 units, respectively. For the year ended December 31, 2018, there were no anti-dilutive units.

Note 16. Equity incentive plan

Under the REIT's equity incentive plan, there may be grants of unit options, restricted units, deferred units and installment units, which are subject to certain restrictions. Under this incentive plan, the total number of units reserved for issuance may not exceed 8,500,000 units, of which a maximum of 4,000,000 units are reserved for the issuance of unit options.

(a) Restricted units:

Unit-based compensation expense related to restricted units outstanding under the equity incentive plan for the year ended December 31, 2019 amounted to \$2,981 (2018, \$1,136). Restricted units vest on and after the third anniversary of the date of grant. The restricted units accrue additional restricted units during the vesting period, and are credited when the restricted units are redeemed. Each restricted unit is valued at the closing price of the REIT's common units on the balance sheet date.

The REIT's restricted units outstanding are as follows:

	2019	Year ended December 31, 2018
	Units	Units
Balance, beginning of year	546,573	394,040
Granted	287,195	260,920
Accrued	26,356	42,447
Redeemed	(145,129)	(129,621)
Expired	(20,961)	(21,213)
Balance, end of year	694,034	546,573
Restricted units vested at end of year	19,130	25,389

(b) Deferred units:

Unit-based compensation expense related to deferred units outstanding under the equity incentive plan for the year ended December 31, 2019 amounted to \$1,282 (2018, \$340). Deferred units can only be granted to trustees of the REIT and vest immediately. Deferred units are redeemable within a specified time frame after a trustee ceases to be a trustee. The deferred units accrue additional deferred units after the grant date. Each deferred unit is valued at the closing price of the REIT's common units on the balance sheet date.

The REIT's deferred units outstanding are as follows:

	2019	Year ended December 31, 2018
	Units	Units
Balance, beginning of year	92,673	81,635
Granted	409,128	47,027
Accrued	12,594	7,560
Redeemed	(41,944)	(43,549)
Balance, end of year	472,451	92,673
Deferred units vested at end of year	472,451	92,673

(c) Unit options:

At December 31, 2019 and 2018, no unit options had been granted under the REIT's equity incentive plan.

(d) Installment units:

At December 31, 2019 and 2018, no installment units had been granted under the REIT's equity incentive plan.

Note 17. Distributions to unitholders

Total distributions declared to unitholders were as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	\$ 76,396	\$ 0.54	\$ 151,460	\$ 0.99
Preferred unitholders - Series A	4,806	1.42	4,882	1.42
Preferred unitholders - Series C	—	—	1,269	0.42
Preferred unitholders - Series E	5,329	1.37	4,929	1.23
Preferred unitholders - Series G	2,301	0.73	4,000	1.25
Preferred unitholders - Series I	7,500	1.50	6,868	1.38

Note 18. Revenue

The REIT's revenue is made up of the following significant categories:

	Year ended December 31,	
	2019	2018
Base rent	\$ 322,554	\$ 314,743
Operating cost and realty tax recoveries	194,579	187,967
Parking and other revenue	20,736	20,648
Tenant inducements amortized to revenue	(23,385)	(19,761)
Straight-line rent adjustments	6,077	5,491
Lease termination income	1,099	3,782
	\$ 521,660	\$ 512,870

Refer to note 27 for a disaggregation of revenue by reportable geographical region.

The REIT leases office, retail and industrial properties to tenants under operating leases.

Minimum rental commitments on non-cancellable tenant operating leases (including leases held in the REIT's investments in joint ventures) over their remaining terms were as follows:

	December 31, 2019	December 31, 2018
Not later than one year	\$ 315,977	\$ 349,873
One to two years	286,806	300,858
Two to three years	243,841	264,309
Three to four years	209,760	221,482
Four to five years	170,768	176,285
Later than five years	670,120	696,545
	\$ 1,897,272	\$ 2,009,352

Note 19. Corporate expenses

	2019	Year ended December 31, 2018
Accounting, legal and consulting	\$ 4,754	\$ 2,214
Public company costs	1,545	1,599
Unit-based compensation	4,264	1,476
Salaries and benefits	2,688	6,247
Depreciation of property and equipment	1,130	1,049
General and administrative	1,429	1,851
	\$ 15,810	\$ 14,436

Note 20. Interest expense

	2019	Year ended December 31, 2018
Interest on mortgages and loans payable	\$ 62,445	\$ 63,745
Interest on senior unsecured debentures	16,352	12,762
Interest on credit facilities	26,640	21,542
Net amortization of above- and below-market mortgages fair value adjustments	(434)	(271)
Amortization of financing costs	3,857	3,602
Accretion on liability component of debentures	(51)	(216)
	\$ 108,809	\$ 101,164

Note 21. Transaction costs

The REIT incurred transaction costs in relation to the following:

		2019	Year ended December 31, 2018
Acquisitions of investment properties	\$	301	\$ 1,393
Termination of property management agreements		—	5,025
	\$	301	\$ 6,418

During the year ended December 31, 2018, the REIT internalized the property management of several of its investment properties and terminated the third party property management agreements.

Note 22. Fair value (loss) gain on derivative instruments and other transactions

The REIT recorded (losses) gains on the following:

		2019	Year ended December 31, 2018
Interest rate swaps	\$	(11,892)	\$ 221
Foreign currency contracts		(5,978)	5,562
Other derivatives		385	175
Bargain purchase gains ⁽¹⁾		1,106	5,384
	\$	(16,379)	\$ 11,342

(1) The REIT realized bargain purchase gains related to the step acquisition of the Centre 70 Building during the year ended December 31, 2019 and the step acquisitions of 1700 Broadway and Hudson's Bay Centre during the year ended December 31, 2018. See note 3 for further information.

Note 23. Income taxes**(a) Canadian 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 Income Tax Act (Canada) contains legislations affecting the tax treatment of a specified investment flow-through ("SIFT") trust or partnership (the "SIFT Rules"). A SIFT includes a publicly-listed or traded partnership or trust, such as an income trust.

Under the SIFT Rules, certain distributions from a SIFT are not deductible in computing a SIFT's taxable income, and a SIFT is subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital should generally not be subject to tax.

The SIFT Rules do not apply to a REIT that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the SIFT Rules and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions throughout the years ended December 31, 2019 and 2018. As a result, the REIT does not recognize any deferred income tax assets or liabilities for Canadian income tax purposes.

(b) U.S. 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 24. Supplemental cash flow information

(a) Other items not affecting cash:

		Year ended December 31,
	2019	2018
Tenant inducements amortized to revenue	\$ 23,385	\$ 19,761
Straight-line rent adjustments	(6,077)	(5,491)
Depreciation of property and equipment	1,130	1,049
Unit-based compensation	3,182	(122)
Other long-term employee benefits	888	1,427
Amortization of above- and below-market mortgages, net	(434)	(271)
Amortization of financing costs included in interest expense	3,857	3,602
Accretion on liability component of debentures	(51)	(216)
	<u>\$ 25,880</u>	<u>\$ 19,739</u>

(b) Changes in non-cash operating items:

		Year ended December 31,
	2019	2018
Inventory properties	\$ (3,405)	\$ (611)
Prepaid expenses and other assets	(1,497)	1,588
Accounts receivable and other receivables	(1,335)	(3,703)
Security deposits and prepaid rent	(2,225)	3,384
Accounts payable and other liabilities	(3,478)	6,731
	<u>\$ (11,940)</u>	<u>\$ 7,389</u>

(c) Other supplemental cash flow information:

		Year ended December 31,
	2019	2018
Interest paid	\$ 114,500	\$ 103,550
Interest received	3,220	2,172
Income taxes paid	995	13

Note 25. Subsidiaries

Subsidiaries of the REIT, including joint arrangements and excluding bare trustees, are outlined as follows:

Name of entity	Country	Ownership interest	
		December 31, 2019	December 31, 2018
Artis General Partner Ltd.	Canada	100 %	100 %
AX L.P.	Canada	100 %	100 %
Artis Property Management General Partner Ltd.	Canada	100 %	100 %
AX Property Management L.P.	Canada	100 %	100 %
Winnipeg Square Leaseco, Inc.	Canada	100 %	100 %
AR GL General Partner Ltd.	Canada	75 %	75 %
AR GL Limited Partnership	Canada	75 %	75 %
AX Longboat G.P. Inc. ⁽¹⁾	Canada	— %	50 %
AX Longboat L.P. ⁽¹⁾	Canada	— %	50 %
Artis US Holdings, Inc.	U.S.	100 %	100 %
Artis US Holdings II GP, Inc.	U.S.	100 %	100 %
Artis US Holdings II, LLC	U.S.	100 %	100 %
Artis US Holdings II L.P.	U.S.	100 %	100 %
Artis US Holdings III GP, Inc.	U.S.	100 %	100 %
Artis US Holdings III, LLC	U.S.	100 %	100 %
Artis US Holdings III L.P.	U.S.	100 %	100 %
AX US Management, Inc.	U.S.	100 %	100 %
Park 8Ninety Phase I, LP ⁽²⁾	U.S.	100 %	95 %
Park 8Ninety Phase II, LP	U.S.	95 %	95 %
Park 8Ninety Phase IV, LP	U.S.	95 %	— %
Artis/Core Park West Land, Ltd.	U.S.	90 %	90 %
Tower Business Center L.P.	U.S.	80 %	80 %
Artis/Ryan Millwright, LP	U.S.	80 %	80 %
ARTIS HRA Inverness Point GP, LLC	U.S.	50 %	50 %
ARTIS HRA Inverness Point, LP	U.S.	50 %	50 %

(1) These entities disposed of their interest in the Centrepont joint venture in 2018 and were dissolved in 2019.

(2) On May 16, 2019, the REIT increased its ownership interest in this property to 100%. Effective as of May 16, 2019, the REIT no longer discloses its interests in this property as a joint venture. See note 3 for further information.

Note 26. Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the REIT, directly or indirectly.

The remuneration of Trustees and key management personnel was as follows:

		Year ended December 31,	
		2019	2018
Short-term benefits	\$	8,128	\$ 7,892
Post-employment benefits		1,199	4,684
Other long-term benefits		379	1,382
Unit-based compensation		3,060	945
	\$	12,766	\$ 14,903

(a) Short-term benefits:

Short-term employee benefits include salaries, bonuses and other short-term benefits.

(b) Post-employment benefits and other long-term benefits:

The REIT had defined benefit plans providing pension benefits to certain key management personnel. The ultimate retirement benefit was defined by a formula that provides a unit of benefit for each year of service. The REIT also had an obligation for future retirement payments to certain key management personnel upon completion of a defined service period. During the year ended December 31, 2019, the REIT settled the defined benefit plans and the obligation for future retirement payments.

(c) Unit-based compensation:

Refer to note 16 for more information on the REIT's equity incentive plan.

Note 27. Segmented information

The REIT owns and operates various properties located in Canada and the U.S. These properties are managed and reported internally by country. 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.

Prior to 2019, Canada was separated into Western Canada, Central Canada and Eastern Canada reportable segments. As a result of portfolio and staff realignment in 2019 and 2018, the properties in Canada are now managed and reported internally as one segment. The comparative 2018 segmented information for Canada has been aggregated in this note.

Year ended December 31, 2019

	Canada	U.S.	REIT	Joint ventures adjustment	Total
Revenue	\$ 289,050	\$ 250,257	\$ 311	\$ (17,958)	\$ 521,660
Expenses:					
Property operating	74,587	60,450	—	(4,938)	130,099
Realty taxes	44,442	40,776	—	(3,513)	81,705
	119,029	101,226	—	(8,451)	211,804
Net operating income	170,021	149,031	311	(9,507)	309,856
Other income (expenses):					
Corporate expenses	—	—	(15,810)	—	(15,810)
Interest expense	(24,782)	(43,500)	(44,899)	4,372	(108,809)
Interest income	747	526	1,946	(7)	3,212
Net income from investments in joint ventures	—	—	—	36,843	36,843
Fair value gain (loss) on investment properties	4,811	(67,837)	—	(31,701)	(94,727)
Foreign currency translation gain	—	—	10,668	—	10,668
Transaction costs	(120)	(181)	—	—	(301)
Fair value gain (loss) on derivative instruments and other transactions	1,106	—	(17,485)	—	(16,379)
Income (loss) before income taxes	151,783	38,039	(65,269)	—	124,553
Income tax expense	—	(1,816)	—	—	(1,816)
Net income (loss)	\$ 151,783	\$ 36,223	\$ (65,269)	\$ —	\$ 122,737
Acquisitions of investment properties	\$ 7,929	\$ 63,706	\$ —	\$ —	\$ 71,635
Additions to investment properties, investment properties under development and investment properties held for sale	82,932	89,817	—	(43,989)	128,760
Additions to tenant inducements	19,267	29,892	—	(5,347)	43,812
Additions to leasing commissions	6,310	14,069	—	(3,638)	16,741

December 31, 2019

	Canada	U.S.	REIT	Joint ventures adjustment	Total
Total assets	\$ 2,987,331	\$ 2,360,066	\$ 112,637	\$ (130,015)	\$ 5,330,019
Total liabilities	640,100	979,670	1,369,511	(130,015)	2,859,266

Year ended December 31, 2018

	Canada	U.S.	REIT	Joint ventures adjustment	Total
Revenue	\$ 300,216	\$ 233,568	\$ 281	\$ (21,195)	\$ 512,870
Expenses:					
Property operating	75,700	57,557	—	(5,560)	127,697
Realty taxes	47,043	38,229	—	(4,422)	80,850
	122,743	95,786	—	(9,982)	208,547
Net operating income	177,473	137,782	281	(11,213)	304,323
Other income (expenses):					
Corporate expenses	—	—	(14,436)	—	(14,436)
Interest expense	(29,424)	(41,651)	(35,681)	5,592	(101,164)
Interest income	954	351	677	(8)	1,974
Net income from investments in joint ventures	—	—	—	8,754	8,754
Fair value gain (loss) on investment properties	8,005	(43,823)	147	(1,428)	(37,099)
Foreign currency translation loss	—	—	(8,113)	—	(8,113)
Transaction costs	(115)	(1,278)	(5,025)	—	(6,418)
Fair value gain on derivative instruments and other transactions	—	3,578	9,461	(1,697)	11,342
Income (loss) before income taxes	156,893	54,959	(52,689)	—	159,163
Income tax expense	—	(527)	—	—	(527)
Net income (loss)	\$ 156,893	\$ 54,432	\$ (52,689)	\$ —	\$ 158,636
Acquisitions of investment properties	\$ —	\$ 256,404	\$ —	\$ (3,724)	\$ 252,680
Additions to investment properties, investment properties under development and investment properties held for sale	41,941	79,503	—	(29,239)	92,205
Additions to tenant inducements	32,341	21,459	—	(7,255)	46,545
Additions to leasing commissions	6,027	9,954	—	(2,941)	13,040

December 31, 2018

	Canada	U.S.	REIT	Joint ventures adjustment	Total
Total assets	\$ 3,138,072	\$ 2,644,707	\$ 59,067	\$ (124,669)	\$ 5,717,177
Total liabilities	726,942	1,174,199	1,202,660	(124,669)	2,979,132

Note 28. Commitments, contingencies and guarantees

(a) Unconditional sale agreement:

The REIT has an unconditional sale agreement for an office property located in Ottawa, Ontario for a sale price of \$22,500 with expected closing in the first quarter of 2020.

(b) Letters of credit:

As at December 31, 2019, the REIT had issued letters of credit in the amount of \$3,574 (December 31, 2018, \$4,574).

(c) 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.

(d) Guarantees:

At December 31, 2019, the REIT has guaranteed certain debt assumed by purchasers in connection with the dispositions of three properties (December 31, 2018, three 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 December 31, 2019 was \$56,025 (December 31, 2018, \$58,161), with an estimated weighted-average remaining term of 3.1 years (December 31, 2018, 4.1 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 29. 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, 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 December 31, 2019, the ratio of such indebtedness to gross book value was 51.3% (December 31, 2018, 49.9%), which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

The total managed capital for the REIT is summarized below:

	Note	December 31, 2019	December 31, 2018
Mortgages and loans payable	11	\$ 1,401,348	\$ 1,685,010
Senior unsecured debentures	12	449,331	399,536
Credit facilities	13	886,522	772,538
Total debt		2,737,201	2,857,084
Unitholders' equity		2,470,753	2,738,045
		\$ 5,207,954	\$ 5,595,129

Note 30. 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) Market risk:

(i) 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 majority of REIT's debt financing are in fixed rate terms or variables rates with interest rate swaps in place. In addition, management considers the weighted-average term to maturity of long-term debt relative to the remaining average lease terms. At December 31, 2019, the REIT was a party to \$2,041,647 of variable rate debt, including credit facilities and debentures (December 31, 2018, \$1,989,356). At December 31, 2019, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$880,729 of variable rate debt, including swaps on credit facilities and debentures (December 31, 2018, \$834,241).

The following table outlines the impact on interest expense of a 100 basis point increase or decrease in interest rates on the REIT's variable rate debt and fixed rate debt maturing within one year:

	Impact on interest expense	
Variable rate debt	\$	11,609
Fixed rate debt due within one year		4,014
	\$	15,623

(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 is held in US dollars to act as a natural hedge.

A \$0.10 weakening in the US dollar against the calculated average Canadian dollar exchange rate of 1.3266 for the year ended December 31, 2019, and the year end exchange rate of 1.2988 at December 31, 2019, would have increased net income by approximately \$8,346 for the year ended December 31, 2019. A \$0.10 weakening in the US dollar against the Canadian dollar would have decreased other comprehensive income by approximately \$112,689 for the year ended December 31, 2019. 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.

(iii) Other price risk:

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

(b) Credit risk:

The REIT's maximum exposure to credit risk is equivalent to the carrying value of each class of financial asset as separately presented in cash, cash held in trust, accounts receivable and other receivables, deposits on investment properties and notes receivable.

The REIT is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. The REIT's properties are diversified across the office, retail and industrial asset classes, and geographically diversified with properties owned across five Canadian provinces and six U.S. states. Included in property operating expenses is an impairment loss on accounts receivable and other receivables of \$589 during the year ended December 31, 2019 (2018, \$1,000). The credit quality of the accounts receivable and other receivables amount is considered adequate.

The aging of accounts receivable is summarized as follows:

	December 31, 2019	December 31, 2018
Past due 0 - 30 days	\$ 5,110	\$ 6,413
Past due 31 - 90 days	935	935
Past due more than 91 days	2,063	1,622
	8,108	8,970
Allowance for doubtful accounts	(406)	(471)
	\$ 7,702	\$ 8,499

The REIT is also exposed to credit risk as a holder of notes receivable. Management mitigates this risk by carrying out credit checks and related due diligence on the borrowers, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

(c) Liquidity risk:

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they come due. The REIT manages liquidity risk by maintaining adequate cash and by having appropriate lines of credit available. In addition, the REIT continuously monitors and reviews both actual and forecasted cash flows.

The following are the estimated maturities of the REIT's financial liabilities at December 31, 2019 including accounts payable and other liabilities, credit facilities, senior unsecured debentures and mortgages and loans payable. All debentures are disclosed at their face value.

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and other liabilities	\$ 88,231	\$ 88,231	\$ —	\$ —	\$ —
Credit facilities	888,111	—	641,117	246,994	—
Senior unsecured debentures	450,000	200,000	250,000	—	—
Mortgages and loans payable	1,403,401	371,223	530,300	485,840	16,038
	\$ 2,829,743	\$ 659,454	\$ 1,421,417	\$ 732,834	\$ 16,038

Note 31. 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 year ended December 31, 2019 and 2018.

December 31, 2019			December 31, 2018		
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	\$ 4,618,719	\$ 4,618,719	\$ 4,941,825	\$ 4,941,825
Investment properties under development	Level 3	102,590	102,590	119,604	119,604
Notes receivable	Level 2	97,828	98,485	20,759	21,317
Investment properties held for sale	Level 3	221,915	221,915	320,465	320,465
Derivative instruments	Level 2	1,303	1,303	12,322	12,322
		5,042,355	5,043,012	5,414,975	5,415,533
Liabilities:					
Mortgages and loans payable	Level 2	1,401,348	1,412,899	1,685,010	1,693,090
Senior unsecured debentures	Level 2	449,331	453,086	399,536	400,741
Credit facilities	Level 2	886,522	888,111	772,538	774,707
Derivative instruments	Level 2	8,187	8,187	4,006	4,006
		2,745,388	2,762,283	2,861,090	2,872,544
		\$ 2,296,967	\$ 2,280,729	\$ 2,553,885	\$ 2,542,989

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.

Derivative instruments primarily consist of interest rate and foreign currency swaps. The REIT entered into interest rate swaps on a number of mortgages, the non-revolving credit facilities and the Series B senior unsecured debentures. The swaps are not designated in a hedge relationship.

Note 32. Subsequent events

The following events occurred subsequent to December 31, 2019:

- The REIT disposed of four office properties and a parcel of development land located in Calgary, Alberta, for an aggregate sale price of \$117,826. The REIT received a note receivable of \$10,000 as partial consideration for one of the disposed investment properties. In addition, the REIT sold a note receivable from a tenant in one of the disposed investment properties in the amount of \$8,359. A portion of the proceeds was used to repay the outstanding mortgage financing in the amount of \$30,475.
- The REIT entered into an unconditional purchase agreement for a parcel of development land adjacent to existing industrial properties located in the Greater Phoenix Area, Arizona for a purchase price of US\$9,700. The acquisition is expected to close in January 2021.
- The REIT made an interest payment for the Series C senior unsecured debentures in the amount of \$4,593 for the six months ended February 22, 2020.
- The REIT made an interest payment of \$1,533 and repaid the outstanding face value of \$200,000 for the Series B senior unsecured debentures.
- The REIT entered into a two-year senior unsecured non-revolving term credit facility agreement in the amount of \$200,000, bearing interest at prime plus 0.60% or the bankers' acceptance rate plus 1.60%. The REIT drew \$200,000 on this credit facility.
- The REIT repaid a net balance of \$55,500 and US\$5,900 on its revolving term credit facilities.
- The REIT declared a monthly cash distribution of \$0.045 per common unit for the months of January and February 2020.
- The REIT declared a quarterly cash distribution of \$0.3750 per Series I Unit for the three months ended January 31, 2020.

Note 33. Approval of financial statements

These consolidated financial statements were approved by the Board of Trustees and authorized for issue on February 27, 2020.