

Interim Condensed Consolidated Financial Statements of

# **ARTIS REAL ESTATE INVESTMENT TRUST**

Three months ended March 31, 2022 and 2021  
(Unaudited)

(In Canadian dollars)

# Interim Condensed Consolidated Balance Sheets

(Unaudited)

(In thousands of Canadian dollars)

	Note	March 31, 2022	December 31, 2021
<b>ASSETS</b>			
Non-current assets:			
Investment properties	4	\$ 3,731,252	\$ 3,741,544
Investment properties under development	4	204,201	195,161
Equity accounted investments	5	424,501	180,078
Preferred investments	5	100,000	—
Equity securities		139,457	77,186
Property and equipment		6,108	6,411
Notes receivable		35,078	35,448
Deferred rents receivable	7	129	122
		4,640,726	4,235,950
Current assets:			
Investment properties held for sale	4	59,667	62,904
Prepaid expenses and other assets		12,886	7,979
Notes receivable		930	834
Accounts receivable and other receivables	7	15,094	14,674
Cash held in trust		33,035	32,209
Cash		36,324	221,474
		157,936	340,074
<b>Total assets</b>		<b>\$ 4,798,662</b>	<b>\$ 4,576,024</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>			
Non-current liabilities:			
Mortgages and loans payable	8	\$ 748,977	\$ 783,129
Senior unsecured debentures	9	249,438	249,346
Credit facilities	10	158,539	131,643
Deferred tax liabilities	16	27,756	—
Other long-term liabilities		1,912	2,005
		1,186,622	1,166,123
Current liabilities:			
Mortgages and loans payable	8	310,048	301,910
Security deposits and prepaid rent		33,314	31,867
Accounts payable and other liabilities		79,236	121,161
Credit facilities	10	601,693	499,610
		1,024,291	954,548
<b>Total liabilities</b>		<b>2,210,913</b>	<b>2,120,671</b>
<b>Unitholders' equity</b>		<b>2,587,749</b>	<b>2,455,353</b>
Contingencies and guarantees	20		
Subsequent events	24		
<b>Total liabilities and unitholders' equity</b>		<b>\$ 4,798,662</b>	<b>\$ 4,576,024</b>

See accompanying notes to interim condensed consolidated financial statements.

# Interim Condensed Consolidated Statements of Operations

(Unaudited)

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

			Three months ended March 31,	
	Note		2022	2021
Revenue:				
Rental revenue from investment properties	13	\$	93,241	\$ 107,016
Condominium sales	13		—	13,861
<b>Total revenue</b>			<b>93,241</b>	<b>120,877</b>
Expenses:				
Property operating			25,990	25,587
Realty taxes			15,789	18,155
Condominium cost of sales			—	12,903
<b>Total operating expenses</b>			<b>41,779</b>	<b>56,645</b>
<b>Net operating income</b>			<b>51,462</b>	<b>64,232</b>
Other income (expenses):				
Corporate expenses			(3,190)	(3,552)
Strategic initiative expenses			—	(18)
Interest expense	14		(16,057)	(18,788)
Interest and other income			3,078	376
Distribution income from equity securities			1,006	—
Net income from equity accounted investments	5		140,284	6,345
Fair value gain on investment properties	4		70,941	18,347
Foreign currency translation gain (loss)			1,263	(2,055)
Transaction costs	3		—	(11)
Fair value gain on financial instruments	15		20,193	7,118
<b>Income before income taxes</b>			<b>268,980</b>	<b>71,994</b>
Income tax expense	16		(31,967)	(134)
<b>Net income</b>			<b>237,013</b>	<b>71,860</b>
Other comprehensive loss that may be reclassified to net income in subsequent periods:				
Unrealized foreign currency translation loss			(21,208)	(15,246)
Unrealized foreign currency translation loss on equity accounted investments			(2,029)	(1,623)
<b>Other comprehensive loss</b>			<b>(23,237)</b>	<b>(16,869)</b>
<b>Total comprehensive income</b>		\$	<b>213,776</b>	<b>\$ 54,991</b>
Basic income per unit attributable to common unitholders	11	\$	1.91	\$ 0.50
Diluted income per unit attributable to common unitholders	11		1.90	0.50
Weighted-average number of common units outstanding:				
Basic	11		121,888,430	134,106,836
Diluted	11		122,477,577	134,569,861

See accompanying notes to interim condensed consolidated financial statements.

# Interim Condensed Consolidated Statements of Changes in Unitholders' Equity

(Unaudited)

(In thousands of Canadian dollars)

	Common units capital contributions	Retained earnings	Accumulated other comprehensive income (loss)	Contributed surplus	Total common equity	Total preferred equity	Total
Unitholders' equity, December 31, 2020	\$ 1,754,601	\$ 90,999	\$ 147,231	\$ 49,264	\$ 2,042,095	\$ 291,802	\$ 2,333,897
Changes for the period:							
Issuance of common units, net of issue costs (note 11)	155	—	—	—	155	—	155
Units acquired and cancelled through normal course issuer bid (note 11)	(27,141)	—	—	4,923	(22,218)	(350)	(22,568)
Units acquired through normal course issuer bid, not cancelled at period end (note 11)	(2,042)	—	—	346	(1,696)	(147)	(1,843)
Net income	—	71,860	—	—	71,860	—	71,860
Other comprehensive loss	—	—	(16,869)	—	(16,869)	—	(16,869)
Distributions	—	(23,379)	—	—	(23,379)	—	(23,379)
Unitholders' equity, March 31, 2021	1,725,573	139,480	130,362	54,533	2,049,948	291,305	2,341,253
Changes for the period:							
Issuance of common units, net of issue costs (note 11)	273	—	—	—	273	—	273
Units acquired and cancelled through normal course issuer bid (note 11)	(113,729)	—	—	14,005	(99,724)	(3,024)	(102,748)
Units acquired through normal course issuer bid, not cancelled at year end (note 11)	(2,225)	—	—	187	(2,038)	(60)	(2,098)
Net income	—	317,315	—	—	317,315	—	317,315
Other comprehensive income	—	—	15,396	—	15,396	—	15,396
Distributions	—	(114,038)	—	—	(114,038)	—	(114,038)
Distributions in units (note 11)	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
Changes for the period:							
Issuance of common units, net of issue costs (note 11)	7	—	—	—	7	—	7
Units acquired and cancelled through normal course issuer bid (note 11)	(64,160)	—	—	11,490	(52,670)	(1,167)	(53,837)
Units acquired through normal course issuer bid, not cancelled at period end (note 11)	—	—	—	—	—	(140)	(140)
Net income	—	237,013	—	—	237,013	—	237,013
Other comprehensive loss	—	—	(23,237)	—	(23,237)	—	(23,237)
Distributions	—	(27,410)	—	—	(27,410)	—	(27,410)
Unitholders' equity, March 31, 2022	\$ 1,801,830	\$ 296,269	\$ 122,521	\$ 80,215	\$ 2,300,835	\$ 286,914	\$ 2,587,749

See accompanying notes to interim condensed consolidated financial statements.

# Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands of Canadian dollars)

		Three months ended	
		March 31,	
	Note	2022	2021
Cash provided by (used in):			
Operating activities:			
Net income		\$ 237,013	\$ 71,860
Adjustments for:			
Distribution income from equity securities		(1,006)	—
Net income from equity accounted investments	5	(140,284)	(6,345)
Fair value gain on investment properties	4	(70,941)	(18,347)
Fair value gain on financial instruments	15	(20,193)	(7,118)
Unrealized foreign currency translation (gain) loss		(1,221)	1,972
Deferred taxes		32,070	—
Other items not affecting cash	17	7,422	6,853
Changes in non-cash operating items	17	4,395	10,701
		47,255	59,576
Investing activities:			
Acquisition of investment properties, net of related debt	3	—	(391)
Proceeds from dispositions of investment properties, net of costs and related debt	3	63,859	(59)
Additions to investment properties		(2,107)	(4,185)
Additions to investment properties under development		(13,231)	(14,141)
Additions to tenant inducements and leasing commissions		(10,299)	(11,081)
Contributions to equity accounted investments		(98,878)	(6,634)
Distributions from equity accounted investments		1,885	36,989
Purchase of preferred investment		(100,000)	—
Purchases of equity securities		(65,703)	—
Distributions from equity securities		851	—
Additions to property and equipment		(21)	—
Issuances of notes receivable		(138)	(38)
Notes receivable principal repayments		273	465
Change in deposits on investment properties		—	1,102
Change in cash held in trust		(876)	(141)
		(224,385)	1,886
Financing activities:			
Repayment of mortgages and loans payable		(16,480)	(55,012)
Advance of mortgages and loans payable, net of financing costs		(245)	107,535
Repayment of senior unsecured debentures		—	(250,000)
Advance of revolving credit facilities		275,000	283,000
Repayment of revolving credit facilities, including financing costs		(44,527)	(93,000)
Repayment of non-revolving credit facilities, including financing costs		(100,065)	—
Repayment of lease liabilities		(75)	(55)
Purchase of common units under normal course issuer bid	11	(52,661)	(23,981)
Purchase of preferred units under normal course issuer bid	11	(1,316)	(430)
Distributions paid on common units		(62,943)	(18,634)
Distributions paid on preferred units		(4,277)	(4,340)
		(7,589)	(54,917)
Foreign exchange loss on cash held in foreign currency		(431)	(316)
(Decrease) increase in cash		(185,150)	6,229
Cash, beginning of period		221,474	34,703
Cash, end of period		\$ 36,324	\$ 40,932

See accompanying notes to interim condensed consolidated financial statements.

# Notes to Interim Condensed Consolidated Financial Statements

Three months ended March 31, 2022 and 2021 (Unaudited)

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

## Note 1. Organization

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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 REIT's vision is to become a best-in-class real estate asset management and investment platform focused on growing net asset value per unit and distributions for its investors through value investing. The REIT owns, manages, leases and develops industrial, office, retail and residential properties in Canada and the United States (the "U.S."), and holds other real estate investments. 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.

## Note 2. Significant accounting policies

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### (a) Basis of presentation and measurement:

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

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2021, except for those policies and standards adopted as described in note 2 (c). The REIT has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. These interim condensed consolidated financial statements have been prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand dollars unless otherwise indicated.

These interim condensed consolidated financial statements should be read in conjunction with the REIT's consolidated financial statements for the year ended December 31, 2021.

### (b) Use of estimates and judgments:

The preparation of the interim condensed consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The critical accounting estimates and judgments have been set out in note 2 to the REIT's consolidated financial statements for the year ended December 31, 2021. There have been no changes to the critical accounting estimates and judgments during the three months ended March 31, 2022.

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

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. These amendments had no impact on the interim condensed consolidated financial statements.

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. These amendments had no impact on the interim condensed consolidated financial statements as no onerous contracts were identified during the period.

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. These amendments were adopted when assessing the terms of the new and modified financial liabilities during the period and have no material impact on the interim condensed consolidated financial statements.

**Note 3. Acquisitions and dispositions of investment properties**

## Acquisitions:

The REIT did not acquire any properties during the three months ended March 31, 2022.

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.

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, were as follows:

		2022	Three months ended March 31, 2021
Investment properties	\$	—	\$ 875
Long-term debt, including acquired above- and below-market mortgages, net of financing costs		—	(487)
Other net assets		—	3
		—	391
Consideration was comprised of the following:			
Cash consideration		—	391
Total consideration	\$	—	\$ 391
Transaction costs expensed	\$	—	\$ 11

## Dispositions:

The REIT disposed of the following properties during the three months ended March 31, 2022:

Property	Property count	Location	Disposition date	Asset class
Cancross Office Portfolio	2	Greater Toronto Area, ON	January 20, 2022	Office
2150-2180 Dunwin Drive	1	Greater Toronto Area, ON	March 10, 2022	Industrial

The cash proceeds received from the sale of the above properties, net of costs and related debt, were \$63,859. The assets and liabilities associated with the properties were derecognized.

The REIT did not dispose of any properties during the three months ended March 31, 2021.

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

	Three months ended March 31, 2022		
	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of period	\$ 3,741,544	\$ 195,161	\$ 62,904
Additions:			
Capital expenditures	2,107	13,191	—
Capitalized interest <sup>(1)</sup>	—	40	—
Leasing commissions	2,167	171	39
Straight-line rent adjustments	292	—	(4)
Tenant inducement additions, net of amortization	1,104	351	61
Dispositions	—	—	(63,859)
Foreign currency translation loss	(30,730)	(360)	—
Fair value gain	68,809	1,273	859
Reclassification of investment properties under development	5,626	(5,626)	—
Reclassification of investment properties held for sale	(59,667)	—	59,667
Balance, end of period	\$ 3,731,252	\$ 204,201	\$ 59,667

(1) During the three months ended March 31, 2022, interest was capitalized to investment properties under development at a weighted-average effective rate of 2.13%.

	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	875	4,948	—
Reclassification from equity accounted investments <sup>(1)</sup>	16,642	—	—
Capital expenditures	21,117	69,008	445
Capitalized interest <sup>(2)</sup>	—	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 <sup>(3)</sup>	—	(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.

At March 31, 2022, investment properties under development included 300 Main, a commercial and residential/multi-family development project with a fair value of \$178,446 (December 31, 2021, \$174,997). 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 property, one office property and a parcel of development land classified as investment properties held for sale that were actively marketed for sale or under conditional sale agreements at March 31, 2022 (December 31, 2021, one industrial and two office properties).

At March 31, 2022, included in investment properties was \$48,550 (December 31, 2021, \$48,916) 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 \$11,593 at March 31, 2022 (December 31, 2021, \$11,448). The lease payments required under this lease were fully paid at the time of acquisition of the property.

At March 31, 2022, investment properties with a fair value of \$2,105,704 (December 31, 2021, \$2,096,861) were pledged as security under mortgage agreements.

The REIT obtains external valuations for a selection of properties representing various geographical regions and asset classes across its portfolio. For the three months ended March 31, 2022, properties (including the REIT's ownership interest in properties held in equity accounted investments except for those held in Iris Acquisition II LP) with an appraised value of \$208,900 (December 31, 2021, \$775,751), were appraised by qualified external valuation professionals. The REIT uses similar assumptions and valuation techniques in its internal valuations as used by the external valuation professionals. Internal valuations are performed by the REIT's valuations team who report directly to the Chief Financial Officer. The valuations processes and results are reviewed by management on a quarterly basis.

The REIT determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method. Under the discounted cash flow method, expected future cash flows are discounted using an appropriate rate based on the risk of the property. Expected future cash flows for each investment property are based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. The REIT uses leasing history, market reports, tenant profiles and building assessments, among other things, in determining the most appropriate assumptions. Discount and capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one net income is stabilized and capitalized at a rate appropriate for each investment property. The stabilized net income incorporates allowances for vacancy, management fees and structural repair reserves. The resulting capitalized value is further adjusted, where appropriate, for costs to stabilize the net income and non-recoverable capital expenditures. There were no changes to the REIT's internal valuation methodology during the three months ended March 31, 2022 and year ended December 31, 2021.

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 March 31, 2022. 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 March 31, 2022 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 23.

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

	March 31, 2022			December 31, 2021		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Canada:						
Discount rate	9.50 %	4.75 %	7.05 %	9.50%	4.75%	7.11%
Terminal capitalization rate	9.00 %	3.50 %	6.03 %	9.00%	3.50%	6.09%
Capitalization rate	8.75 %	3.50 %	5.97 %	8.75%	3.50%	6.00%
Investment horizon (years)	12.0	10.0	10.4	12.0	10.0	10.5
U.S.:						
Discount rate	10.00 %	5.00 %	7.42 %	9.75%	6.00%	7.65%
Terminal capitalization rate	9.00 %	4.00 %	6.40 %	8.50%	4.75%	6.63%
Capitalization rate	8.75 %	3.75 %	6.24 %	8.00%	4.50%	6.49%
Investment horizon (years)	12.0	10.0	10.4	12.0	10.0	10.4
Total portfolio:						
Discount rate	10.00 %	4.75 %	7.23 %	9.75%	4.75%	7.37%
Terminal capitalization rate	9.00 %	3.50 %	6.21 %	9.00%	3.50%	6.34%
Capitalization rate	8.75 %	3.50 %	6.10 %	8.75%	3.50%	6.22%
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.

**Note 5. Equity accounted investments and preferred investments**

The REIT has the following equity accounted investments:

			Ownership interest	
	Principal purpose	Location	March 31, 2022	December 31, 2021
Associates:				
Iris Acquisition II LP	Investment in Cominar Real Estate Investment Trust	Greater Montreal & Quebec City Areas, QC/Greater Ottawa Area, ON	32.64 %	— %
Park Lucero East	Investment property	Greater Phoenix Area, AZ	10.00 %	10.00 %
Joint ventures:				
Park 8Ninety II	Investment property	Greater Houston Area, TX	95.00 %	95.00 %
Park 8Ninety V	Investment property	Greater Houston Area, TX	95.00 %	95.00 %
Corridor Park	Investment property	Greater Houston Area, TX	90.00 %	90.00 %
Graham Portfolio	Investment property	Various Cities, AB/BC/SK	75.00 %	75.00 %
The Point at Inverness	Investment property	Greater Denver Area, CO	50.00 %	50.00 %
ICE LP	Investment in Iris Acquisition II LP	—	50.00 %	— %
ICE II LP	Investment in the asset manager of Cominar Real Estate Investment Trust	—	50.00 %	— %

On March 1, 2022, the REIT contributed \$112,000 to acquire common equity units of Iris Acquisition II LP ("Iris"), an entity formed to acquire the outstanding units of Cominar Real Estate Investment Trust ("Cominar") for consideration of \$11.75 per unit in cash under a Plan of Arrangement. As part of the consideration, the REIT contributed its previously-owned Cominar units with a fair value of \$13,488. The REIT's investment in 32.64% of the outstanding common equity units of Iris is determined to be an investment in an associate and measured using the equity method, on the basis that the REIT has significant influence over this investment through representation on the Board of Cominar and the Board of the ultimate general partner of Iris. In addition, the REIT acquired junior preferred units of Iris for \$100,000. The junior preferred units have a rate of return of 18.00% per annum, are redeemable by Iris at any time and are redeemable by the REIT commencing on March 1, 2025. The REIT's investment in the junior preferred units is classified as a financial instrument measured at amortized cost.

In connection with the investment in Iris, the REIT, Sandpiper Asset Management Inc. ("Sandpiper") and an affiliate of Sandpiper entered into two joint ventures, ICE LP and ICE II LP. ICE LP holds a 33.33% interest in the ultimate general partner of Iris and an equity interest in Iris with profit participation rights. ICE II LP holds a 33.33% interest in the asset manager of Cominar. Under the asset management agreement, the asset manager earns a monthly fee of 1/12th of 1.75% of the net asset value of Iris. The asset management agreement has an initial term of six years with an automatic renewal of one year thereafter. The REIT's 50% interest in each of ICE LP and ICE II LP are determined to be joint ventures and measured using the equity method, on the basis that the REIT has joint control over these entities. Sandpiper is a related party to the REIT (see note 18). During the three months ended March 31, 2022, the REIT contributed \$5 in aggregate to ICE LP and ICE II LP.

In addition, during the three months ended March 31, 2022, the REIT contributed \$361 to Corridor Park, Park 8Ninety V and Park 8Ninety II equity accounted investments.

The REIT is contingently liable for the obligations of certain associates and joint ventures. As at March 31, 2022, the co-owners' share of mortgage liabilities was \$40,694 (December 31, 2021, \$30,388). Management has assessed that the assets available from its associates and joint ventures 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:

	March 31, 2022				December 31, 2021			
	Iris	Other associate	Joint ventures	Total	Iris	Other associate	Joint ventures	Total
Non-current assets:								
Investment properties	\$ 856,798	\$ —	\$ 305,082	\$ 1,161,880	\$ —	\$ —	\$ 233,635	\$ 233,635
Investment properties under development	10	5,541	—	5,551	—	4,687	42,337	47,024
Investment in joint ventures	5,989	—	—	5,989	—	—	—	—
Current assets:								
Investment properties held for sale	6,202	—	—	6,202	—	—	—	—
Other current assets	41,715	30	3,513	45,258	—	29	4,501	4,530
Total assets	910,714	5,571	308,595	1,224,880	—	4,716	280,473	285,189
Non-current liabilities:								
Mortgages, loans and other debt	481,582	1,880	51,335	534,797	—	715	47,544	48,259
Current liabilities:								
Mortgages, loans and other debt	180,512	—	45,525	226,037	—	—	46,223	46,223
Other current liabilities	33,316	929	5,300	39,545	—	1,171	9,458	10,629
Total liabilities	695,410	2,809	102,160	800,379	—	1,886	103,225	105,111
REIT's share of net assets of equity accounted investments	\$ 215,304	\$ 2,762	\$ 206,435	\$ 424,501	\$ —	\$ 2,830	\$ 177,248	\$ 180,078
	Three months ended March 31, 2022				Three months ended March 31, 2021			
	Iris	Other associate	Joint ventures	Total	Iris	Other associate	Joint ventures	Total
Revenue	\$ 8,675	\$ —	\$ 4,002	\$ 12,677	\$ —	\$ —	\$ 4,157	\$ 4,157
Operating expenses	4,742	—	1,745	6,487	—	—	1,767	1,767
Net operating income	3,933	—	2,257	6,190	—	—	2,390	2,390
Fair value (loss) gain on investment properties	(416)	—	31,172	30,756	—	—	4,672	4,672
Bargain purchase gain	111,652	—	—	111,652	—	—	—	—
Other (expenses) income	(11,865)	—	(762)	(12,627)	—	—	(717)	(717)
REIT's share of net income	103,304	—	32,667	135,971	—	—	6,345	6,345
Deferred tax impact of temporary differences in Iris <sup>(1)</sup>	4,313	—	—	4,313	—	—	—	—
Net income from equity accounted investments	\$ 107,617	\$ —	\$ 32,667	\$ 140,284	\$ —	\$ —	\$ 6,345	\$ 6,345

(1) The REIT's investment in Iris is through a taxable subsidiary. This adjustment reflects the estimated deferred income tax impact, primarily as a result of temporary differences relating to transaction costs and fair value adjustments.

Iris is a material associate of the REIT. The summarized financial information of Iris on a 100% basis is presented below with reconciliations to the REIT's carrying amount of its share of investment in Iris and net income from Iris.

March 31, 2022

## Amounts in Iris' financial statements at 100%:

Non-current assets	\$ 2,643,375
Current assets	146,805
Non-current liabilities	(1,475,438)
Current liabilities	(655,053)
Net assets	659,689
REIT's ownership percentage	32.64 %
REIT's share of net assets in Iris	\$ 215,304

For the period  
March 1 to  
March 31, 2022

## Amounts in Iris' financial statements at 100%:

Revenue	\$ 26,578
Operating expenses	(14,531)
Bargain purchase gain	342,072
Other (expenses) income	(33,756)
Net income	320,363
REIT's ownership percentage	32.64 %
REIT's share of net income before adjustments	104,567
Adjustments:	
Equity issue costs deducted from equity	(1,263)
Deferred tax impact of temporary differences in Iris <sup>(1)</sup>	4,313
REIT's share of net income from Iris	\$ 107,617

(1) The REIT's investment in Iris is through a taxable subsidiary. This adjustment reflects the estimated deferred income tax impact, primarily as a result of temporary differences relating to transaction costs and fair value adjustments.

**Note 6. Joint Operations**

The REIT has interests in the following joint operations:

			Ownership interest	
Property	Location	Principal purpose	March 31, 2022	December 31, 2021
Joint operations:				
Cliveden Building	Greater Vancouver Area, BC	Investment property	50.00 %	50.00 %
Kincaid Building	Greater Vancouver Area, BC	Investment property	50.00 %	50.00 %

The REIT includes its proportionate share of the assets, liabilities, revenues, expenses and cash flows of the joint operations in these interim condensed consolidated financial statements.

The REIT is contingently liable for the obligations of certain joint operations. As at March 31, 2022, the co-owners' share of mortgage liabilities was \$4,410 (December 31, 2021, \$4,532). Management has assessed that the assets available from its joint operations are sufficient for the purpose of satisfying such obligations.

**Note 7. Accounts receivable and other receivables**

	March 31, 2022	December 31, 2021
Rents receivable	\$ 4,625	\$ 5,578
Deferred rents receivable	437	955
Allowance for doubtful accounts	(1,631)	(1,717)
Accrued recovery income	4,601	3,181
Other receivables	7,191	6,799
	15,223	14,796
Non-current portion of deferred rents receivable, net of related allowance for doubtful accounts of \$45 (December 31, 2021, \$53)	129	122
Current portion	\$ 15,094	\$ 14,674

Refer to note 22 for further discussion on credit risk and allowance for doubtful accounts.

**Note 8. Mortgages and loans payable**

	March 31, 2022	December 31, 2021
Mortgages and loans payable	\$ 1,061,518	\$ 1,087,521
Net above- and below-market mortgage adjustments	1,366	1,604
Financing costs	(3,859)	(4,086)
	1,059,025	1,085,039
Current portion	310,048	301,910
Non-current portion	\$ 748,977	\$ 783,129

Certain of the REIT's investment properties have been pledged as security under mortgages and other security agreements. As at March 31, 2022, 36.8% of the REIT's mortgages and loans payable bear interest at fixed rates (December 31, 2021, 36.3%), and a further 37.8% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place (December 31, 2021, 37.5%). The weighted-average effective rate on all mortgages and loans payable was 3.32% and the weighted-average nominal rate was 3.11% at March 31, 2022 (December 31, 2021, 3.31% and 3.04%, respectively). Maturity dates range from May 1, 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 9. 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	\$ (562)	\$ 249,438	\$ —	\$ 249,438
March 31, 2022	\$ 250,000	\$ (562)	\$ 249,438	\$ —	\$ 249,438
December 31, 2021	250,000	(654)	249,346	—	249,346

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.

During the three months ended March 31, 2022, financing cost amortization of \$92 (2021, \$152) 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 various financial covenants. As at March 31, 2022, the REIT was in compliance with these requirements.

#### Note 10. Credit facilities

The REIT has unsecured revolving term credit facilities in the aggregate amount of \$700,000, which can be utilized for general corporate and working capital purposes, short-term financing of investment property acquisitions and the issuance of letters of credit. The REIT can draw on the facilities in Canadian or US dollars.

Upon maturity on February 4, 2022, the REIT repaid \$100,000 of the non-revolving credit facility and entered into an amended agreement for the remaining balance of \$100,000 with a maturity date of February 6, 2023. 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:

	March 31, 2022			December 31, 2021			
	Borrowing capacity	Amounts drawn	Available to be drawn <sup>(1)</sup>	Amounts drawn	Available to be drawn <sup>(1)</sup>		Applicable interest rates <sup>(2)</sup>
Revolving facilities maturing December 14, 2022	\$ 400,000	\$ 202,000	\$ 198,000	\$ —	\$ 400,000		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	158,715	141,285	131,851	168,149		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 6, 2023	100,000	100,000	—	200,000	—		BA rate plus 1.60% or prime plus 0.60%
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		(483)		(598)			
Total credit facilities	\$ 1,100,000	\$ 760,232	\$ 339,285	\$ 631,253	\$ 568,149		
Current portion		601,693		499,610			
Non-current portion		\$ 158,539		\$ 131,643			

(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 March 31, 2022, the total borrowing capacity of the revolving credit facilities was not limited by the covenant (December 31, 2021, limited to \$635,313).

(2) The REIT has entered into interest rate swaps on the non-revolving credit facilities maturing on July 6, 2022 and July 18, 2022. Prior to the amendment, the non-revolving credit facility that matured on February 4, 2022 had an applicable interest rate of 2.22% under an interest rate swap.

For purposes of the credit facilities, the REIT must maintain various financial covenants. As at March 31, 2022, the REIT was in compliance with these requirements.

#### Note 11. Unitholders' equity

(a) Common units:

(i) Authorized:

In accordance with the Declaration of Trust, the REIT may issue an unlimited number of common units, with each unit representing an equal undivided interest in any distributions from the REIT and in the net assets in the event of termination or wind-up of the REIT. All units are of the same class with equal rights and restrictions.

## (ii) Issued and outstanding:

	Number of units	Amount
Balance at December 31, 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 <sup>(1)</sup>	—	256,091
Balance at December 31, 2021	123,544,536	1,865,983
Restricted units redeemed	561	7
Units acquired and cancelled through normal course issuer bid	(4,225,353)	(64,160)
Balance at March 31, 2022	119,319,744	\$ 1,801,830

(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, 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
Units acquired and cancelled through normal course issuer bid	(18,100)	(30,500)	—	(48,600)
Units acquired through normal course issuer bid, not cancelled at period end	(1,300)	(4,500)	—	(5,800)
Number of units outstanding at March 31, 2022	3,276,200	3,664,510	4,965,540	11,906,250

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, 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
Units acquired and cancelled through normal course issuer bid	(431)	(736)	—	(1,167)
Units acquired through normal course issuer bid, not cancelled at period end	(31)	(109)	—	(140)
Carrying value at March 31, 2022	\$ 78,006	\$ 88,440	\$ 120,468	\$ 286,914
Face value at March 31, 2022	\$ 81,880	\$ 91,576	\$ 124,139	\$ 297,595
Face value at December 31, 2021	82,390	92,488	124,139	299,017

The REIT may redeem the Series A, Series E or Series I Units on the respective distribution rate reset date and every five years thereafter. The holders of the Series A, Series E and Series I Units have the right to reclassify their Units into Series B, Series F and Series J Units, respectively, on the distribution rate reset date and every five years thereafter.

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

## (c) Normal course issuer bid:

On December 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 three months ended March 31, 2022, the REIT acquired 4,225,353 common units at market prices aggregating \$52,661, resulting in contributed surplus of \$11,499, which was the excess of stated capital over redemption proceeds. During the three months ended March 31, 2022, the REIT also acquired 19,400 and 35,000 Series A and E Units, respectively, at market prices aggregating \$1,316, resulting in reduction of contributed surplus of \$9, which was the excess of redemption proceeds over stated capital.

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.

## (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 March 31, 2022, the REIT had not issued any securities under this short form base shelf prospectus.

## (e) Weighted-average common units:

	Three months ended	
	2022	March 31, 2021
Net income	\$ 237,013	\$ 71,860
Adjustment for distributions to preferred unitholders (note 12)	(4,277)	(4,337)
Net income attributable to common unitholders	232,736	67,523
Adjustment for restricted units	336	53
Adjustment for deferred units	4	(178)
Diluted net income attributable to common unitholders	\$ 233,076	\$ 67,398

The weighted-average number of common units outstanding was as follows:

Basic common units	121,888,430	134,106,836
Effect of dilutive securities:		
Restricted units	439,224	403,124
Deferred units	149,923	59,901
Diluted common units	122,477,577	134,569,861
Net income per unit attributable to common unitholders:		
Basic	\$ 1.91	\$ 0.50
Diluted	1.90	0.50

The computation of diluted net income per unit attributable to common unitholders includes restricted units and deferred units when these instruments are dilutive. For the three months ended March 31, 2022 and 2021, there were no anti-dilutive units.



**Note 12. Distributions to unitholders**

Total distributions declared to unitholders were as follows:

	Three months ended March 31, 2022		Three months ended March 31, 2021	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	\$ 18,071	\$ 0.15	\$ 19,042	\$ 0.14
Preferred unitholders - Series A	1,160	0.35	1,186	0.35
Preferred unitholders - Series E	1,255	0.34	1,292	0.34
Preferred unitholders - Series I	1,862	0.38	1,859	0.38

**Note 13. Revenue**

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

	Three months ended March 31,	
	2022	2021
Base rent	\$ 59,380	\$ 69,369
Operating cost and realty tax recoveries	35,719	40,033
Parking and other revenue	2,459	2,621
Tenant inducements amortized to revenue	(6,406)	(6,323)
Straight-line rent adjustments	288	1,039
Lease termination income	1,801	277
Rental revenue from investment properties	93,241	107,016
Condominium sales	—	13,861
	\$ 93,241	\$ 120,877

Refer to note 19 for a disaggregation of revenue by reportable geographical region.

**Note 14. Interest expense**

	Three months ended March 31,	
	2022	2021
Interest on mortgages and loans payable	\$ 8,311	\$ 9,791
Interest on senior unsecured debentures	2,371	3,686
Interest on credit facilities	4,866	4,565
Amortization of above- and below-market mortgages, net	(218)	(181)
Amortization of financing costs	727	927
	\$ 16,057	\$ 18,788

**Note 15. Fair value gain on financial instruments**

The REIT recorded gains (losses) on the following:

			Three months ended March 31,
	2022		2021
Interest rate swaps	\$ 10,535	\$	5,079
Foreign currency contracts	—		2,039
Other derivatives	(397)		—
Equity securities	10,055		—
	\$ 20,193	\$	7,118

**Note 16. Income taxes**

			Three months ended March 31,
	2022		2021
Current income tax expense	\$ 94	\$	130
Deferred income tax expense, net	31,873		4
Income tax expense	\$ 31,967	\$	134

## (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 REIT's investment in Iris is held in a taxable subsidiary. During the three months ended March 31, 2022, the REIT recognized a deferred tax liability of \$27,756 primarily as a result of the bargain purchase gain and transaction costs relating to the acquisition of Cominar by Iris (see note 5).

## (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 17. Supplemental cash flow information**

## (a) Other items not affecting cash:

			Three months ended March 31,
	2022		2021
Tenant inducements amortized to revenue	\$ 6,406	\$	6,323
Straight-line rent adjustments	(288)		(1,039)
Depreciation of property and equipment	314		327
Unit-based compensation	481		496
Amortization of above- and below-market mortgages, net	(218)		(181)
Amortization of financing costs included in interest expense	727		927
	\$ 7,422	\$	6,853

## (b) Changes in non-cash operating items:

			Three months ended March 31, 2022	2021
Inventory properties	\$	—	\$	12,135
Prepaid expenses and other assets		710		(818)
Accounts receivable and other receivables		(343)		905
Security deposits and prepaid rent		1,736		3,336
Accounts payable and other liabilities		2,292		(4,857)
	\$	4,395	\$	10,701

## (c) Other supplemental cash flow information:

			Three months ended March 31, 2022	2021
Interest paid	\$	18,686	\$	24,205
Interest received		424		376
Income taxes paid		192		39

**Note 18. Related party transactions**

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 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.

Fees paid and accrued to Sandpiper were as follows:

			Three months ended March 31, 2022	2021
Space sharing licence costs	\$	31	\$	—
Service fees		120		—
	\$	151	\$	—

Amounts payable to Sandpiper were \$120 as at March 31, 2022 (December 31, 2021, \$76).

In connection with the investment in Iris on March 1, 2022, the REIT entered into two joint ventures, ICE LP and ICE II LP, with Sandpiper and an affiliate of Sandpiper (see note 5).

**Note 19. Segmented information**

The REIT owns and operates properties located in Canada and the U.S., through direct ownership and equity accounted investments. These properties are managed and reported internally by country. The segmented information for Canada and U.S. presented below includes the REIT's proportionate share of revenue, expenses, assets and liabilities of investment properties held in equity accounted investments which were set up to develop and operate specific investment properties. The REIT's investments in Iris Acquisition II LP (see note 5) are considered separately by executive management and evaluated based on the distributions received. Accordingly, the investments in Iris are not allocated to the segments. In addition, other 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.

Three months ended March 31, 2022

	Canada	U.S.	REIT	Equity accounted investment properties adjustment <sup>(1)</sup>	Total
Revenue:					
Rental revenue from investment properties	\$ 43,813	\$ 53,428	\$ 2	\$ (4,002)	\$ 93,241
Condominium sales	—	—	—	—	—
Total revenue	43,813	53,428	2	(4,002)	93,241
Expenses:					
Property operating	13,345	13,606	—	(961)	25,990
Realty taxes	6,982	9,591	—	(784)	15,789
Condominium cost of sales	—	—	—	—	—
Total operating expenses	20,327	23,197	—	(1,745)	41,779
Net operating income	23,486	30,231	2	(2,257)	51,462
Other income (expenses):					
Corporate expenses	—	—	(3,190)	—	(3,190)
Strategic initiative expenses	—	—	—	—	—
Interest expense	(3,755)	(5,458)	(7,607)	763	(16,057)
Interest and other income	5	134	2,940	(1)	3,078
Distribution income from equity securities	—	—	1,006	—	1,006
Net income from equity accounted investments	—	—	107,617	32,667	140,284
Fair value gain on investment properties	22,838	79,275	—	(31,172)	70,941
Foreign currency translation gain	—	—	1,263	—	1,263
Transaction costs	—	—	—	—	—
Fair value gain on financial instruments	—	—	20,193	—	20,193
Income before income taxes	42,574	104,182	122,224	—	268,980
Income tax expense	—	(160)	(31,807)	—	(31,967)
Net income	\$ 42,574	\$ 104,022	\$ 90,417	\$ —	\$ 237,013
Acquisitions of investment properties	\$ —	\$ —	\$ —	\$ —	\$ —
Additions to investment properties, investment properties under development and investment properties held for sale	9,545	6,760	—	(1,007)	15,298
Additions to tenant inducements	2,707	5,770	—	(555)	7,922
Additions to leasing commissions	342	2,259	—	(224)	2,377

March 31, 2022

	Canada	U.S.	REIT	Equity accounted investment properties adjustment <sup>(1)</sup>	Total
Total assets	\$ 1,987,696	\$ 2,393,496	\$ 522,439	\$ (104,969)	\$ 4,798,662
Total liabilities	475,969	777,359	1,062,554	(104,969)	2,210,913

(1) Adjustment for the REIT's proportionate share of revenue, expenses, assets and liabilities of investment properties held in equity accounted investments, excluding Iris Acquisition II LP.

Three months ended March 31, 2021

	Canada	U.S.	REIT	Equity accounted investment properties adjustment <sup>(1)</sup>	Total
Revenue:					
Rental revenue from investment properties	\$ 56,727	\$ 54,409	\$ 37	\$ (4,157)	\$ 107,016
Condominium sales	13,861	—	—	—	13,861
Total revenue	70,588	54,409	37	(4,157)	120,877
Expenses:					
Property operating	14,247	12,191	—	(851)	25,587
Realty taxes	9,161	9,910	—	(916)	18,155
Condominium cost of sales	12,903	—	—	—	12,903
Total operating expenses	36,311	22,101	—	(1,767)	56,645
Net operating income	34,277	32,308	37	(2,390)	64,232
Other income (expenses):					
Corporate expenses	—	—	(3,552)	—	(3,552)
Strategic initiative expenses	—	—	(18)	—	(18)
Interest expense	(4,357)	(6,435)	(8,714)	718	(18,788)
Interest and other income	28	142	207	(1)	376
Distribution income from equity securities	—	—	—	—	—
Net income from equity accounted investments	—	—	—	6,345	6,345
Fair value gain on investment properties	8,276	14,743	—	(4,672)	18,347
Foreign currency translation loss	—	—	(2,055)	—	(2,055)
Transaction costs	—	(11)	—	—	(11)
Fair value gain on financial instruments	—	—	7,118	—	7,118
Income (loss) before income taxes	38,224	40,747	(6,977)	—	71,994
Income tax expense	—	(134)	—	—	(134)
Net income (loss)	\$ 38,224	\$ 40,613	\$ (6,977)	\$ —	\$ 71,860
Acquisitions of investment properties	\$ —	\$ 875	\$ —	\$ —	\$ 875
Additions to investment properties, investment properties under development and investment properties held for sale	14,791	8,155	—	(5,169)	17,777
Additions to tenant inducements	6,229	4,150	—	(965)	9,414
Additions to leasing commissions	880	1,126	—	(339)	1,667

December 31, 2021

	Canada	U.S.	REIT	Equity accounted investment properties adjustment <sup>(1)</sup>	Total
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

(1) Adjustment for the REIT's proportionate share of revenue, expenses, assets and liabilities of investment properties held in equity accounted investments, excluding Iris Acquisition II LP.

**Note 20. Contingencies and guarantees**

(a) Letters of credit:

As at March 31, 2022, the REIT had issued letters of credit in the amount of \$63 (December 31, 2021, \$75).

(b) Contingencies:

The REIT is contingently liable for bonds that have been provided to support industrial development projects in the amount of \$5,758 (December 31, 2021, \$5,842).

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 interim condensed consolidated financial statements.

(c) Guarantees:

At March 31, 2022, the REIT has guaranteed certain debt assumed by purchasers in connection with the dispositions of two properties (December 31, 2021, two properties). These guarantees will remain until the debt is modified, refinanced or extinguished. Credit risk arises in the event that the purchasers default on repayment of their debt since it is guaranteed by the REIT. This credit risk is mitigated as the REIT has recourse under these guarantees in the event of default by the purchasers, in which case the REIT would have a claim against the underlying properties. The estimated amount of debt subject to the guarantees at March 31, 2022 was \$43,106 (December 31, 2021, \$43,586), with an estimated weighted-average remaining term of 1.2 years (December 31, 2021, 1.4 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 interim condensed consolidated financial statements.

**Note 21. 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. As at March 31, 2022, the ratio of indebtedness to gross book value was 43.0% (December 31, 2021, 42.9%), which is consistent with the REIT's objectives. Gross book value is defined as the consolidated book value of the assets of the REIT, plus the amount of accumulated depreciation of property and equipment. Total debt includes mortgages and loans, debentures, preferred shares liabilities and credit facilities. As at March 31, 2022, the REIT is in compliance of the requirement in the Declaration of Trust.

The total managed capital for the REIT is summarized below:

	Note	March 31, 2022	December 31, 2021
Mortgages and loans payable	8	\$ 1,059,025	\$ 1,085,039
Senior unsecured debentures	9	249,438	249,346
Credit facilities	10	760,232	631,253
Total debt		2,068,695	1,965,638
Unitholders' equity		2,587,749	2,455,353
		\$ 4,656,444	\$ 4,420,991

**Note 22. 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 variable rates with interest rate swaps in place. In addition, management considers the weighted-average term to maturity of long-term debt relative to the remaining average lease terms. At March 31, 2022, the REIT had variable rate debt, including credit facilities, of \$1,431,908 (December 31, 2021, \$1,324,662). At March 31, 2022, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$700,914 of variable rate debt, including swaps on credit facilities (December 31, 2021, \$907,516).

**(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 1.2660 for the three months ended March 31, 2022, and the period end exchange rate of 1.2496 at March 31, 2022, would have decreased net income by approximately \$684 for the three months ended March 31, 2022. A \$0.10 weakening in the US dollar against the Canadian dollar would have decreased other comprehensive income by approximately \$120,981 for the three months ended March 31, 2022. 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, notes receivable and preferred investments.

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 \$16 during the three months ended March 31, 2022 (2021, \$135).

The REIT is also exposed to credit risk as a holder of notes receivable and preferred investments. Management mitigates this risk by carrying out credit checks and related due diligence on the issuers 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 issuers' 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 March 31, 2022 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	\$ 78,924	\$ 78,924	\$ —	\$ —	\$ —
Lease liabilities	1,348	312	388	289	359
Credit facilities	760,715	602,000	158,715	—	—
Senior unsecured debentures	250,000	—	250,000	—	—
Mortgages and loans payable	1,061,518	310,927	472,752	194,411	83,428
	\$ 2,152,505	\$ 992,163	\$ 881,855	\$ 194,700	\$ 83,787

### Note 23. Fair value measurements

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

There were no transfers of assets or liabilities between hierarchy levels during the three month period ended March 31, 2022 and the year ended December 31, 2021.

		March 31, 2022		December 31, 2021	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
<b>Assets:</b>					
Investment properties	Level 3	\$ 3,731,252	\$ 3,731,252	\$ 3,741,544	\$ 3,741,544
Investment properties under development	Level 3	204,201	204,201	195,161	195,161
Preferred investments	Level 2	100,000	99,493	—	—
Equity securities	Level 1	139,457	139,457	77,186	77,186
Notes receivable	Level 2	36,008	34,870	36,282	36,473
Investment properties held for sale	Level 3	59,667	59,667	62,904	62,904
Derivative instruments	Level 2	6,775	6,775	1,029	1,029
		4,277,360	4,275,715	4,114,106	4,114,297
<b>Liabilities:</b>					
Mortgages and loans payable	Level 2	1,059,025	1,049,745	1,085,039	1,088,737
Senior unsecured debentures	Level 2	249,438	248,280	249,346	254,346
Credit facilities	Level 2	760,232	760,715	631,253	631,851
Derivative instruments	Level 2	3,347	3,347	7,689	7,689
		2,072,042	2,062,087	1,973,327	1,982,623
		\$ 2,205,318	\$ 2,213,628	\$ 2,140,779	\$ 2,131,674

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 prices on the principal securities exchange on which the majority of the trading occurs.

The fair values of preferred investments, 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 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 24. Subsequent events**

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The following events occurred subsequent to March 31, 2022:

- The REIT issued three-year Series E senior unsecured debentures for gross proceeds of \$200,000 bearing interest at a rate of 5.60% per annum and maturing on April 29, 2025.
- The REIT repaid three maturing mortgages in the aggregate amount of \$26,980.
- The REIT repaid a net balance of \$30,000 on its revolving term credit facilities.
- The REIT purchased through the NCIB 347,284 common units at a weighted-average price of \$12.65, 7,900 Series A Units at a weighted-average price of \$24.83, 5,400 Series E Units at a weighted-average price of \$23.76 and 1,500 Series I Units at a weighted-average price of \$24.82.
- The REIT purchased equity securities for an aggregate cost of \$94,994.
- The REIT declared a monthly cash distribution of \$0.05 per common unit for the month of April 2022.
- The REIT declared a quarterly cash distribution of \$0.3750 per Series I Unit for the three months ended April 30, 2022.

**Note 25. Approval of financial statements**

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These interim condensed consolidated financial statements were approved by the Board of Trustees and authorized for issue on May 5, 2022.