Interim Condensed Consolidated Financial Statements of

ARTIS REAL ESTATE INVESTMENT TRUST

Three months ended March 31, 2020 and 2019
(Unaudited)

(In Canadian dollars)

Interim Condensed Consolidated Balance Sheets

(Unaudited)

(In thousands of Canadian dollars)

	Note		March 31, 2020		December 31, 2019
ASSETS					
Non-current assets:					
Investment properties	4	$	4,713,631	$	4,618,719
Investment properties under development	4		114,726		102,590
Investments in joint ventures	5		202,408		186,610
Property and equipment			8,640		7,786
Notes receivable	6		97,899		93,832
			5,137,304		5,009,537
Current assets:					
Investment properties held for sale	4		71,354		221,915
Inventory properties			14,710		14,632
Deposits on investment properties			1,376		—
Prepaid expenses and other assets			8,573		10,533
Notes receivable	6		1,655		3,996
Accounts receivable and other receivables	7		41,472		21,013
Cash held in trust			8,000		5,938
Cash			53,039		42,455
			200,179		320,482
Total assets		$	5,337,483	$	5,330,019
LIABILITIES AND UNITHOLDERS' EQUITY					
Non-current liabilities:					
Mortgages and loans payable	8	$	941,264	$	1,005,196
Senior unsecured debentures	9		—		249,372
Credit facilities	10		1,059,911		886,522
Other long-term liabilities			2,020		1,000
			2,003,195		2,142,090
Current liabilities:					
Mortgages and loans payable	8		497,776		396,152
Senior unsecured debentures	9		249,506		199,959
Security deposits and prepaid rent			33,390		32,834
Accounts payable and other liabilities			100,294		88,231
			880,966		717,176
Total liabilities			2,884,161		2,859,266
Unitholders' equity			2,453,322		2,470,753
Commitments, contingencies and guarantees	19				
Subsequent events	23				
Total liabilities and unitholders' equity		$	5,337,483	$	5,330,019

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Operations

(Unaudited)

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

	Note	Three months ended March 31, 2020	2019
Revenue	13	$ 118,541	$ 133,547
Expenses:			
Property operating		29,559	34,480
Realty taxes		19,830	20,589
Total operating expenses		49,389	55,069
Net operating income		69,152	78,478
Other income (expenses):			
Corporate expenses		(813)	(4,117)
Interest expense	14	(24,559)	(27,252)
Interest income		1,496	441
Net income from investments in joint ventures	5	983	2,657
Fair value loss on investment properties	4	(141,435)	(18,527)
Foreign currency translation (loss) gain		(1,102)	6,713
Fair value loss on derivative instruments	15	(14,821)	(12,345)
(Loss) income before income taxes		(111,099)	26,048
Income tax expense	16	(231)	(692)
Net (loss) income		(111,330)	25,356
Other comprehensive income (loss) that may be reclassified to net income in subsequent periods:			
Unrealized foreign currency translation gain (loss)		112,454	(27,788)
Unrealized foreign currency translation gain (loss) on investments in joint ventures		13,073	(2,478)
Other comprehensive income that will not be reclassified to net income in subsequent periods:			
Unrealized gain from remeasurements of net pension obligation		—	402
Other comprehensive income (loss)		125,527	(29,864)
Total comprehensive income (loss)		$ 14,197	$ (4,508)
Basic (loss) income per unit attributable to common unitholders	11	$ (0.84)	$ 0.13
Diluted (loss) income per unit attributable to common unitholders	11	(0.85)	0.13
Weighted-average number of common units outstanding:			
Basic	11	137,965,319	148,563,570
Diluted	11	139,194,612	148,563,570

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Unitholders' Equity

(Unaudited)

(In thousands of Canadian dollars)

	Common units capital contributions	Retained earnings	Accumulated other comprehensive income (loss)	Contributed surplus	Total common equity	Total preferred equity	Total
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 period:							
Issuance of common units, net of issue costs	33	—	—	—	33	—	33
Units acquired and cancelled through normal course issuer bid (note 11)	(70,965)	—	—	13,820	(57,145)	(2,040)	(59,185)
Units acquired through normal course issuer bid, not cancelled at period end (note 11)	(2,191)	—	—	365	(1,826)	(264)	(2,090)
Net income	—	25,356	—	—	25,356	—	25,356
Other comprehensive loss	—	—	(29,864)	—	(29,864)	—	(29,864)
Distributions	—	(23,386)	—	—	(23,386)	—	(23,386)
Unitholders' equity, March 31, 2019	1,886,524	145,139	216,852	25,817	2,274,332	374,577	2,648,909
Changes for the period:							
Issuance of common units, net of issue costs (note 11)	1,043	—	—	—	1,043	—	1,043
Redemption of preferred units (note 11)	—	—	—	(2,753)	(2,753)	(75,710)	(78,463)
Units acquired and cancelled through normal course issuer bid (note 11)	(88,820)	—	—	10,209	(78,611)	(4,383)	(82,994)
Net income	—	97,381	—	—	97,381	—	97,381
Other comprehensive loss	—	—	(41,804)	—	(41,804)	—	(41,804)
Distributions	—	(73,319)	—	—	(73,319)	—	(73,319)
Unitholders' equity, December 31, 2019	1,798,747	169,201	175,048	33,273	2,176,269	294,484	2,470,753
Changes for the period:							
Issuance of common units, net of issue costs (note 11)	217	—	—	—	217	—	217
Units acquired and cancelled through normal course issuer bid (note 11)	(8,753)	—	—	3,770	(4,983)	(598)	(5,581)
Units acquired through normal course issuer bid, not cancelled at period end (note 11)	(1,460)	—	—	708	(752)	(268)	(1,020)
Net loss	—	(111,330)	—	—	(111,330)	—	(111,330)
Other comprehensive income	—	—	125,527	—	125,527	—	125,527
Distributions	—	(25,244)	—	—	(25,244)	—	(25,244)
Unitholders' equity, March 31, 2020	$ 1,788,751	$ 32,627	$ 300,575	$ 37,751	$ 2,159,704	$ 293,618	$ 2,453,322

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands of Canadian dollars)

	Note	Three months ended March 31, 2020	2019
Cash provided by (used in):			
Operating activities:			
Net (loss) income		$ (111,330)	$ 25,356
Adjustments for:			
Distributions from joint ventures		962	1,079
Net income from investments in joint ventures	5	(983)	(2,657)
Fair value loss on investment properties	4	141,435	18,527
Fair value loss on derivative instruments	15	14,821	12,345
Unrealized foreign currency translation loss (gain)		1,871	(6,249)
Other items not affecting cash	17	3,159	6,461
Changes in non-cash operating items	17	(3,925)	6,576
		46,010	61,438
Investing activities:			
Proceeds from dispositions of investment properties, net of costs and related debt	3	70,478	—
Proceeds from disposition of note receivable	6	8,372	—
Additions to investment properties		(5,581)	(4,447)
Additions to investment properties under development		(18,858)	(29,132)
Additions to tenant inducements and leasing commissions		(17,916)	(12,476)
Additions to joint ventures	5	(176)	(8,343)
Additions to property and equipment		(13)	(671)
Issuances of notes receivable		(10)	(2,103)
Notes receivable principal repayments		656	1,112
Change in deposits on investment properties		(1,304)	32
Change in cash held in trust		(1,847)	2,013
		33,801	(54,015)
Financing activities:			
Repayment of mortgages and loans payable		(9,930)	(26,563)
Advance of mortgages and loans payable, net of financing costs		(35)	79
Issuance of senior unsecured debentures, net of financing costs	9	—	248,904
Repayment of senior unsecured debentures	9	(200,000)	(200,000)
Advance of revolving credit facilities		66,500	268,057
Repayment of revolving credit facilities, including financing costs		(97,721)	(227,195)
Advance of non-revolving credit facilities, net of financing costs		199,644	—
Repayment of lease liabilities		(59)	(14)
Purchase of common units under normal course issuer bid	11	(6,026)	(59,271)
Purchase of preferred units under normal course issuer bid	11	(575)	(2,004)
Distributions paid on common units		(18,934)	(18,204)
Distributions paid on preferred units		(4,379)	(5,427)
		(71,515)	(21,638)
Foreign exchange gain (loss) on cash held in foreign currency		2,288	(760)
Increase (decrease) in cash		10,584	(14,975)
Cash, beginning of period		42,455	66,143
Cash, end of period		$ 53,039	$ 51,168

See accompanying notes to interim condensed consolidated financial statements.

Notes to Interim Condensed Consolidated Financial Statements

Three months ended March 31, 2020 and 2019 (Unaudited)

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

Note 1. Organization

Artis Real Estate Investment Trust (the "REIT") is an unincorporated closed-end real estate investment trust created under, and governed by, the laws of the Province of Manitoba. The REIT was created pursuant to the Declaration of Trust dated November 8, 2004, as most recently amended and restated on 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) Basis of presentation and measurement:

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting*. Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed.

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2019, except for those policies and standards adopted as described in note 2 (c). These interim condensed 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.

These interim condensed consolidated financial statements should be read in conjunction with the REIT's consolidated financial statements for the year ended December 31, 2019.

(b) Use of estimates and judgments:

The preparation of the interim condensed consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The critical accounting estimates and judgments have been set out in note 2 to the REIT's consolidated financial statements for the year ended December 31, 2019. There have been no changes to the critical accounting estimates and judgments during the three months ended March 31, 2020.

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

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 – *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments apply to business combinations for which the acquisition date is on or after January 1, 2020. The REIT will apply the amendments to acquisitions completed after January 1, 2020.

Note 3. Acquisitions and dispositions of investment properties

Acquisitions:

The REIT did not acquire any properties during the three months ended March 31, 2020 and 2019.

Dispositions:

The REIT disposed of the following properties during the three months ended March 31, 2020:

Property	Property count	Location	Disposition date	Asset class
Centre 15 Building	1	Calgary, AB	January 21, 2020	Office
Calgary Office Portfolio (1)	2	Calgary, AB	January 30, 2020	Office
800 5th Avenue	1	Calgary, AB	January 31, 2020	Office
1165 Kenaston Street	1	Ottawa, ON	March 31, 2020	Office

(1) Disposition includes a parcel of development land.

On January 24, 2020, the REIT contributed industrial development land located in the Greater Houston Area, Texas, to the Park 8Ninety IV joint venture arrangement.

As at March 31, 2020, the REIT received cash proceeds from the sale of the above properties, net of costs and related debt, in the amount of $70,478. Subsequent to March 31, 2020, proceeds of $19,938 from the sale of 1165 Kenaston Street were received and a portion was used to repay the related mortgage in the amount of $8,636. In conjunction with the sale of 800 5th Avenue, the REIT also received a note receivable in the amount of $10,000, which is secured by the property (note 6). The assets and liabilities associated with the properties were derecognized.

The REIT did not dispose of any properties during the three months ended March 31, 2019.

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

	Three months ended March 31, 2020		
	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of period	$ 4,618,719	$ 102,590	$ 221,915
Additions:			
Capital expenditures	5,399	18,004	182
Capitalized interest (1)	—	834	20
Leasing commissions	3,573	136	64
Straight-line rent adjustments	1,164	—	77
Tenant inducement additions, net of amortization	8,277	253	(145)
Contribution to investments in joint ventures (2)	—	(2,529)	—
Dispositions	—	(135)	(130,745)
Foreign currency translation gain	192,284	1,209	—
Fair value loss	(118,616)	(2,805)	(20,014)
Reclassification of investment properties under development	2,831	(2,831)	—
Balance, end of period	$ 4,713,631	$ 114,726	$ 71,354

(1) During the three months ended March 31, 2020, interest was capitalized to investment properties under development at a weighted average effective interest rate of 3.70%.
(2) On January 24, 2020, the REIT contributed land under development to Park 8Ninety IV, a joint venture arrangement.

			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	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%.

(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%.

The REIT had two office properties and one retail property classified as investment properties held for sale that were listed with external brokers at March 31, 2020 (December 31, 2019, seven office properties, one retail property and one parcel of development land). The properties held for sale had an aggregate mortgage payable balance of $27,057 at March 31, 2020 (December 31, 2019, $66,587). 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.

Investment properties include right-of-use assets held under a lease with an aggregate fair value of $13,982 at March 31, 2020 (December 31, 2019, $13,997). The lease payments required under this lease were fully paid at the time of acquisition of the property.

At March 31, 2020, investment properties with a fair value of $3,068,438 (December 31, 2019, $3,031,195) were pledged as security under mortgage agreements.

The REIT obtains external valuations for a selection of properties representing various geographical regions and asset classes across its portfolio. For the three months ended March 31, 2020, properties (including the REIT's ownership interest in properties held in joint venture arrangements) with an appraised value of $226,750 (three months ended March 31, 2019, $161,997), 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 determines 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 three months ended March 31, 2020 and year ended December 31, 2019.

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.

Emergency measures enacted by governments in response to the COVID-19 pandemic, including travel restrictions, physical distancing and the temporary closure of non-essential businesses, have created significant estimation uncertainty in the determination of the fair value of investment properties as at March 31, 2020. There has been an absence of recently observed market transactions to support changes in discount and capitalization rates, as well as market rents. In addition, the REIT has made assumptions with respect to the duration and severity of these emergency measures as well as the duration of the subsequent economic recovery in estimating the amount and timing of future cash flows generated from investment properties and used in the determination of fair value. As a result of this significant estimation uncertainty there is a risk that the assumptions used to determine fair values as at March 31, 2020 may change as more information becomes available, resulting in a material adjustment to the fair value of investment properties in future reporting periods.

Under the fair value hierarchy, the fair value of the REIT's investment properties is considered a Level 3, as described in note 22.

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

	March 31, 2020			December 31, 2019		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Canada:						
Discount rate	9.50 %	5.00 %	7.28 %	9.50%	5.00%	7.38%
Terminal capitalization rate	9.00 %	3.75 %	6.25 %	9.00%	3.75%	6.34%
Capitalization rate	9.00 %	3.75 %	6.12 %	9.00%	3.75%	6.23%
Investment horizon (years)	12.0	10.0	10.4	11.0	10.0	10.3
U.S.:						
Discount rate	9.00 %	6.25 %	7.86 %	9.00%	6.25%	7.86%
Terminal capitalization rate	8.00 %	5.25 %	6.85 %	8.00%	5.25%	6.86%
Capitalization rate	8.00 %	5.00 %	6.73 %	8.00%	5.00%	6.73%
Investment horizon (years)	11.0	10.0	10.3	12.0	10.0	10.4
Total portfolio:						
Discount rate	9.50 %	5.00 %	7.50 %	9.50%	5.00%	7.55%
Terminal capitalization rate	9.00 %	3.75 %	6.48 %	9.00%	3.75%	6.53%
Capitalization rate	9.00 %	3.75 %	6.35 %	9.00%	3.75%	6.41%
Investment horizon (years)	12.0	10.0	10.3	12.0	10.0	10.3

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

Note 5. Joint arrangements

The REIT has interests in the following joint arrangements:

Property	Principal purpose	Type of arrangement	Ownership interest March 31, 2020	Ownership interest December 31, 2019
Park 8Ninety II	Investment property	Joint venture	95 %	95 %
Park 8Ninety IV	Investment property	Joint venture	95 %	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 %
Cliveden Building	Investment property	Joint operation	50 %	50 %
Kincaid Building	Investment property	Joint operation	50 %	50 %

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

During the three months ended March 31, 2020, the REIT contributed $176 to Tower Business Center, Park 8Ninety II and Park 8Ninety IV joint venture arrangements. In addition, the REIT contributed land under development of $2,529 to the Park 8Ninety IV joint venture arrangement.

The REIT is contingently liable for the obligations of certain joint arrangements. As at March 31, 2020, the co-owners' share of mortgage liabilities was $44,373 (December 31, 2019, $40,816). Management believes that the assets available from its joint arrangements are sufficient for the purpose of satisfying such obligations.

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

	March 31, 2020	December 31, 2019
Non-current assets:		
Investment properties	$ 327,722	$ 306,051
Investment properties under development	10,661	—
Current assets:		
Prepaid expenses and other assets	186	86
Accounts receivable and other receivables	1,384	1,281
Cash	12,621	9,207
Total assets	352,574	316,625
Non-current liabilities:		
Mortgages and loans payable	108,641	93,977
Current liabilities:		
Mortgages and loans payable	31,978	27,598
Security deposits and prepaid rent	2,826	3,483
Accounts payable and other liabilities	6,721	4,957
Total liabilities	150,166	130,015
Investments in joint ventures	$ 202,408	$ 186,610

		Three months ended March 31, 2020		2019
Revenue	$	5,286	$	5,042
Expenses:				
Property operating		1,381		1,311
Realty taxes		1,164		1,077
Total operating expenses		2,545		2,388
Net operating income		2,741		2,654
Other income (expenses):				
Interest expense		(1,348)		(1,193)
Interest income		3		2
Fair value (loss) gain on investment properties		(413)		1,194
Net income from investments in joint ventures	$	983	$	2,657

Note 6. Notes receivable

		March 31, 2020		December 31, 2019
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	$	79,000
Note receivable, maturing in January 2024, bearing interest at 5.00% per annum, interest-only monthly payment until maturity, secured by an office property.		10,000		—
Note receivable from tenant maturing in May 2023, bearing interest at 5.89% per annum, repayable in varying blended monthly installments. (1)		—		8,554
Note receivable from tenant, maturing in November 2031, bearing interest at 8.50% per annum, repayable in blended monthly installments of US$50.		6,318		5,856
Other notes receivable		4,236		4,418
		99,554		97,828
Current portion		1,655		3,996
Non-current portion	$	97,899	$	93,832

(1) The outstanding balance of this note receivable in the amount of $8,372 was sold as part of the Calgary Office Portfolio disposition. See note 3 for further information.

Note 7. Accounts receivable and other receivables

		March 31, 2020		December 31, 2019
Rents receivable	$	10,787	$	8,108
Allowance for doubtful accounts		(543)		(406)
Accrued recovery income		3,886		5,352
Other receivables		27,342		7,959
	$	41,472	$	21,013

As at March 31, 2020, other receivables included proceeds from the sale of 1165 Kenaston Street of $19,938, which were received subsequent to period end. See notes 3 and 23 for further information.

Note 8. Mortgages and loans payable

		March 31, 2020		December 31, 2019
Mortgages and loans payable	$	1,440,856	$	1,403,401
Net above- and below-market mortgage adjustments		3,267		3,170
Financing costs		(5,083)		(5,223)
		1,439,040		1,401,348
Current portion		497,776		396,152
Non-current portion	$	941,264	$	1,005,196

The majority of the REIT's investment properties have been pledged as security under mortgages and other security agreements. As at March 31, 2020, 31.4% of the REIT's mortgages and loans payable bear interest at fixed rates (December 31, 2019, 32.1%), and a further 32.3% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place (December 31, 2019, 27.1%). The weighted-average effective rate on all mortgages and loans payable was 3.66% and the weighted-average nominal rate was 3.47% at March 31, 2020 (December 31, 2019, 3.94% and 3.77%, respectively). Maturity dates range from April 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 March 31, 2020.

Note 9. Senior unsecured debentures

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.

On February 7, 2020, upon maturity, the REIT repaid the outstanding face value of the Series B 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 rate
Series C	February 22, 2019	February 22, 2021	3.674 %

	Face value	Unamortized financing costs	Carrying value	Current portion	Non-current portion
Series C	250,000	(494)	249,506	249,506	—
March 31, 2020	$ 250,000	$ (494)	$ 249,506	$ 249,506	$ —
December 31, 2019	450,000	(669)	449,331	199,959	249,372

During the three months ended March 31, 2020, financing cost amortization of $175 (2019, accretion to the liability of $51 and financing cost amortization of $234) were recorded.

In accordance with the Series C senior unsecured debenture supplemental indenture, the REIT must maintain various financial covenants. As at March 31, 2020, the REIT was in compliance with these requirements.

Note 10. 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.

In February 2020, the REIT entered into a two-year unsecured non-revolving term credit facility in the amount of $200,000. In 2017, the REIT entered into two five-year unsecured non-revolving term credit facilities in the aggregate amount of $300,000. All non-revolving credit facilities 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:

	March 31, 2020			December 31, 2019		
	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	$ 345,670	$ 54,330	$ 341,117	$ 58,883	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	216,000	84,000	246,994	53,006	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 %
Non-revolving facility maturing February 4, 2022	200,000	200,000	—	—	—	BA rate plus 1.60% or prime plus 0.60%
Financing costs		(1,759)		(1,589)		
Total credit facilities	$1,200,000	$1,059,911	$ 138,330	$ 886,522	$ 111,889	

(1) The REIT has entered into interest rate swaps on the non-revolving credit facilities maturing on July 6 and July 18, 2022.

For purposes of the credit facilities, the REIT must maintain various financial covenants. As at March 31, 2020, the REIT was in compliance with these requirements.

Note 11. 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, 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
Restricted units redeemed	9,587	112
Deferred units redeemed	9,011	105
Units acquired and cancelled through normal course issuer bid	(671,334)	(8,753)
Units acquired through normal course issuer bid, not cancelled at period end	(111,934)	(1,460)
Balance at March 31, 2020	137,191,853	$ 1,788,751

(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 E	Series G	Series I	Total
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
Units acquired and cancelled through normal course issuer bid	(7,100)	(8,931)	—	(8,740)	(24,771)
Units acquired through normal course issuer bid, not cancelled at period end	(3,000)	(6,877)	—	(1,300)	(11,177)
Number of units outstanding at March 31, 2020	3,377,200	3,818,092	—	4,989,960	12,185,252

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

	Series A	Series E	Series G	Series I	Total
Annual distribution rate	5.662 %	5.472 %	5.000 %	6.000 %	
Distribution rate reset date	September 30, 2022	September 30, 2023	—	April 30, 2023	
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
Units acquired and cancelled through normal course issuer bid	(169)	(217)	—	(212)	(598)
Units acquired through normal course issuer bid, not cancelled at period end	(71)	(166)	—	(31)	(268)
Carrying value at March 31, 2020	$ 80,411	$ 92,146	$ —	$ 121,061	$ 293,618
Face value at March 31, 2020	$ 84,430	$ 95,452	$ —	$ 124,749	$ 304,631
Face value at December 31, 2019	84,683	95,847	—	125,000	305,530

The REIT may redeem the Series A, Series E or Series I Units on the respective distribution rate reset date and every five years thereafter. The holders of the Series A, Series E and Series I Units have the right to reclassify their Units into Series B, Series F and Series J Units, respectively, on the distribution rate reset date and 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 three months ended March 31, 2020, the REIT acquired 783,268 common units at market prices aggregating $6,026, resulting in contributed surplus of $4,187, which was the excess of stated capital over redemption proceeds. During the three months ended March 31, 2020, the REIT also acquired 10,100, 15,808 and 10,040 Series A, E and G Units, respectively, at market prices aggregating $575, resulting in contributed surplus of $291, which was the excess of stated capital over redemption proceeds.

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.

(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 March 31, 2020, 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:

	Three months ended March 31, 2020	2019
Net (loss) income	$ (111,330)	$ 25,356
Adjustment for distributions to preferred unitholders (note 12)	(4,379)	(5,434)
Net (loss) income attributable to common unitholders	(115,709)	19,922
Adjustment for restricted units	(1,290)	—
Adjustment for deferred units	(1,907)	—
Diluted net (loss) income attributable to common unitholders	$ (118,906)	$ 19,922
The weighted-average number of common units outstanding was as follows:		
Basic common units	137,965,319	148,563,570
Effect of dilutive securities:		
Restricted units	745,365	—
Deferred units	483,928	—
Diluted common units	139,194,612	148,563,570
Net (loss) income per unit attributable to common unitholders:		
Basic	$ (0.84)	$ 0.13
Diluted	(0.85)	0.13

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 three months ended March 31, 2020, there were no anti-dilutive units. For the three months ended March 31, 2019, restricted units and deferred units were anti-dilutive, for an aggregate total of 653,403 units.

Note 12. Distributions to unitholders

Total distributions declared to unitholders were as follows:

	Three months ended March 31, 2020		Three months ended March 31, 2019	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	$ 18,596	$ 0.14	$ 19,818	$ 0.14
Preferred unitholders - Series A	1,196	0.35	1,209	0.35
Preferred unitholders - Series E	1,308	0.34	1,357	0.34
Preferred unitholders - Series G	—	—	993	0.31
Preferred unitholders - Series I	1,875	0.38	1,875	0.38

Note 13. Revenue

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

	Three months ended March 31, 2020		2019
Base rent	$	75,255	$ 81,992
Operating cost and realty tax recoveries		43,848	49,980
Parking and other revenue		3,884	5,479
Tenant inducements amortized to revenue		(5,758)	(5,465)
Straight-line rent adjustments		1,241	1,513
Lease termination income		71	48
	$	118,541	$ 133,547

Refer to note 18 for a disaggregation of revenue by reportable geographical region.

Note 14. Interest expense

		Three months ended March 31, 2020	2019
Interest on mortgages and loans payable	$	13,026	$ 16,456
Interest on senior unsecured debentures		2,981	4,419
Interest on credit facilities		7,832	5,503
Net amortization of above- and below-market mortgages fair value adjustments		(188)	(29)
Amortization of financing costs		908	954
Accretion on liability component of debentures		—	(51)
	$	24,559	$ 27,252

Note 15. Fair value loss on derivative instruments

The REIT recorded (losses) gains on the following:

		Three months ended March 31, 2020	2019
Interest rate swaps	$	(18,169)	$ (8,485)
Foreign currency contracts		3,348	(4,245)
Other derivatives		—	385
	$	(14,821)	$ (12,345)

Note 16. 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.

(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 17. Supplemental cash flow information

(a) Other items not affecting cash:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Tenant inducements amortized to revenue	$ 5,758	$ 5,465
Straight-line rent adjustments	(1,241)	(1,513)
Depreciation of property and equipment	338	270
Unit-based compensation	(2,416)	1,066
Other long-term employee benefits	—	299
Amortization of above- and below-market mortgages, net	(188)	(29)
Amortization of financing costs included in interest expense	908	954
Accretion on liability component of debentures	—	(51)
	$ 3,159	$ 6,461

(b) Changes in non-cash operating items:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Inventory properties	$ (78)	$ (741)
Prepaid expenses and other assets	1,606	(109)
Accounts receivable and other receivables	(7)	(736)
Security deposits and prepaid rent	(818)	654
Accounts payable and other liabilities	(4,628)	7,508
	$ (3,925)	$ 6,576

(c) Other supplemental cash flow information:

	Three months ended March 31, 2020	2019
Interest paid	$ 29,344	$ 29,739
Interest received	1,137	443
Income taxes received	2	5

Note 18. 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.

				Three months ended March 31, 2020	
	Canada	U.S.	REIT	Joint ventures adjustment	Total
Revenue	$ 64,281	$ 59,519	$ 27	$ (5,286)	$ 118,541
Expenses:					
Property operating	17,167	13,773	—	(1,381)	29,559
Realty taxes	10,909	10,085	—	(1,164)	19,830
	28,076	23,858	—	(2,545)	49,389
Net operating income	36,205	35,661	27	(2,741)	69,152
Other income (expenses):					
Corporate expenses	—	—	(813)	—	(813)
Interest expense	(5,281)	(9,332)	(11,294)	1,348	(24,559)
Interest income	93	218	1,188	(3)	1,496
Net income from investments in joint ventures	—	—	—	983	983
Fair value loss on investment properties	(122,969)	(18,879)	—	413	(141,435)
Foreign currency translation loss	—	—	(1,102)	—	(1,102)
Fair value loss on derivative instruments	—	—	(14,821)	—	(14,821)
(Loss) income before income taxes	(91,952)	7,668	(26,815)	—	(111,099)
Income tax expense	—	(231)	—	—	(231)
Net (loss) income	$ (91,952)	$ 7,437	$ (26,815)	$ —	$ (111,330)
Additions to investment properties, investment properties under development and investment properties held for sale	$ 20,024	$ 9,686	$ —	$ (6,125)	$ 23,585
Additions to tenant inducements	4,482	11,442	—	(1,781)	14,143
Additions to leasing commissions	1,355	3,064	—	(646)	3,773

				March 31, 2020	
	Canada	U.S.	REIT	Joint ventures adjustment	Total
Total assets	$ 2,750,608	$ 2,589,267	$ 147,774	$ (150,166)	$ 5,337,483
Total liabilities	600,398	1,079,809	1,354,120	(150,166)	2,884,161

	Three months ended March 31, 2019				
	Canada	U.S.	REIT	Joint ventures adjustment	Total
Revenue	$ 74,874	$ 63,676	$ 39	$ (5,042)	$ 133,547
Expenses:					
Property operating	19,698	16,093	—	(1,311)	34,480
Realty taxes	11,615	10,051	—	(1,077)	20,589
	31,313	26,144	—	(2,388)	55,069
Net operating income	43,561	37,532	39	(2,654)	78,478
Other income (expenses):					
Corporate expenses	—	—	(4,117)	—	(4,117)
Interest expense	(6,404)	(11,677)	(10,364)	1,193	(27,252)
Interest income	190	57	196	(2)	441
Net income from investments in joint ventures	—	—	—	2,657	2,657
Fair value loss on investment properties	(3,627)	(13,706)	—	(1,194)	(18,527)
Foreign currency translation gain	—	—	6,713	—	6,713
Fair value loss on derivative instruments	—	—	(12,345)	—	(12,345)
Income (loss) before income taxes	33,720	12,206	(19,878)	—	26,048
Income tax expense	—	(692)	—	—	(692)
Net income (loss)	$ 33,720	$ 11,514	$ (19,878)	$ —	$ 25,356
Additions to investment properties, investment properties under development and investment properties held for sale	$ 15,213	$ 38,845	$ —	$ (21,696)	$ 32,362
Additions to tenant inducements	5,646	3,692	—	217	9,555
Additions to leasing commissions	1,636	1,401	—	(116)	2,921

	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

Note 19. Commitments, contingencies and guarantees

(a) Unconditional purchase agreement:

The REIT has 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 with expected closing in January 2021.

(b) Letters of credit:

As at March 31, 2020, the REIT had issued letters of credit in the amount of $3,574 (December 31, 2019, $3,574).

(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 March 31, 2020, the REIT has guaranteed certain debt assumed by purchasers in connection with the dispositions of three properties (December 31, 2019, 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 March 31, 2020 was $55,479 (December 31, 2019, $56,025), with an estimated weighted-average remaining term of 2.9 years (December 31, 2019, 3.1 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 20. 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 March 31, 2020, the ratio of such indebtedness to gross book value was 51.4% (December 31, 2019, 51.3%), which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

The total managed capital for the REIT is summarized below:

	Note	March 31, 2020	December 31, 2019
Mortgages and loans payable	8	$ 1,439,040	$ 1,401,348
Senior unsecured debentures	9	249,506	449,331
Credit facilities	10	1,059,911	886,522
Total debt		2,748,457	2,737,201
Unitholders' equity		2,453,322	2,470,753
		$ 5,201,779	$ 5,207,954

Note 21. Risk management

In March 2020, the outbreak of COVID-19 was recognized as a pandemic by the World Health Organization. The COVID-19 pandemic has resulted in governments enacting emergency measures, including travel restrictions, physical distancing and the temporary closure of non-essential businesses. These changes have caused a disruption to businesses where the REIT operates in both Canada and the U.S.

As the situation is continually evolving, the duration and impact of the COVID-19 pandemic is unknown. Any estimate of the length and potential severity of the risks associated with COVID-19 is subject to significant uncertainty. Equity and capital markets have also experienced significant volatility and weakness. The extent to which COVID-19 may adversely affect the REIT's operations, financial results and capital resources and the impact on the assessment of the following risks is also subject to significant uncertainty. Refer to note 23 for further discussion regarding COVID-19.

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 March 31, 2020, the REIT was a party to $2,049,973 of variable rate debt, including credit facilities and debentures (December 31, 2019, $2,041,647). At March 31, 2020, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $765,670 of variable rate debt, including swaps on credit facilities and debentures (December 31, 2019, $880,729).

(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 1.3564 for the three months ended March 31, 2020, and the period end exchange rate of 1.4187 at March 31, 2020, would have decreased net loss by approximately $11,253 for the three months ended March 31, 2020. A $0.10 weakening in the US dollar against the Canadian dollar would have decreased other comprehensive income by approximately $105,318 for the three months ended March 31, 2020. Conversely, a $0.10 strengthening in the US dollar against the Canadian dollar would have had an equal but opposite effect. This analysis assumes that all variables, in particular interest rates, remain constant.

(b) 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 $146 during the three months ended March 31, 2020 (three months ended March 31, 2019, $159). The credit quality of the accounts receivable and other receivables amount is considered adequate.

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 March 31, 2020 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	$ 100,294	$ 100,294	$ —	$ —	$ —
Credit facilities	1,061,670	—	845,670	216,000	—
Senior unsecured debentures	250,000	250,000	—	—	—
Mortgages and loans payable	1,440,856	489,070	440,786	495,600	15,400
	$ 2,852,820	$ 839,364	$ 1,286,456	$ 711,600	$ 15,400

Note 22. 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 three months ended March 31, 2020.

		March 31, 2020		December 31, 2019	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	$ 4,713,631	$ 4,713,631	$ 4,618,719	$ 4,618,719
Investment properties under development	Level 3	114,726	114,726	102,590	102,590
Notes receivable	Level 2	99,554	101,143	97,828	98,485
Investment properties held for sale	Level 3	71,354	71,354	221,915	221,915
Derivative instruments	Level 2	810	810	1,303	1,303
		5,000,075	5,001,664	5,042,355	5,043,012
Liabilities:					
Mortgages and loans payable	Level 2	1,439,040	1,444,765	1,401,348	1,412,899
Senior unsecured debentures	Level 2	249,506	250,212	449,331	453,086
Credit facilities	Level 2	1,059,911	1,061,670	886,522	888,111
Derivative instruments	Level 2	23,222	23,222	8,187	8,187
		2,771,679	2,779,869	2,745,388	2,762,283
		$ 2,228,396	$ 2,221,795	$ 2,296,967	$ 2,280,729

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 and some of the non-revolving credit facilities. The swaps are not designated in a hedge relationship.

Note 23. Subsequent events

The following events occurred subsequent to March 31, 2020:

- The duration and impact of the COVID-19 pandemic is unknown at this time. Governments are reacting with significant interventions designed to stabilize economic conditions, however, the efficacy of these interventions remains unknown. The REIT is closely monitoring the COVID-19 situation and is taking steps to mitigate risks to its operations, financial results and capital resources. The REIT continues to work with selected tenants who are in need of assistance to defer a portion of their base rent for the months of April and May 2020, with an agreement to repay the amount at a specified later date with no interest. While the full impact of COVID-19 is not known at this time, the REIT anticipates that the retail assets will be impacted the most. It is not possible to reliably estimate the length or effect of these developments and the impact on the financial results of the REIT in future periods, including the REIT's ability to collect rent from tenants and the fair value measurement of investment properties.
- The REIT repaid a maturing fixed rate mortgage in the amount of $19,711.
- The REIT received proceeds related to the sale of 1165 Kenaston Street in the amount of $19,938 and repaid the fixed rate mortgage in the amount of $8,636.
- The REIT received upward financing upon renewal of a maturing mortgage in the amount of US$23,793.
- The REIT purchased through the NCIB 1,455,142 common units at a weighted-average price of $8.46, 16,000 Series A Units at a weighted-average price of $15.43, 20,362 Series E Units at a weighted-average units price of $14.37 and 24,420 Series E Units at a weighted-average price of $19.13.
- The REIT repaid a net balance of $20,000 and US$900 on its revolving term credit facilities.
- The REIT declared a monthly cash distribution of $0.045 per common unit for the month of April 2020.
- The REIT declared a quarterly cash distribution of $0.3750 per Series I Unit for the three months ended April 30, 2020.

Note 24. Approval of financial statements

These interim condensed consolidated financial statements were approved by the Board of Trustees and authorized for issue on May 7, 2020.