Consolidated Financial Statements of

ARTIS REAL ESTATE INVESTMENT TRUST

Years ended December 31, 2021 and 2020

(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.

"Samir Manji"

Samir Manji
President and Chief Executive Officer
March 3, 2022

"Jaclyn Koenig"

Jaclyn Koenig, CPA, CA
Chief Financial Officer
March 3, 2022

Deloitte.

Deloitte LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: 204-942-0051
Fax: 204-947-9390
www.deloitte.ca

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, 2021 and 2020, 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, 2021 and 2020, 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.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Fair Value of Investment Properties — Refer to Notes 2 and 4 to the financial statements

Key Audit Matter Description

Investment properties are measured at fair value with any changes therein recognized in profit or loss for the year. The Trust determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method, which requires the Trust to make assumptions related to future rental income and expenses, discount rates, capitalization rates, terminal capitalization rates and investment horizon (years).

While there are several assumptions that are required to determine the fair value of investment properties, the assumptions with the highest degree of subjectivity and impact on fair values are the estimated future rental income, discount rates and terminal capitalization rates. Auditing these assumptions required a high degree of auditor judgment as the estimations made by management are subject to significant estimation uncertainty which resulted in an increased extent of audit effort, including the need to involve fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the estimated future rental income, discount rates and terminal capitalization rates used to determine the fair value of investment properties included the following, among others:

- Evaluated the reasonableness of management's estimated future rental income by comparing management's forecasts to historical results, internal communications to management and the Board of Trustees and contractual information, where applicable.
- With the assistance of fair value specialists, evaluated the reasonableness of management's estimated future rental income, discount rates and terminal capitalization rates by considering recent market transactions and industry surveys.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is David Jordan Oakley.

/s/ Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
March 3, 2022

Consolidated Balance Sheets

(In thousands of Canadian dollars)

	Note	December 31, 2021	December 31, 2020
ASSETS			
Non-current assets:			
Investment properties	4	$ 3,741,544	$ 4,325,121
Investment properties under development	4	195,161	132,243
Equity accounted investments	5	180,078	200,306
Investments in equity securities		77,186	—
Property and equipment	6	6,411	7,481
Notes receivable	7	35,448	20,313
Deferred rents receivable	10	122	778
		4,235,950	4,686,242
Current assets:			
Investment properties held for sale	4	62,904	74,483
Inventory properties	8	—	15,060
Deposits on investment properties		—	1,203
Prepaid expenses and other assets	9	7,979	7,307
Notes receivable	7	834	1,371
Accounts receivable and other receivables	10	14,674	17,465
Cash held in trust		32,209	22,007
Cash		221,474	34,703
		340,074	173,599
Total assets		$ 4,576,024	$ 4,859,841
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities:			
Mortgages and loans payable	11	$ 783,129	$ 868,396
Senior unsecured debentures	12	249,346	248,999
Credit facilities	13	131,643	529,087
Other long-term liabilities		2,005	1,823
		1,166,123	1,648,305
Current liabilities:			
Mortgages and loans payable	11	301,910	405,126
Senior unsecured debentures	12	—	249,920
Security deposits and prepaid rent		31,867	30,089
Accounts payable and other liabilities	14	121,161	97,130
Credit facilities	13	499,610	95,374
		954,548	877,639
Total liabilities		2,120,671	2,525,944
Unitholders' equity		2,455,353	2,333,897
Contingencies and guarantees	28		
Subsequent events	32		
Total liabilities and unitholders' equity		$ 4,576,024	$ 4,859,841

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

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

	Note		Year ended December 31, 2021		2020
Revenue:					
Rental revenue from investment properties	18	$	401,638	$	458,917
Condominium sales	18		17,861		—
Total revenue			419,499		458,917
Expenses:					
Property operating			100,819		112,871
Realty taxes			64,857		76,771
Condominium cost of sales			16,038		—
Total operating expenses			181,714		189,642
Net operating income			237,785		269,275
Other income (expenses):					
Corporate expenses	19		(12,713)		(12,205)
Proxy matter expenses			—		(17,423)
Strategic initiative expenses			(18)		(4,029)
Interest expense	20		(69,648)		(86,106)
Interest income			1,885		4,797
Distribution income from equity securities			898		—
Net income from equity accounted investments	5		16,795		24,851
Fair value gain (loss) on investment properties	4		197,511		(140,876)
Foreign currency translation (loss) gain			(3,244)		530
Transaction costs	3		(11)		—
Fair value gain (loss) on financial instruments	21		21,224		(16,538)
Income before income taxes			390,464		22,276
Income tax expense	22		(1,289)		(733)
Net income			389,175		21,543
Other comprehensive loss that may be reclassified to net income in subsequent years:					
Unrealized foreign currency translation loss			(774)		(25,498)
Unrealized foreign currency translation loss on equity accounted investments			(699)		(2,319)
Other comprehensive loss			(1,473)		(27,817)
Total comprehensive income (loss)		$	387,702	$	(6,274)
Basic income per unit attributable to common unitholders	15	$	2.87	$	0.03
Diluted income per unit attributable to common unitholders	15		2.86		0.02
Weighted-average number of common units outstanding:					
Basic	15		129,553,433		136,206,856
Diluted	15		130,025,917		136,606,921

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, 2019	$ 1,798,747	$ 169,201	$ 175,048	$ 33,273	$ 2,176,269	$ 294,484	$ 2,470,753
Changes for the year:							
Issuance of common units, net of issue costs (note 15)	4,455	—	—	—	4,455	—	4,455
Units acquired and cancelled through normal course issuer bid (note 15)	(48,601)	—	—	15,977	(32,624)	(2,617)	(35,241)
Units acquired through normal course issuer bid, not cancelled at year end (note 15)	—	—	—	14	14	(65)	(51)
Net income	—	21,543	—	—	21,543	—	21,543
Other comprehensive loss	—	—	(27,817)	—	(27,817)	—	(27,817)
Distributions	—	(99,745)	—	—	(99,745)	—	(99,745)
Unitholders' equity, December 31, 2020	1,754,601	90,999	147,231	49,264	2,042,095	291,802	2,333,897
Changes for the year:							
Issuance of common units, net of issue costs (note 15)	428	—	—	—	428	—	428
Units acquired and cancelled through normal course issuer bid (note 15)	(142,912)	—	—	19,274	(123,638)	(3,521)	(127,159)
Units acquired through normal course issuer bid, not cancelled at year end (note 15)	(2,225)	—	—	187	(2,038)	(60)	(2,098)
Net income	—	389,175	—	—	389,175	—	389,175
Other comprehensive loss	—	—	(1,473)	—	(1,473)	—	(1,473)
Distributions	—	(137,417)	—	—	(137,417)	—	(137,417)
Distributions in units (note 15)	256,091	(256,091)	—	—	—	—	—
Unitholders' equity, December 31, 2021	$ 1,865,983	$ 86,666	$ 145,758	$ 68,725	$ 2,167,132	$ 288,221	$ 2,455,353

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

	Note	2021	Year ended December 31, 2020
Cash provided by (used in):			
Operating activities:			
Net income		$ 389,175	$ 21,543
Adjustments for:			
Distribution income from equity securities		(898)	—
Net income from equity accounted investments	5	(16,795)	(24,851)
Fair value (gain) loss on investment properties	4	(197,511)	140,876
Fair value (gain) loss on financial instruments	21	(21,224)	16,538
Unrealized foreign currency translation loss (gain)		3,388	(367)
Other items not affecting cash	23	27,307	22,486
Changes in non-cash operating items	23	18,844	108
		202,286	176,333
Investing activities:			
Acquisition of investment properties, net of related debt	3	(5,339)	—
Proceeds from dispositions of investment properties, net of costs and related debt	3	791,725	229,000
Proceeds from disposition of note receivable		—	8,372
Additions to investment properties		(21,562)	(28,931)
Additions to investment properties under development		(70,095)	(71,762)
Additions to tenant inducements and leasing commissions		(38,146)	(57,536)
Contributions to equity accounted investments	5	(11,690)	(2,006)
Distributions from equity accounted investments		41,476	25,603
Purchases of equity securities		(71,866)	—
Distributions from equity securities		686	—
Additions to property and equipment		(5)	(19)
Issuances of notes receivable		(150)	(57)
Notes receivable principal repayments		1,503	80,818
Change in deposits on investment properties		1,196	(1,271)
Change in cash held in trust		(10,260)	(16,256)
		607,473	165,955
Financing activities:			
Repayment of mortgages and loans payable		(278,051)	(57,640)
Advance of mortgages and loans payable, net of financing costs		130,244	56,879
Issuance of senior unsecured debentures, net of financing costs	12	—	248,916
Repayment of senior unsecured debentures	12	(250,000)	(200,000)
Advance of revolving credit facilities		438,820	121,500
Repayment of revolving credit facilities, including financing costs		(436,777)	(586,221)
Advance of non-revolving credit facilities, net of financing costs		—	199,644
Repayment of lease liabilities		(288)	(212)
Issuance of preferred shares, net of issue costs		222	—
Purchase of common units under normal course issuer bid	15	(125,772)	(33,442)
Purchase of preferred units under normal course issuer bid	15	(3,485)	(1,850)
Distributions paid on common units		(80,624)	(80,150)
Distributions paid on preferred units		(17,263)	(17,425)
		(622,974)	(350,001)
Foreign exchange loss on cash held in foreign currency		(14)	(39)
Increase (decrease) in cash		186,771	(7,752)
Cash, beginning of year		34,703	42,455
Cash, end of year		$ 221,474	$ 34,703

See accompanying notes to consolidated financial statements.

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

Note 1. Organization

Artis Real Estate Investment Trust (the "REIT") is an unincorporated closed-end real estate investment trust created under, and governed by, the laws of the Province of Manitoba. The REIT was created pursuant to the Declaration of Trust dated November 8, 2004, as most recently amended and restated on December 19, 2021 (the "Declaration of Trust"). The purpose of the REIT is to directly, or indirectly, own, manage, lease and (where appropriate) develop primarily industrial, office and retail 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 common unitholders of the REIT. The amount distributed annually (currently $0.60 per common unit) is set by the Board of Trustees. The amounts distributed annually to the preferred unitholders are $1.4155 per Series A Unit, $1.3680 per Series E Unit and $1.50 per Series I Unit.

On March 10, 2021, the REIT announced a business transformation plan that will shift the REIT from a diversified real estate investment trust to an organization focused on growth in net asset value per unit and distributions through value investing in real estate (the "Business Transformation Plan").

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 dollars 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, investments in equity securities, 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. 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.

Regular way purchases and sales of equity securities are recognized using the trade date, which is the date that the REIT commits itself to purchase or sell the equity securities. The REIT classifies and measures its investments in equity securities at FVTPL. Distributions from equity securities are recognized in the period the distributions are declared on the consolidated statement of operations.

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. Notes receivable, accounts receivable and other receivables are written off when there is no realistic prospect of future recovery and all collateral has been realized.

(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 period.

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) Investments in associates and joint arrangements:

An associate is an entity over which the REIT has significant influence. Significant influence is the power to participate in an entity’s financial and operating policy decisions but there is no control nor joint control over the investment.

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. 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's interests in associates and joint ventures are accounted for using the equity method. Equity accounted investments are initially measured at cost at the date of acquisition and adjusted thereafter for the REIT's share of changes in the net assets, less distributions received and any identified impairment loss. The REIT's share of the profit or loss from its equity accounted investment is recognized in profit or loss for the period.

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.

(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 in 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 a 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 operations 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 mortgage agreements, letters of credit and construction holdbacks. Cash held in trust may also include cash held in escrow pursuant to purchase and sale agreements in relation to acquisitions and dispositions of investment properties.

(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.

Revenue from the sale of commercial condominium units is recognized at the point in time when control over the property has been transferred, which is generally when possession passes to the purchaser and the purchaser then has the ability to direct the use and obtain substantially all of the benefits of the property. Revenue is measured at the transaction price agreed to under the sale agreements.

(n) 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 units 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.

(o) Earnings per unit:

Basic earnings per common 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.

(p) 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.

Since the outbreak of COVID-19 was declared a global pandemic by the World Health Organization in March 2020, governments have introduced certain emergency measures, including travel restrictions, physical distancing, capacity limits, temporary closure of non-essential businesses and required vaccination for participation in certain activities in an effort to reduce the spread of the virus. The extent of these measures at any point in time can vary depending on the number of new COVID-19 cases, the extent of vaccinations and the emergence of new virus variants. These restrictive measures have caused material disruptions to businesses where the REIT operates in both Canada and the U.S. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

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 economic impact associated with the COVID-19 pandemic is subject to significant uncertainty, as is the extent it will affect the REIT’s operations, financial results and capital resources. In the preparation of these consolidated financial statements, the REIT has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets and liabilities, and the reported amount of its results using the best available information as of December 31, 2021. Actual results could differ from those estimates. Estimates and assumptions that are most subject to increased uncertainty caused by the COVID-19 pandemic relate to the valuation of investment properties, carrying amount of the equity accounted investments, and estimate of any expected credit losses on accounts receivable and notes receivable.

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). Judgment is applied 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). Judgment is applied 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.

- Classification of investments in associates - The REIT's accounting policy relating to investments in associates is described in note 2 (g) and note 5. Judgment is applied in the assessment of the level of influence that the REIT has over the investees based on its decision-making authority with regards to the operating, financing and investing activities as specified in the contractual terms of the arrangement.

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 22.

- Allowance for doubtful accounts - The critical estimates and assumptions underlying the valuation of allowance for doubtful accounts are described in note 30.

- 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.

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

Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. For financial instruments at amortized cost, the amendments introduce a practical expedient such that if a change in the contractual cash flows is as a result of inter-bank offered rate ("IBOR") reform and occurs on an economically equivalent basis, the change will be accounted for by updating the effective interest rate with no immediate gain or loss recognized.

These amendments had no impact on the consolidated financial statements except for the additional disclosures in note 30 regarding the derivative and non-derivative financial instruments affected by the interest rate benchmark reform and a summary of the actions taken by the REIT to manage the risks relating to the reform. The REIT intends to use the practical expedient in future periods as it becomes applicable.

(r) Future changes in accounting standards:

In January 2020, the IASB issued amendments to IAS 1 - *Presentation of Financial Statements* to specify the requirements for classifying liabilities as current or non-current. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The REIT is in the process of assessing the impact of these amendments.

In May 2020, the IASB issued amendments to IFRS 3 *Business Combinations*. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. The amendments also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. The REIT does not expect a material impact to its consolidated financial statements from the adoption of these amendments.

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The REIT will apply these amendments to contracts for which it has not yet fulfilled all its obligations on January 1, 2022 when it will first apply the amendments. The REIT does not expect a material impact to its consolidated financial statements from the adoption of these amendments.

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. The REIT does not expect a material impact to its consolidated financial statements from the adoption of this amendment.

In February 2021, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IFRS *Practice Statement 2 Making Materiality Judgements*. The amendments to IAS 1 replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS *Practice Statement 2*. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS *Practice Statement 2* do not contain an effective date or transition requirements. The REIT does not expect a material impact to its consolidated financial statements from the adoption of these amendments.

In February 2021, the IASB issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in which it introduces a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted. The REIT does not expect a material impact to its consolidated financial statements from the adoption of these amendments.

Note 3. Acquisitions and dispositions of investment properties

Acquisitions:

On January 26, 2021, the REIT acquired an additional 5% interest in Park 8Ninety IV, an industrial property located in the Greater Houston Area, Texas. Prior to the acquisition date, the REIT owned 95% of this investment property and the property was classified as a 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 a step acquisition and remeasured its existing 95% interests to fair value at the acquisition date.

On May 7, 2021 and September 24, 2021, the REIT acquired two parcels of industrial development land in the Twin Cities Area, Minnesota.

The REIT did not acquire any properties during the year ended December 31, 2020.

The acquisition of the 5% interest in Park 8Ninety IV has 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 equity accounted investments and including the acquisitions of land, were as follows:

		2021		Year ended December 31, 2020
Investment properties (note 4)	$	5,823	$	—
Long-term debt, including acquired above- and below-market mortgages, net of financing costs		(487)		—
Other net assets		3		—
		5,339		—
Consideration was comprised of the following:				
Cash consideration		5,339		—
Total consideration	$	5,339	$	—
Transaction costs expensed	$	11	$	—

Dispositions:

The REIT disposed of the following properties during the year ended December 31, 2021:

Property	Property count	Location	Disposition date	Asset class
Signal Centre (1)	—	Fort McMurray, AB	April 12, 2021	Retail
Victoria Square Retail Portfolio	2	Regina, SK	April 15, 2021	Retail
Fleet Street Crossing	1	Regina, SK	April 28, 2021	Retail
Sierra Place	1	Calgary, AB	May 4, 2021	Office
GTA Industrial Portfolio	27	Greater Toronto Area, ON	July 15, 2021 and August 19, 2021	Industrial
King Edward Industrial Portfolio	2	Winnipeg, MB	July 21, 2021	Industrial
East Landing Retail Portfolio	2	Regina, SK	August 23, 2021	Retail
West Landing Mall	1	Regina, SK	September 1, 2021	Retail
417 - 14th Street	1	Calgary, AB	November 29, 2021	Office
Canadian Centre	1	Calgary, AB	December 16, 2021	Office
Campana Place & Hillhurst Building	2	Calgary, AB	December 17, 2021	Office
Heritage Square	1	Calgary, AB	December 22, 2021	Office

(1) Signal Centre was comprised of two parcels of land with two buildings on each respective parcel. On April 12, 2021, the REIT sold one of these parcels.

The cash proceeds received from the sale of the above properties, net of costs and related debt, were $791,725. In conjunction with the sales of three office properties, the REIT also received two notes receivable in the amounts of $10,000 and $6,000, which are secured by the properties sold (note 7). The assets and liabilities associated with the properties were derecognized.

The REIT disposed of the following properties during the year ended December 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
Concorde Corporate Centre	2	Toronto, ON	November 16, 2020	Office
Delta Shoppers Mall	1	Greater Vancouver Area, BC	November 18, 2020	Retail
Shoppers Landmark Centre	1	Regina, SK	November 25, 2020	Retail
Strathcona Shoppers Centre	1	Regina, SK	December 7, 2020	Retail
ASM America Headquarters Building	1	Phoenix, AZ	December 10, 2020	Office
1110 Pettigrew Avenue	1	Regina, SK	December 15, 2020	Industrial

(1) Disposition includes a parcel of development land.

On January 24, 2020, the REIT contributed a parcel of industrial development land located in the Greater Houston Area, Texas to the Park 8Ninety IV joint venture. On October 20, 2020, the REIT contributed another parcel of industrial development land located in the Greater Houston Area, Texas to the Park 8Ninety V joint venture. The co-owners' share of the parcels of land were recorded as dispositions.

On November 9, 2020, the REIT disposed of a parcel of office development land located in the Twin Cities Area, Minnesota.

The cash proceeds received from the sale of the above properties, net of costs and related debt, were $229,000. In conjunction with the sales of an office property and a parcel of office development land, the REIT also received notes receivable in the amounts of $10,000 and $3,192 (US$2,450), respectively, which are secured by the property or a portion of the development land sold (note 7). 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, 2021
	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of year	$ 4,325,121	$ 132,243	$ 74,483
Additions:			
Acquisitions (note 3)	875	4,948	—
Reclassification from equity accounted investments (1)	16,642	—	—
Capital expenditures	21,117	69,008	445
Capitalized interest (2)	—	1,087	—
Leasing commissions	8,721	1,006	78
Straight-line rent adjustments	3,445	—	(40)
Tenant inducement additions, net of amortization	1,210	2,579	(213)
Contribution to equity accounted investments (3)	—	(906)	—
Dispositions	—	—	(851,772)
Foreign currency translation (loss) gain	(7,938)	203	(244)
Fair value gain (loss)	225,192	(14,892)	(12,789)
Reclassification of investment properties under development	115	(115)	—
Reclassification of investment properties held for sale	(852,956)	—	852,956
Balance, end of year	$ 3,741,544	$ 195,161	$ 62,904

(1) On January 26, 2021, the REIT increased its ownership interest in Park 8Ninety IV to 100%. See note 3 for further information.
(2) During the year ended December 31, 2021, interest was capitalized to investment properties under development at a weighted-average effective rate of 1.98%.
(3) During the year ended December 31, 2021, the REIT contributed capitalized development expenditures to Park Lucero East, an equity accounted associate.

				Year ended December 31, 2020		
		Investment properties		Investment properties under development		Investment properties held for sale
Balance, beginning of year	$	4,618,719	$	102,590	$	221,915
Additions:						
Capital expenditures		28,388		69,082		543
Capitalized interest (1)		—		2,646		34
Leasing commissions		11,724		663		79
Straight-line rent adjustments		4,735		—		188
Tenant inducement additions, net of amortization		18,411		1,206		599
Contribution to equity accounted investments (2) (3)		—		(14,761)		—
Dispositions		(400)		(747)		(351,201)
Foreign currency translation (loss) gain		(39,462)		44		(2,272)
Fair value loss		(110,037)		(3,265)		(27,574)
Reclassification of investment properties under development		23,660		(23,660)		—
Reclassification of investment properties held for sale		(230,617)		(1,555)		232,172
Balance, end of year	$	4,325,121	$	132,243	$	74,483

(1) During the year ended December 31, 2020, interest was capitalized to investment properties under development at a weighted-average effective rate of 2.59%.
(2) On January 24, 2020, the REIT contributed land under development to Park 8Ninety IV, a joint venture.
(3) On October 20, 2020, the REIT contributed land under development to Park 8Ninety V, a joint venture.

At December 31, 2021, investment properties under development included 300 Main, a commercial and residential/multi-family development project with a fair value of $174,997 (December 31, 2020, $130,291). Estimation of the fair value of investment properties under development is subject to uncertainty due to development risks including development costs exceeding original estimates, construction or other unforeseen timing delays and leasing on a timely basis or at anticipated rates upon completion.

The REIT had one industrial and two office properties classified as investment properties held for sale that were actively marketed for sale or under unconditional sale agreements at December 31, 2021 (December 31, 2020, two office and two retail properties). The properties held for sale had an aggregate mortgage payable balance of $nil at December 31, 2021 (December 31, 2020, $16,133).

At December 31, 2021, included in investment properties was $48,916 (December 31, 2020, $48,854) 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 $11,448 at December 31, 2021 (December 31, 2020, $12,955). The lease payments required under this lease were fully paid at the time of acquisition of the property.

At December 31, 2021, investment properties with a fair value of $2,096,861 (December 31, 2020, $2,645,834) 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, 2021, properties (including the REIT's ownership interest in properties held in equity accounted investments) with an appraised value of $775,751 (December 31, 2020, $916,550), 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 years ended December 31, 2021 and 2020.

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.

The impact of the COVID-19 pandemic and the related measures enacted by governments, including travel restrictions, physical distancing, capacity limits and the temporary closure of non-essential businesses, have created significant estimation uncertainty in the determination of the fair values of investment properties as at December 31, 2021. The duration and extent of these measures is highly dependent on future developments, including but not limited to, the emergence of new virus variants and the actions required to contain or manage its impact. The REIT has made assumptions with respect to the duration and severity of these government 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 values. As a result of this significant estimation uncertainty there is a risk that the assumptions used to determine fair values as at December 31, 2021 may change as more information becomes available, resulting in a material adjustment to the fair values 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 31.

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

	December 31, 2021			December 31, 2020		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Canada:						
Discount rate	9.50 %	4.75 %	7.11 %	9.75%	5.00%	7.16%
Terminal capitalization rate	9.00 %	3.50 %	6.09 %	9.00%	3.75%	6.19%
Capitalization rate	8.75 %	3.50 %	6.00 %	9.25%	3.75%	6.09%
Investment horizon (years)	12.0	10.0	10.5	12.0	10.0	10.5
U.S.:						
Discount rate	9.75 %	6.00 %	7.65 %	9.50%	6.25%	7.79%
Terminal capitalization rate	8.50 %	4.75 %	6.63 %	8.50%	5.25%	6.78%
Capitalization rate	8.00 %	4.50 %	6.49 %	8.00%	5.00%	6.63%
Investment horizon (years)	12.0	10.0	10.4	11.0	10.0	10.3
Total portfolio:						
Discount rate	9.75 %	4.75 %	7.37 %	9.75%	5.00%	7.42%
Terminal capitalization rate	9.00 %	3.50 %	6.34 %	9.00%	3.75%	6.43%
Capitalization rate	8.75 %	3.50 %	6.22 %	9.25%	3.75%	6.30%
Investment horizon (years)	12.0	10.0	10.4	12.0	10.0	10.4

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

The following sensitivity table outlines the impact of a 0.25% change in the weighted-average capitalization rate on investment properties at December 31, 2021:

	Change to fair value if capitalization rate increased by 0.25%	Change to fair value if capitalization rate decreased by 0.25%
Canada	$ (77,613)	$ 84,792
U.S.	(79,362)	86,009
	$ (156,975)	$ 170,801

Note 5. Equity accounted investments and joint operations

The REIT has interests in the following:

		Ownership interest	
Property	Principal purpose	December 31, 2021	December 31, 2020
Joint ventures:			
Park 8Ninety II	Investment property	95 %	95 %
Park 8Ninety IV (1)	Investment property	— %	95 %
Park 8Ninety V	Investment property	95 %	95 %
Corridor Park	Investment property	90 %	90 %
Tower Business Center	Investment property	— %	80 %
Graham Portfolio	Investment property	75 %	75 %
The Point at Inverness	Investment property	50 %	50 %
Associate:			
Park Lucero East	Investment property	10 %	— %
Joint operations:			
Cliveden Building	Investment property	50 %	50 %
Kincaid Building	Investment property	50 %	50 %

(1) During the year ended December 31, 2021, the REIT increased its ownership interest in this property to 100%. See note 3 for further information.

During the year ended December 31, 2021, the REIT entered into a new arrangement, Park Lucero East, an industrial development project in the Greater Phoenix Area, Arizona. The REIT has determined this to be an investment in associate as the REIT does not have joint control but has significant influence over the investment by virtue of having control over the general partner of the limited partnership. Park Lucero East acquired a parcel of industrial development land and the REIT's share of the purchase price was $1,229.

During the year ended December 31, 2021, the REIT contributed $11,690 to Park 8Ninety V, Park Lucero East, Park 8Ninety IV, Park 8Ninety II and Corridor Park equity accounted investments.

On February 9, 2021, the Tower Business Center joint venture disposed of its investment property and the REIT's share of the proceeds, net of costs and related debt, were $39,360.

The REIT is contingently liable for the obligations of certain joint ventures, associate and joint operations. As at December 31, 2021, the co-owners' share of mortgage liabilities was $34,920 (December 31, 2020, $34,299). Management has assessed that the assets available from its joint ventures, associate and joint operations are sufficient for the purpose of satisfying such obligations.

Summarized financial information of the REIT's share in its equity accounted investments is as follows:

	December 31, 2021			December 31, 2020		
	Joint ventures	Associate	Total	Joint ventures	Associate	Total
Non-current assets:						
Investment properties	$ 233,635	$ —	$ 233,635	$ 236,954	$ —	$ 236,954
Investment properties under development	42,337	4,687	47,024	14,466	—	14,466
Current assets:						
Investment property held for sale	—	—	—	60,819	—	60,819
Prepaid expenses and other assets	280	—	280	172	—	172
Accounts receivable and other receivables	347	7	354	819	—	819
Cash	3,874	22	3,896	14,241	—	14,241
Total assets	280,473	4,716	285,189	327,471	—	327,471
Non-current liabilities:						
Mortgages and loans payable	47,544	715	48,259	49,832	—	49,832
Current liabilities:						
Mortgages and loans payable	46,223	—	46,223	60,930	—	60,930
Security deposits and prepaid rent	2,253	—	2,253	2,861	—	2,861
Accounts payable and other liabilities	7,205	1,171	8,376	13,542	—	13,542
Total liabilities	103,225	1,886	105,111	127,165	—	127,165
Equity accounted investments	$ 177,248	$ 2,830	$ 180,078	$ 200,306	$ —	$ 200,306

	Year ended December 31, 2021			Year ended December 31, 2020		
	Joint ventures	Associate	Total	Joint ventures	Associate	Total
Revenue	$ 15,758	$ 2	$ 15,760	$ 20,785	$ —	$ 20,785
Expenses:						
Property operating	3,635	—	3,635	4,457	—	4,457
Realty taxes	3,278	—	3,278	5,190	—	5,190
Total operating expenses	6,913	—	6,913	9,647	—	9,647
Net operating income	8,845	2	8,847	11,138	—	11,138
Other income (expenses):						
Interest expense	(2,546)	—	(2,546)	(4,561)	—	(4,561)
Interest income	4	—	4	17	—	17
Fair value gain on investment properties	10,496	—	10,496	18,257	—	18,257
Income tax expense	(6)	—	(6)	—	—	—
Net income from equity accounted investments	$ 16,793	$ 2	$ 16,795	$ 24,851	$ —	$ 24,851

Note 6. Property and equipment

		December 31, 2021		December 31, 2020
Office furniture and fixtures	$	12,236	$	12,242
Office equipment and software		1,432		1,428
Right-of-use leased assets		2,018		1,726
Accumulated depreciation		(9,275)		(7,915)
	$	6,411	$	7,481

Note 7. Notes receivable

		December 31, 2021		December 31, 2020
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	$	10,000
Note receivable, maturing in January 2028, bearing interest at an effective rate of 3.086% per annum, interest-only monthly payment until maturity, secured by an office property.		10,000		—
Note receivable, maturing in January 2024, bearing interest at 4.00% per annum, interest-only monthly payment until maturity, secured by two office properties.		6,000		—
Note receivable from tenant, maturing in November 2031, bearing interest at 8.50% per annum, repayable in blended monthly installments of $64 (US$50).		5,111		5,450
Note receivable, maturing in November 2024, bearing interest at 4.00% per annum, accrued interest and principal due on maturity, secured by a parcel of land.		3,249		3,137
Other notes receivable		1,922		3,097
		36,282		21,684
Current portion		834		1,371
Non-current portion	$	35,448	$	20,313

Note 8. Inventory properties

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

		December 31, 2021		December 31, 2020
Balance, beginning of year	$	15,060	$	14,632
Capital expenditures		9		285
Capitalized interest [(1)]		—		143
Sale of condominium units		(15,069)		—
Balance, end of year	$	—	$	15,060

(1) During the year ended December 31, 2020, interest was capitalized at a weighted-average effective interest rate of 2.62%.

Inventory properties include an industrial property that was converted into commercial condominium units. In January 2021, a condominium corporation was registered for this property. As at December 31, 2021, all condominium units were sold for aggregate consideration of $17,861.

Note 9. Prepaid expenses and other assets

	December 31, 2021	December 31, 2020
Prepaid insurance	$ 3,937	$ 3,948
Prepaid realty taxes	755	993
Prepaid acquisition, disposition and development costs	735	749
Derivative instruments (note 31)	1,029	—
Other prepaid expenses	1,523	1,617
	$ 7,979	$ 7,307

Note 10. Accounts receivable and other receivables

	December 31, 2021	December 31, 2020
Rents receivable	$ 5,578	$ 5,660
Deferred rents receivable	955	4,901
Allowance for doubtful accounts	(1,717)	(1,989)
Accrued recovery income	3,181	3,344
Other receivables	6,799	6,327
	14,796	18,243
Non-current portion of deferred rents receivable, net of related allowance for doubtful accounts of $53 (December 31, 2020, $152)	122	778
Current portion	$ 14,674	$ 17,465

Due to government-mandated capacity restrictions and temporary closures of certain non-essential businesses throughout the course of the COVID-19 pandemic, a number of tenants had to limit operations. Deferred rents receivable represent rents deferred for certain qualifying tenants.

Refer to note 30 for further discussion on credit risk and allowance for doubtful accounts.

Note 11. Mortgages and loans payable

	December 31, 2021	December 31, 2020
Mortgages and loans payable	$ 1,087,521	$ 1,275,277
Net above- and below-market mortgage adjustments	1,604	2,423
Financing costs	(4,086)	(4,178)
	1,085,039	1,273,522
Current portion	301,910	405,126
Non-current portion	$ 783,129	$ 868,396

Certain of the REIT's investment properties have been pledged as security under mortgages and other security agreements. As at December 31, 2021, 36.3% of the REIT's mortgages and loans payable bear interest at fixed rates (December 31, 2020, 31.8%), and a further 37.5% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place (December 31, 2020, 37.1%). The weighted-average effective rate on all mortgages and loans payable was 3.31% and the weighted-average nominal rate was 3.04% at December 31, 2021 (December 31, 2020, 3.23% and 3.03%, respectively). Maturity dates range from January 23, 2022 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. Mortgages and loans payable with maturities within 12 months or are payable on demand as a result of a financial covenant breach are classified as current liabilities.

Note 12. Senior unsecured debentures

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

Senior unsecured debenture issue	Issue date	Maturity date	Applicable interest rate
Series D	September 18, 2020	September 18, 2023	3.824 %

	Face value	Unamortized financing costs	Carrying value	Current portion	Non-current portion
Series D	$ 250,000	$ (654)	$ 249,346	$ —	$ 249,346
December 31, 2021	$ 250,000	$ (654)	$ 249,346	$ —	$ 249,346
December 31, 2020	500,000	(1,081)	498,919	249,920	248,999

On February 22, 2021, upon maturity, the REIT repaid the outstanding face value of the Series C senior unsecured debentures in the amount of $250,000.

On September 18, 2020, the REIT issued 3.824% Series D senior unsecured debentures for gross proceeds of $250,000. Interest is payable semi-annually on September 18 and March 18 in each year. These debentures are redeemable, at the option of the REIT, at a price equal to the greater of (i) the Canada Yield Price (as defined in the supplemental indenture) and (ii) par. The debentures rank equally with all other indebtedness of the REIT.

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.

During the year ended December 31, 2021, financing cost amortization of $427 (2020, $672) was recorded.

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.

In accordance with the Series D senior unsecured debenture supplemental indenture, 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, 2021 and 2020, 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. On November 15, 2021, the revolving term credit facilities agreement was amended to extend the maturity date of the first tranche of the facilities in the amount of $400,000 from December 14, 2021 to December 14, 2022.

In 2020, the REIT entered into a two-year unsecured non-revolving term credit facility agreement in the amount of $200,000. In 2017, the REIT entered into two five-year unsecured non-revolving term credit facility agreements 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:

		December 31, 2021		December 31, 2020		
	Borrowing capacity	Amounts drawn	Available to be drawn (1)	Amounts drawn	Available to be drawn (1)	Applicable interest rates (2)
Revolving facilities maturing December 14, 2022	$ 400,000	$ —	$ 400,000	$ 95,617	$ 304,383	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	131,851	168,149	30,000	270,000	BA rate plus 1.70% or prime plus 0.70% or LIBOR plus 1.70% or U.S. base rate plus 0.70%
Non-revolving facility maturing February 4, 2022	200,000	200,000	—	200,000	—	2.22%
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		(598)		(1,156)		
Total credit facilities	$1,200,000	$ 631,253	$ 568,149	$ 624,461	$ 574,383	
Current portion		499,610		95,374		
Non-current portion		$ 131,643		$ 529,087		

(1) Under the terms of the revolving credit facilities, the REIT must maintain a minimum unencumbered property assets to consolidated unsecured indebtedness ratio of 1.4. As at December 31, 2021, this covenant limited the total borrowing capacity of the revolving credit facilities to $635,313 (December 31, 2020, limited to $388,163).

(2) The REIT has entered into interest rate swaps on the 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, 2021 and 2020, the REIT was in compliance with these requirements.

Note 14. Accounts payable and other liabilities

	December 31, 2021	December 31, 2020
Accounts payable and accrued liabilities	$ 36,752	$ 35,407
Distributions payable	47,016	7,485
Accrued interest	6,454	10,132
Accrued realty taxes	10,193	11,563
Tenant installments payable	7,314	5,458
Derivative instruments (note 31)	7,689	22,792
Cash-settled unit-based payments liability	4,533	2,958
Other payables and liabilities	1,210	1,335
	$ 121,161	$ 97,130

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, 2019	137,956,523	$ 1,798,747
Restricted units redeemed	229,675	2,454
Deferred units redeemed	184,693	2,001
Units acquired and cancelled through normal course issuer bid	(3,727,716)	(48,601)
Balance at December 31, 2020	134,643,175	1,754,601
Restricted units redeemed	26,172	293
Deferred units redeemed	12,953	135
Units acquired and cancelled through normal course issuer bid	(10,967,022)	(142,912)
Units acquired through normal course issuer bid, not cancelled at year end	(170,742)	(2,225)
Special distribution in units [1] (note 17)	—	256,091
Balance at December 31, 2021	123,544,536	$ 1,865,983

(1) The common units issued as part of the special distribution declared on December 31, 2021 were consolidated such that each unitholder held the same number of units after the consolidation as each unitholder held prior to the special non-cash distribution.

(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 I	Total
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	(29,600)	(44,578)	(34,460)	(108,638)
Units acquired through normal course issuer bid, not cancelled at year end	(1,500)	(1,224)	—	(2,724)
Number of units outstanding at December 31, 2020	3,356,200	3,788,098	4,965,540	12,109,838
Units acquired and cancelled through normal course issuer bid	(59,600)	(87,088)	—	(146,688)
Units acquired through normal course issuer bid, not cancelled at year end	(1,000)	(1,500)	—	(2,500)
Number of units outstanding at December 31, 2021	3,295,600	3,699,510	4,965,540	11,960,650

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

	Series A	Series E	Series I	Total
Annual distribution rate	5.662%	5.472%	6.000%	
Distribution rate reset date	September 30, 2022	September 30, 2023	April 30, 2023	
Carrying value at December 31, 2019	$ 80,651	$ 92,529	$ 121,304	$ 294,484
Units acquired and cancelled through normal course issuer bid	(705)	(1,076)	(836)	(2,617)
Units acquired through normal course issuer bid, not cancelled at year end	(35)	(30)	—	(65)
Carrying value at December 31, 2020	79,911	91,423	120,468	291,802
Units acquired and cancelled through normal course issuer bid	(1,419)	(2,102)	—	(3,521)
Units acquired through normal course issuer bid, not cancelled at year end	(24)	(36)	—	(60)
Carrying value at December 31, 2021	$ 78,468	$ 89,285	$ 120,468	$ 288,221
Face value at December 31, 2021	$ 82,390	$ 92,488	$ 124,139	$ 299,017
Face value at December 31, 2020	83,905	94,702	124,139	302,746

(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 paid 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 period ended 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 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.

(iii) Series I:

On January 31, 2018, 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 15, 2021, 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 3, 2021 as follows:

	Public float	10% of public float
Common units	87,881,761	8,788,176
Preferred unit series:		
Series A	3,300,400	330,040
Series E	3,707,734	370,773
Series I	4,865,540	486,554

Purchases will be made at market prices through the facilities of the TSX and/or alternative Canadian trading systems 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, 2022, or the date on which the REIT has purchased the maximum number of units permitted under the bid. During the year ended December 31, 2021, the REIT acquired 11,137,764 common units at market prices aggregating $125,772, resulting in contributed surplus of $19,365, which was the excess of stated capital over redemption proceeds. During the year ended December 31, 2021, the REIT also acquired 60,600 and 88,588 Series A and E Units, respectively, at market prices aggregating $3,485, resulting in contributed surplus of $96, which was the excess of stated capital over redemption proceeds.

During the year ended December 31, 2020, the REIT acquired 3,727,716 common units at market prices aggregating $33,442, resulting in contributed surplus of $15,159, which was the excess of stated capital over redemption proceeds. During the year ended December 31, 2020, the REIT also acquired 31,100, 45,802 and 34,460 Series A, E and I Units, respectively, at market prices aggregating $1,850, resulting in contributed surplus of $832, which was the excess of stated capital over redemption proceeds.

(d) Short form base shelf prospectus:

On October 18, 2021, 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, 2021, the REIT had not issued any securities under this short form base shelf prospectus.

(e) Weighted-average common units:

		Year ended December 31, 2021		2020
Net income	$	389,175	$	21,543
Adjustment for distributions to preferred unitholders (note 17)		(17,260)		(17,420)
Net income attributable to common unitholders		371,915		4,123
Adjustment for restricted units		511		(374)
Adjustment for deferred units		(574)		(346)
Diluted net income attributable to common unitholders	$	371,852	$	3,403
The weighted-average number of common units outstanding was as follows:				
Basic common units		129,553,433		136,206,856
Effect of dilutive securities:				
Restricted units		366,757		320,049
Deferred units		105,727		80,016
Diluted common units		130,025,917		136,606,921
Net income per unit attributable to common unitholders:				
Basic	$	2.87	$	0.03
Diluted		2.86		0.02

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 years ended December 31, 2021 and 2020, 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, 2021 amounted to $2,915 (2020, $4,579, including $2,123 related to accelerated vesting of restricted units as part of the executive settlement in connection with the proxy matter (note 26)). 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:

	2021	Year ended December 31, 2020
	Units	Units
Balance, beginning of year	404,937	694,034
Granted	153,915	262,303
Accrued	97,404	43,877
Redeemed	(172,412)	(582,764)
Expired	(20,953)	(12,513)
Balance, end of year	462,891	404,937
Restricted units vested at end of year	12,068	14,291

(b) Deferred units:

Unit-based compensation expense related to deferred units outstanding under the equity incentive plan for the year ended December 31, 2021 amounted to $442 (2020, $399). 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:

	2021	Year ended December 31, 2020
	Units	Units
Balance, beginning of year	92,908	472,451
Granted	60,474	60,914
Accrued	27,112	28,050
Redeemed	(46,942)	(468,507)
Balance, end of year	133,552	92,908
Deferred units vested at end of year	133,552	92,908

(c) Unit options:

At December 31, 2021 and 2020, no unit options had been granted under the REIT's equity incentive plan.

(d) Installment units:

At December 31, 2021 and 2020, 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, 2021		Year ended December 31, 2020	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders				
Monthly distributions paid and payable in cash	$ 76,250	$ 0.59	$ 73,654	$ 0.54
Special distribution payable in cash	39,589	0.32	—	—
Special distribution payable in units	256,091	2.07	—	—
	371,930	2.98	73,654	0.54
Preferred unitholders - Series A	4,699	1.42	4,763	1.42
Preferred unitholders - Series E	5,116	1.37	5,200	1.37
Preferred unitholders - Series I	7,445	1.50	7,457	1.50

The Board of Trustees declared a special distribution of $2.39 per common unit, which was comprised of $0.32 per common unit payable in cash and $2.07 per common unit payable in common units. The special distribution was payable on December 31, 2021 to unitholders of record at the close of business on December 31, 2021. The special distribution was principally being made to distribute to common unitholders a portion of the capital gain realized by the REIT from transactions completed during the year ended December 31, 2021. Immediately following the issuance of common units on December 31, 2021, the common units were consolidated such that each unitholder held the same number of units after the consolidation as each unitholder held prior to the special non-cash distributions. As at December 31, 2021, the special distributions declared in common units of $256,091 was recorded as capital contributions.

Note 18. Revenue

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

		Year ended December 31,
	2021	2020
Base rent	$ 259,461	$ 294,851
Operating cost and realty tax recoveries	148,678	170,553
Parking and other revenue	11,984	12,741
Tenant inducements amortized to revenue	(24,765)	(24,854)
Straight-line rent adjustments	3,405	4,923
Lease termination income	2,875	703
Rental revenue from investment properties	401,638	458,917
Condominium sales	17,861	—
	$ 419,499	$ 458,917

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

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

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

	December 31, 2021	December 31, 2020
Not later than one year	$ 253,355	$ 293,096
One to two years	226,499	260,653
Two to three years	199,755	233,099
Three to four years	165,380	196,447
Four to five years	136,935	159,376
Later than five years	529,669	635,042
	$ 1,511,593	$ 1,777,713

Note 19. Corporate expenses

	Year ended December 31, 2021	2020
Accounting, legal and consulting	3,262	3,316
Public company costs	1,396	1,367
Unit-based compensation	3,357	2,855
Salaries and benefits	2,083	1,940
Depreciation of property and equipment	1,362	1,422
General and administrative	1,253	1,305
	$ 12,713	$ 12,205

Note 20. Interest expense

	Year ended December 31, 2021	2020
Interest on mortgages and loans payable	$ 36,751	$ 45,492
Interest on senior unsecured debentures	10,876	12,639
Interest on credit facilities	19,486	24,983
Amortization of above- and below-market mortgages, net	(799)	(752)
Amortization of financing costs	3,334	3,744
	$ 69,648	$ 86,106

Note 21. Fair value gain (loss) on financial instruments

The REIT recorded gains (losses) on the following:

		Year ended December 31, 2021		2020
Interest rate swaps	$	15,966	$	(18,388)
Foreign currency contracts		305		2,257
Other derivatives		(367)		(407)
Equity securities		5,320		—
	$	21,224	$	(16,538)

Note 22. 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, 2021 and 2020. 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 21% to 30% 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 23. Supplemental cash flow information

(a) Other items not affecting cash:

				Year ended December 31,
		2021		2020
Tenant inducements amortized to revenue	$	24,765	$	24,854
Straight-line rent adjustments		(3,405)		(4,923)
Depreciation of property and equipment		1,362		1,422
Unit-based compensation		2,050		(1,859)
Amortization of above- and below-market mortgages, net		(799)		(752)
Amortization of financing costs included in interest expense		3,334		3,744
	$	27,307	$	22,486

(b) Changes in non-cash operating items:

				Year ended December 31,
		2021		2020
Inventory properties	$	15,058	$	(428)
Prepaid expenses and other assets		428		1,633
Accounts receivable and other receivables		3,650		2,597
Security deposits and prepaid rent		1,878		(2,367)
Accounts payable and other liabilities		(2,170)		(1,327)
	$	18,844	$	108

(c) Other supplemental cash flow information:

				Year ended December 31,
		2021		2020
Interest paid	$	71,563	$	87,189
Interest received		1,734		4,811
Income taxes paid		1,437		1,216

Note 24. Subsidiaries

Subsidiaries, joint ventures and associate of the REIT, excluding bare trustees, are outlined as follows:

		Ownership interest	
Name of entity	Country	December 31, 2021	December 31, 2020
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 %
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 %
Artis US Holdings IV GP, Inc.	U.S.	100 %	— %
Artis US Holdings IV, LLC	U.S.	100 %	— %
Artis US Holdings IV L.P.	U.S.	100 %	— %
AX US Management, Inc.	U.S.	100 %	100 %
Park 8Ninety Phase II, LP	U.S.	95 %	95 %
Park 8Ninety Phase IV, LP	U.S.	100 %	95 %
Park 8Ninety Phase V, LP	U.S.	95 %	95 %
Artis/Core Park West Land, Ltd.	U.S.	90 %	90 %
Tower Business Center L.P.	U.S.	80 %	80 %
Artis/Ryan Millwright, LP (1)	U.S.	— %	80 %
ARTIS HRA Inverness Point GP, LLC	U.S.	50 %	50 %
ARTIS HRA Inverness Point, LP	U.S.	50 %	50 %
USCIF Artis Park Lucero Venture LP	U.S.	10 %	— %

(1) This joint venture was dissolved during the year ended December 31, 2021.

Note 25. Related party transactions

In addition to the remuneration to Trustees and key management personnel disclosed in note 26, the REIT had the following related party transactions.

Sandpiper Asset Management Inc. ("Sandpiper") is a related party by virtue of being a company under joint control of the President and Chief Executive Officer of the REIT.

Effective May 1, 2021, the REIT entered into a Space Sharing Licence Agreement with Sandpiper for use of certain office premises for an annual fee of $130 inclusive of taxes. The agreement has a two-year term, with an automatic one-year extension unless terminated by either party upon written notice no later than 120 days before the end of the term or extension term.

Effective May 17, 2021, the REIT entered into a Services Agreement with Sandpiper to provide certain services to support the REIT's strategy, under the Business Transformation Plan, to acquire ownership positions in publicly-listed real estate entities. The annual fee payable to Sandpiper is 0.50% for years one to three, 0.40% for year four, and 0.30% for year five and thereafter, based on the net value of the investments made by the REIT pursuant to this agreement. The agreement continues until termination by either party upon 60-day written notice, or upon other specific circumstances. Under the Services Agreement, the REIT entered into a co-investment agreement with Sandpiper and other Sandpiper related entities (together "Sandpiper Entities") to make certain investments in the identified publicly-traded securities of a real estate entity on the basis of 50% of the aggregate investments by each of the REIT and Sandpiper Entities. The Sandpiper Entities are all under joint control of the President and Chief Executive Officer of the REIT.

Fees paid and accrued to Sandpiper were as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Space sharing licence costs	$ 83	$ —
Service fees	111	—
	$ 194	$ —

Amounts payable to Sandpiper were $76 as at December 31, 2021 (December 31, 2020, $nil).

For the year ended December 31, 2020, proxy matter expenses included reimbursements of advisory, legal and other out-of-pocket expenses incurred by Sandpiper and RFA Capital Partners Inc. of $1,383 and $42, respectively, relating to the settlement agreement between the REIT and Sandpiper Group. RFA Capital Partners Inc. is a related party of the REIT by virtue of being a company controlled by a Trustee.

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, 2021		2020
Short-term benefits	$	7,387	$	9,775
Unit-based compensation		1,571		1,961
Retirement settlements		—		12,719
	$	8,958	$	24,455

(a) Short-term benefits:

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

(b) Unit-based compensation:

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

(c) Retirement settlements:

During 2020, in connection with the resolution of the proxy matter and the resulting retirements of the former President & Chief Executive Officer and the former Chief Financial Officer, the REIT recorded executive settlement expenses of $12,719, which were included in proxy matter expenses in the consolidated statements of operations.

Note 27. Segmented information

The REIT owns and operates properties located in Canada and the U.S. These properties are managed and reported internally by country. Segmented information includes the REIT's equity accounted investments as presented using the proportionate share method. REIT income (expenses), including interest relating to senior unsecured debentures and credit facilities, distribution income from equity securities and fair value gain (loss) on financial instruments, have not been allocated to the segments.

	Canada	U.S.	REIT	Equity accounted investments adjustment	Total
					Year ended December 31, 2021
Revenue:					
Rental revenue from investment properties	$ 204,799	$ 212,496	$ 103	$ (15,760)	$ 401,638
Condominium sales	17,861	—	—	—	17,861
Total revenue	222,660	212,496	103	(15,760)	419,499
Expenses:					
Property operating	53,844	50,610	—	(3,635)	100,819
Realty taxes	30,760	37,375	—	(3,278)	64,857
Condominium cost of sales	16,038	—	—	—	16,038
Total operating expenses	100,642	87,985	—	(6,913)	181,714
Net operating income	122,018	124,511	103	(8,847)	237,785
Other income (expenses):					
Corporate expenses	—	—	(12,713)	—	(12,713)
Proxy matter expenses	—	—	—	—	—
Strategic initiative expenses	—	—	(18)	—	(18)
Interest expense	(16,916)	(23,316)	(31,962)	2,546	(69,648)
Interest income	62	558	1,269	(4)	1,885
Distribution income from equity securities	—	—	898	—	898
Net income from equity accounted investments	—	—	—	16,795	16,795
Fair value gain on investment properties	184,883	23,124	—	(10,496)	197,511
Foreign currency translation loss	—	—	(3,244)	—	(3,244)
Transaction costs	—	(11)	—	—	(11)
Fair value gain on financial instruments	—	—	21,224	—	21,224
Income (loss) before income taxes	290,047	124,866	(24,443)	(6)	390,464
Income tax expense	—	(1,295)	—	6	(1,289)
Net income (loss)	$ 290,047	$ 123,571	$ (24,443)	$ —	$ 389,175
Acquisitions of investment properties	$ —	$ 5,823	$ —	$ —	$ 5,823
Additions to investment properties, investment properties under development and investment properties held for sale	66,055	55,174	—	(30,659)	90,570
Additions to tenant inducements	14,808	15,814	—	(2,281)	28,341
Additions to leasing commissions	2,552	7,779	—	(526)	9,805

	Canada	U.S.	REIT	Equity accounted investments adjustment	Total
					December 31, 2021
Total assets	$ 2,026,027	$ 2,334,821	$ 320,287	$ (105,111)	$ 4,576,024
Total liabilities	483,242	792,076	950,464	(105,111)	2,120,671

				Year ended December 31, 2020	
	Canada	U.S.	REIT	Equity accounted investments adjustment	Total
Revenue:					
Rental revenue from investment properties	$ 243,370	$ 236,026	$ 306	$ (20,785)	$ 458,917
Condominium sales	—	—	—	—	—
Total revenue	243,370	236,026	306	(20,785)	458,917
Expenses:					
Property operating	65,276	52,052	—	(4,457)	112,871
Realty taxes	39,748	42,213	—	(5,190)	76,771
Condominium cost of sales	—	—	—	—	—
Total operating expenses	105,024	94,265	—	(9,647)	189,642
Net operating income	138,346	141,761	306	(11,138)	269,275
Other income (expenses):					
Corporate expenses	—	—	(12,205)	—	(12,205)
Proxy matter expenses	—	—	(17,423)	—	(17,423)
Strategic initiative expenses	—	—	(4,029)	—	(4,029)
Interest expense	(18,638)	(32,438)	(39,591)	4,561	(86,106)
Interest income	164	974	3,676	(17)	4,797
Distribution income from equity securities	—	—	—	—	—
Net income from equity accounted investments	—	—	—	24,851	24,851
Fair value (loss) gain on investment properties	(125,443)	2,824	—	(18,257)	(140,876)
Foreign currency translation gain	—	—	530	—	530
Transaction costs	—	—	—	—	—
Fair value loss on financial instruments	—	—	(16,538)	—	(16,538)
(Loss) income before income taxes	(5,571)	113,121	(85,274)	—	22,276
Income tax expense	—	(733)	—	—	(733)
Net (loss) income	$ (5,571)	$ 112,388	$ (85,274)	$ —	$ 21,543
Additions to investment properties, investment properties under development and investment properties held for sale	$ 75,477	$ 45,028	$ —	$ (22,492)	$ 98,013
Additions to tenant inducements	17,479	33,307	—	(5,716)	45,070
Additions to leasing commissions	2,613	12,305	—	(2,452)	12,466

				December 31, 2020	
	Canada	U.S.	REIT	Equity accounted investments adjustment	Total
Total assets	$ 2,638,216	$ 2,317,975	$ 30,815	$ (127,165)	$ 4,859,841
Total liabilities	521,907	962,922	1,168,280	(127,165)	2,525,944

Note 28. Contingencies and guarantees

(a) Letters of credit:

As at December 31, 2021, the REIT had issued letters of credit in the amount of $75 (December 31, 2020, $3,574).

(b) Contingencies:

The REIT is contingently liable for bonds that have been provided to support industrial development projects in the amount of $5,842 (December 31, 2020, $nil).

The REIT performs an assessment of legal and tax proceedings and claims which have occurred or could occur as a result of ongoing operations. In the opinion of management and based on the information available, any liability that may arise from such contingencies in excess of existing accruals would not have a material adverse effect on the consolidated financial statements.

(c) Guarantees:

At December 31, 2021, the REIT has guaranteed certain debt assumed by purchasers in connection with the dispositions of two properties (December 31, 2020, 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, 2021 was $43,586 (December 31, 2020, $53,811), with an estimated weighted-average remaining term of 1.4 years (December 31, 2020, 2.1 years). Management has assessed the estimated fair values of the borrowers' interests in the underlying properties compared to the mortgage balances and the risk of default by the borrowers and determined that a provision is not required to be recognized in the consolidated financial statements.

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, 2021, the ratio of such indebtedness to gross book value was 42.9% (December 31, 2020, 49.3%), 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	December 31, 2021	December 31, 2020
Mortgages and loans payable	11	$ 1,085,039	$ 1,273,522
Senior unsecured debentures	12	249,346	498,919
Credit facilities	13	631,253	624,461
Total debt		1,965,638	2,396,902
Unitholders' equity		2,455,353	2,333,897
		$ 4,420,991	$ 4,730,799

Note 30. Risk management

In the normal course of business, the REIT is exposed to a number of risks arising from its financial instruments. 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 is 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, 2021, the REIT had variable rate debt, including credit facilities, of $1,324,662 (December 31, 2020, $1,495,281). At December 31, 2021, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $907,516 of variable rate debt, including swaps on credit facilities (December 31, 2020, $973,405).

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	$	4,171
Fixed rate debt due within one year		6,649
	$	10,820

Some of the REIT's variable rate debt and interest rate swaps are linked to US dollar LIBOR ("USD LIBOR"), which is subject to the interest rate benchmark reform. The Financial Conduct Authority ("FCA") has confirmed that the 1, 3, 6 and 12-month USD LIBOR will cease to be provided by any administrator immediately after June 30, 2023. All of the REIT's LIBOR-linked financial instruments have not yet been transitioned to an alternative interest rate benchmark. The November 2021 amendment to the revolving term credit facilities agreement (note 13) include fallback provisions referencing the alternative benchmark rate and the trigger event on which such provisions will be activated. For the remaining LIBOR-linked financial instruments, the REIT has begun communications with debt and swap counterparties regarding amendments to include fallback provisions as appropriate. Additional interest rate risk may arise from the transition if the REIT is not able to negotiate with counterparties to obtain the appropriate debt financing with variable rates and/or interest rate swaps to implement its interest rate risk management strategy.

As at December 31, 2021, the REIT had variable rate debt and interest rate swaps linked to USD LIBOR as follows:

		December 31, 2021
Financial assets:		
Interest rate swaps (1)	$	1,029
Financial liabilities:		
Mortgages and loans payable (2)	$	628,155
Credit facilities (2)		131,851
Interest rate swaps (1)		4,005
	$	764,011

(1) Interest rate swaps are disclosed at the fair values as at December 31, 2021.
(2) Mortgages and loans payable and credit facilities are disclosed at the outstanding balances as at December 31, 2021.

(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 and a portion of the amounts drawn on credit facilities are 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 1.2565 for the year ended December 31, 2021, and the year-end exchange rate of 1.2678 at December 31, 2021, would have increased net income by approximately $476 for the year ended December 31, 2021. A $0.10 weakening in the US dollar against the Canadian dollar would have decreased other comprehensive income by approximately $115,479 for the year ended December 31, 2021. 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 fair value of investments in equity securities will vary as a result of changes in market prices of the investments. Market prices are subject to fluctuation and, consequently, the amount realized in subsequent periods may differ from the reported market value and amounts realized from disposition of a security may be affected by the quantity of the security being sold. Further, fluctuations in the market price of a security may have no relation to the intrinsic value of the security. The REIT manages its equity price risk by limiting the size of these investments relative to its total assets.

(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 industrial, office and retail asset classes, and geographically diversified with properties owned across five Canadian provinces and six U.S. states.

The REIT measures loss allowance for rents receivable at the lifetime expected credit losses. In determining the expected credit losses, the REIT takes into account the expectations of future defaults and rent abatements based on payment history, tenant communications and economic conditions, as well as the impact of COVID-19 on tenant's ability to pay. As part of this assessment, the REIT reviews individual tenant risk profiles given the impact on tenant operations of COVID-19 restrictions imposed by various levels of government. The government-imposed restrictions have the largest impact on the retail tenants. In an effort to support tenants adversely impacted by the pandemic, certain qualifying tenants were given the option to defer a portion of their rent, with an agreement to repay the deferred amount at a specified later date.

Included in property operating expenses are expected credit losses of $574 during the year ended December 31, 2021 (2020, $2,693).

The aging of accounts receivable is summarized as follows:

	December 31, 2021	December 31, 2020
Past due 0 - 30 days	$ 2,630	$ 2,074
Past due 31 - 90 days	623	596
Past due more than 91 days	2,325	2,990
	5,578	5,660
Allowance for doubtful accounts	(1,538)	(1,444)
	$ 4,040	$ 4,216

The repayment terms of the deferred receivables are as follows:

	December 31, 2021	December 31, 2020
Not later than one year	$ 780	$ 3,971
One to two years	112	930
Two to three years	63	—
	955	4,901
Allowance for doubtful accounts	(179)	(545)
	$ 776	$ 4,356

The changes to the REIT's allowance for doubtful accounts were as follows:

	December 31, 2021	December 31, 2020
Balance, beginning of year	$ 1,989	$ 406
Additional provisions recorded	1,393	2,860
Reversal of previous provisions	(819)	(167)
Amounts written-off	(852)	(1,081)
Foreign currency translation loss (gain)	6	(29)
Balance, end of year	$ 1,717	$ 1,989

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. In addition, management monitors ongoing repayments and evaluates market conditions that may affect debtors' ability to repay.

(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 credit facilities 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, 2021 including accounts payable and other liabilities, lease 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	$ 120,854	$ 120,854	$ —	$ —	$ —
Lease liabilities	1,423	307	434	285	397
Credit facilities	631,851	500,000	131,851	—	—
Senior unsecured debentures	250,000	—	250,000	—	—
Mortgages and loans payable	1,087,521	302,810	500,175	200,226	84,310
	$ 2,091,649	$ 923,971	$ 882,460	$ 200,511	$ 84,707

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 years ended December 31, 2021 and 2020.

		December 31, 2021		December 31, 2020	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	$ 3,741,544	$ 3,741,544	$ 4,325,121	$ 4,325,121
Investment properties under development	Level 3	195,161	195,161	132,243	132,243
Investments in equity securities	Level 1	77,186	77,186	—	—
Notes receivable	Level 2	36,282	36,473	21,684	22,269
Investment properties held for sale	Level 3	62,904	62,904	74,483	74,483
Derivative instruments	Level 2	1,029	1,029	—	—
		4,114,106	4,114,297	4,553,531	4,554,116
Liabilities:					
Mortgages and loans payable	Level 2	1,085,039	1,088,737	1,273,522	1,278,649
Senior unsecured debentures	Level 2	249,346	254,346	498,919	507,251
Credit facilities	Level 2	631,253	631,851	624,461	625,617
Derivative instruments	Level 2	7,689	7,689	22,792	22,792
		1,973,327	1,982,623	2,419,694	2,434,309
		$ 2,140,779	$ 2,131,674	$ 2,133,837	$ 2,119,807

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 value of the investments in equity securities has been determined based on the quoted price on the principal securities exchange on which the majority of the trading occurs.

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

Note 32. Subsequent events

The following events occurred subsequent to December 31, 2021:

- The REIT participated in a consortium that acquired all of the outstanding units of Cominar Real Estate Investment Trust ("Cominar") for consideration of $11.75 per unit in cash under a Plan of Arrangement (the "Cominar Transaction"). Also under the Plan of Arrangement, certain of Cominar's office, retail and industrial assets were acquired by other parties not part of the consortium. The REIT contributed $212,000, including $112,000 to acquire common equity units (representing approximately 32.64% of the total common equity units in the newly-formed entity) and $100,000 to acquire junior preferred units that carry a distribution rate of 18.0% per annum. As part of the consideration, the REIT contributed its existing Cominar units, which had a fair value of $13,419 as at December 31, 2021. The Cominar Transaction closed on March 1, 2022.

- The REIT disposed a portfolio comprised of two office properties located in the Greater Toronto Area, Ontario, for a sale price of $35,500.

- The REIT entered into an unconditional sale agreement to sell an industrial property located in the Greater Toronto Area, Ontario, for a sale price of $29,200 with expected closing in March 2022.

- The REIT drew a net balance of $244,000 and repaid a net balance of $12,716 (US$10,000) on its revolving term credit facilities.

- The REIT repaid $100,000 of the non-revolving credit facility that matured on February 4, 2022 and entered into an amended agreement for the remaining balance of $100,000, bearing interest at BA rate plus 1.60% or prime plus 0.60% and maturing February 6, 2023.

- The REIT repaid a mortgage for an industrial property in the amount of $9,845 (US$7,803).

- The REIT purchased through the NCIB 3,583,882 common units at a weighted-average price of $12.37, 16,400 Series A Units at a weighted-average price of $24.82 and 19,300 Series E Units at a weighted-average price of $24.03.

- The REIT purchased equity securities for an aggregate cost of $48,638.

- The REIT declared a monthly cash distribution of $0.05 per common unit for the months of January and February 2022.

- The REIT declared a quarterly cash distribution of $0.3750 per Series I Unit for the three months ended January 31, 2022.

Note 33. Approval of financial statements

These consolidated financial statements were approved by the Board of Trustees and authorized for issue on March 3, 2022.