Interim Condensed Consolidated Financial Statements of

ARTIS REAL ESTATE INVESTMENT TRUST

Three and nine months ended September 30, 2022 and 2021
(Unaudited)

(In Canadian dollars)

Interim Condensed Consolidated Balance Sheets

(Unaudited)

(In thousands of Canadian dollars)

	Note	September 30, 2022	December 31, 2021
ASSETS			
Non-current assets:			
Investment properties	4	$ 3,343,722	$ 3,741,544
Investment properties under development	4	195,911	195,161
Equity accounted investments	5	346,036	180,078
Preferred investments	5	109,228	—
Equity securities		269,908	77,186
Property and equipment		5,548	6,411
Notes receivable		36,715	35,448
Deferred rents receivable	7	64	122
		4,307,132	4,235,950
Current assets:			
Investment properties held for sale	4	657,627	62,904
Prepaid expenses and other assets		20,841	7,979
Notes receivable		1,144	834
Accounts receivable and other receivables	7	16,731	14,674
Cash held in trust		40,233	32,209
Cash		136,795	221,474
		873,371	340,074
Total assets		$ 5,180,503	$ 4,576,024
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities:			
Mortgages and loans payable	8	$ 339,307	$ 783,129
Senior unsecured debentures	9	199,336	249,346
Credit facilities	10	—	131,643
Deferred tax liabilities	16	15,842	—
Other long-term liabilities		1,889	2,005
		556,374	1,166,123
Current liabilities:			
Mortgages and loans payable	8	722,240	301,910
Senior unsecured debentures	9	249,625	—
Security deposits and prepaid rent		33,925	31,867
Accounts payable and other liabilities		189,549	121,161
Credit facilities	10	973,190	499,610
		2,168,529	954,548
Total liabilities		2,724,903	2,120,671
Unitholders' equity		2,455,600	2,455,353
Contingencies and guarantees	20		
Subsequent events	24		
Total liabilities and unitholders' equity		$ 5,180,503	$ 4,576,024

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Operations

(Unaudited)

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

	Note	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Revenue:					
Rental revenue from investment properties	13	$ 94,114	$ 97,033	$ 278,410	$ 305,983
Condominium sales	13	—	625	—	15,851
Total revenue		94,114	97,658	278,410	321,834
Expenses:					
Property operating		25,300	25,158	74,847	74,393
Realty taxes		15,098	15,970	45,960	50,507
Condominium cost of sales		—	441	—	14,576
Total operating expenses		40,398	41,569	120,807	139,476
Net operating income		53,716	56,089	157,603	182,358
Other income (expenses):					
Corporate expenses		(1,675)	(2,374)	(7,034)	(9,071)
Strategic initiative expenses		—	—	—	(18)
Interest expense	14	(24,464)	(16,838)	(60,424)	(53,188)
Interest and other income		5,261	549	13,355	1,258
Distribution income from equity securities		3,095	334	6,270	346
Net (loss) income from equity accounted investments	5	(44,739)	7,310	102,855	13,519
Fair value (loss) gain on investment properties	4	(74,072)	(3,957)	(21,898)	188,264
Foreign currency translation (loss) gain		(6,956)	2,054	(8,266)	(3,717)
Transaction costs	3	—	—	—	(11)
Fair value (loss) gain on financial instruments	15	(15,544)	(3,222)	(39,205)	9,922
(Loss) income before income taxes		(105,378)	39,945	143,256	329,662
Income tax recovery (expense)	16	10,928	(90)	(20,249)	(891)
Net (loss) income		(94,450)	39,855	123,007	328,771
Other comprehensive income that may be reclassified to net income in subsequent periods:					
Unrealized foreign currency translation gain		96,570	38,257	121,053	6,096
Unrealized foreign currency translation gain (loss) on equity accounted investments		6,747	3,233	9,136	(100)
Other comprehensive income		103,317	41,490	130,189	5,996
Total comprehensive income		$ 8,867	$ 81,345	$ 253,196	$ 334,767
Basic (loss) income per unit attributable to common unitholders	11	$ (0.85)	$ 0.28	$ 0.93	$ 2.41
Diluted (loss) income per unit attributable to common unitholders	11	(0.86)	0.28	0.91	2.40
Weighted-average number of common units outstanding:					
Basic	11	115,787,788	127,995,494	118,657,925	131,209,998
Diluted	11	116,419,658	128,090,902	119,226,937	131,642,236

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	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)	311	—	—	—	311	—	311
Units acquired and cancelled through normal course issuer bid (note 11)	(127,910)	—	—	17,528	(110,382)	(2,535)	(112,917)
Units acquired through normal course issuer bid, not cancelled at period end (note 11)	(3,062)	—	—	378	(2,684)	(39)	(2,723)
Net income	—	328,771	—	—	328,771	—	328,771
Other comprehensive income	—	—	5,996	—	5,996	—	5,996
Distributions	—	(70,575)	—	—	(70,575)	—	(70,575)
Unitholders' equity, September 30, 2021	1,623,940	349,195	153,227	67,170	2,193,532	289,228	2,482,760
Changes for the period:							
Issuance of common units, net of issue costs (note 11)	117	—	—	—	117	—	117
Units acquired and cancelled through normal course issuer bid (note 11)	(11,940)	—	—	1,368	(10,572)	(947)	(11,519)
Units acquired through normal course issuer bid, not cancelled at year end (note 11)	(2,225)	—	—	187	(2,038)	(60)	(2,098)
Net income	—	60,404	—	—	60,404	—	60,404
Other comprehensive loss	—	—	(7,469)	—	(7,469)	—	(7,469)
Distributions	—	(66,842)	—	—	(66,842)	—	(66,842)
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)	151	—	—	—	151	—	151
Redemption of preferred units (note 11)	—	—	—	(3,866)	(3,866)	(77,342)	(81,208)
Units acquired and cancelled through normal course issuer bid (note 11)	(117,675)	—	—	20,535	(97,140)	(3,773)	(100,913)
Units acquired through normal course issuer bid, not cancelled at period end (note 11)	—	—	—	1	1	(117)	(116)
Net income	—	123,007	—	—	123,007	—	123,007
Other comprehensive income	—	—	130,189	—	130,189	—	130,189
Distributions	—	(70,863)	—	—	(70,863)	—	(70,863)
Unitholders' equity, September 30, 2022	$ 1,748,459	$ 138,810	$ 275,947	$ 85,395	$ 2,248,611	$ 206,989	$ 2,455,600

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands of Canadian dollars)

	Note	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Cash provided by (used in):					
Operating activities:					
Net (loss) income		$ (94,450)	$ 39,855	$ 123,007	$ 328,771
Adjustments for:					
Interest income on preferred investments received in-kind	5	(4,740)	—	(9,228)	—
Distribution income from equity securities		(3,095)	(334)	(6,270)	(346)
Net loss (income) from equity accounted investments	5	44,739	(7,310)	(102,855)	(13,519)
Fair value loss (gain) on investment properties	4	74,072	3,957	21,898	(188,264)
Fair value loss (gain) on financial instruments	15	15,544	3,222	39,205	(9,922)
Unrealized foreign currency translation loss (gain)		9,944	(1,980)	11,254	3,780
Deferred taxes		(10,869)	—	20,155	—
Other items not affecting cash	17	6,346	6,525	20,124	19,828
Changes in non-cash operating items	17	19,114	17,361	29,939	31,055
		56,605	61,296	147,229	171,383
Investing activities:					
Acquisition of investment properties, net of related debt	3	(3,276)	(2,954)	(3,276)	(5,339)
Proceeds from dispositions of investment properties, net of costs and related debt	3	11,054	757,917	120,973	802,083
Additions to investment properties		(10,476)	(8,367)	(20,162)	(17,363)
Additions to investment properties under development		(15,741)	(20,549)	(52,545)	(52,225)
Additions to tenant inducements and leasing commissions		(11,686)	(6,632)	(37,692)	(24,532)
Contributions to equity accounted investments		(11,588)	(580)	(110,469)	(11,429)
Distributions from equity accounted investments		819	1,565	3,432	39,679
Purchase of preferred investments		—	—	(100,000)	—
Purchases of equity securities		(70,025)	(44,527)	(293,799)	(50,872)
Proceeds from disposition of equity securities, net of costs		28,502	—	28,502	—
Distributions from equity securities		2,689	182	5,205	182
Additions to property and equipment		—	—	(21)	—
Issuances of notes receivable		(1,019)	(37)	(1,442)	(112)
Notes receivable principal repayments		269	574	689	1,348
Change in deposits on investment properties		—	94	—	1,196
Change in cash held in trust		(1,199)	(13,901)	(7,266)	(9,400)
		(81,677)	662,785	(467,871)	673,216
Financing activities:					
Repayment of mortgages and loans payable		(50,347)	(67,833)	(100,487)	(271,323)
Advance of mortgages and loans payable, net of financing costs		18,835	(344)	18,240	130,370
Issuance of senior unsecured debentures, net of financing costs	9	—	—	199,236	—
Repayment of senior unsecured debentures		—	—	—	(250,000)
Advance of revolving credit facilities		175,883	17,500	683,542	414,880
Repayment of revolving credit facilities, including financing costs		(42,918)	(343,500)	(256,279)	(436,500)
Repayment of non-revolving credit facilities, including financing costs		(39)	—	(100,254)	—
Repayment of lease liabilities		(77)	(80)	(228)	(209)
Purchase of common units under normal course issuer bid	11	—	(57,380)	(97,111)	(113,160)
Purchase of preferred units under normal course issuer bid	11	(1,160)	(907)	(3,918)	(2,480)
Distributions paid on common units		(17,368)	(19,253)	(98,070)	(57,608)
Distributions paid on preferred units		(3,093)	(4,307)	(11,629)	(12,969)
		79,716	(476,104)	233,042	(598,999)
Foreign exchange gain on cash held in foreign currency		2,403	810	2,921	31
Increase (decrease) in cash		57,047	248,787	(84,679)	245,631
Cash, beginning of period		79,748	31,547	221,474	34,703
Cash, end of period		$ 136,795	$ 280,334	$ 136,795	$ 280,334

See accompanying notes to interim condensed consolidated financial statements.

Notes to Interim Condensed Consolidated Financial Statements

Three months and nine months ended September 30, 2022 and 2021 (Unaudited)

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

Note 1. Organization

Artis Real Estate Investment Trust (the "REIT") is an unincorporated closed-end real estate investment trust created under, and governed by, the laws of the Province of Manitoba. The REIT was created pursuant to the Declaration of Trust dated November 8, 2004, as most recently amended and restated on 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 $1.3680 per Series E Unit and $1.50 per Series I Unit.

Note 2. Significant accounting policies

(a) Basis of presentation and measurement:

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

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 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 nine months ended September 30, 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:

On September 30, 2022, the REIT acquired an additional 5% interest in Park 8Ninety II, 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 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 acquisitions of the interest in Park 8Ninety II and Park 8Ninety IV have been accounted for using the acquisition method, with the results of operations included in the REIT's accounts from the date of acquisition. The net assets acquired, excluding the acquisitions of equity accounted investments and including the acquisitions of land, were as follows:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Investment properties	$ 5,219	$ 2,954	$ 5,219	$ 5,823
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	(1,885)	—	(1,885)	(487)
Other net (liabilities) assets	(58)	—	(58)	3
	3,276	2,954	3,276	5,339
Consideration was comprised of the following:				
Cash consideration	3,276	2,954	3,276	5,339
Total consideration	$ 3,276	$ 2,954	$ 3,276	$ 5,339
Transaction costs expensed	$ —	$ —	$ —	$ 11

Dispositions:

The REIT disposed of the following properties during the nine months ended September 30, 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
Meadowvale Office	1	Greater Toronto Area, ON	June 24, 2022	Office
Rocky Mountain Business Center	1	Greater Denver Area, CO	June 30, 2022	Industrial
New Brighton Office Center	1	Twin Cities Area, MN	September 19, 2022	Office

The cash proceeds received from the sale of the above properties, net of costs and related debt, were $120,973. The assets and liabilities associated with the properties were derecognized.

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

(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 $802,083. The assets and liabilities associated with the properties were derecognized.

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

	Nine months ended September 30, 2022		
	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of period	$ 3,741,544	$ 195,161	$ 62,904
Additions:			
Acquisitions (note 3)	5,219	—	—
Reclassification from equity accounted investments (1)	98,930	—	—
Capital expenditures	17,959	51,968	2,203
Capitalized interest (2)	—	602	—
Leasing commissions	7,032	181	1,960
Straight-line rent adjustments	723	7	225
Tenant inducement additions, net of amortization	7,554	871	990
Dispositions	—	—	(153,929)
Foreign currency translation gain	135,032	970	41,052
Fair value gain (loss)	11,208	392	(33,498)
Reclassification of investment properties under development	5,888	(5,888)	—
Reclassification of investment properties held for sale	(687,367)	(48,353)	735,720
Balance, end of period	$ 3,343,722	$ 195,911	$ 657,627

(1) On September 30, 2022, the REIT increased its ownership interest in Park 8Ninety II to 100%. See note 3 for further information.
(2) During the nine months ended September 30, 2022, interest was capitalized to investment properties under development at a weighted-average effective rate of 3.56%.

		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 (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.

At September 30, 2022, investment properties under development included 300 Main, a commercial and residential/multi-family development project with a fair value of $195,253 (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 27 industrial properties, three office properties, two industrial properties under development and two parcels of development land classified as investment properties held for sale that were actively marketed for sale or under conditional sale agreements at September 30, 2022 (December 31, 2021, one industrial and two office properties). The properties held for sale had an aggregate mortgage payable balance of $196,433 at September 30, 2022 (December 31, 2021, $nil). This balance is not accounted for as held for sale but is included in current liabilities as the REIT intends to repay the mortgages upon disposition of the related investment properties.

At September 30, 2022, included in investment properties was $51,689 (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 $11,053 at September 30, 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 September 30, 2022, investment properties with a fair value of $2,094,157 (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 nine months ended September 30, 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 $521,248 (year ended 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 nine months ended September 30, 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 has created estimation uncertainty in the determination of the fair values of investment properties as at September 30, 2022. The REIT has made assumptions with respect to the duration and severity of the pandemic, 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 estimation uncertainty, there is a risk that the assumptions used to determine fair values as at September 30, 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:

	September 30, 2022			December 31, 2021		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Canada:						
Discount rate	9.50 %	4.75 %	7.06 %	9.50%	4.75%	7.11%
Terminal capitalization rate	9.00 %	3.50 %	6.02 %	9.00%	3.50%	6.09%
Capitalization rate	8.75 %	3.50 %	5.99 %	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 %	5.75 %	7.58 %	9.75%	6.00%	7.65%
Terminal capitalization rate	8.75 %	5.00 %	6.53 %	8.50%	4.75%	6.63%
Capitalization rate	8.50 %	4.75 %	6.38 %	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 %	7.31 %	9.75%	4.75%	7.37%
Terminal capitalization rate	9.00 %	3.50 %	6.26 %	9.00%	3.50%	6.34%
Capitalization rate	8.75 %	3.50 %	6.18 %	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	September 30, 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 (1)	Investment property	Greater Houston Area, TX	— %	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 %	— %

(1) During the nine months ended September 30, 2022, the REIT increased its ownership interest in this property to 100%. See note 3 for further information.

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. Distributions on the junior preferred units are paid quarterly in cash, or at the election of Iris, in-kind through additional junior preferred units. The REIT's investment in the junior preferred units is classified as a financial instrument measured at amortized cost. During the nine months ended September 30, 2022, the REIT received income from its investment in the junior preferred units of $10,757, comprised of $1,529 cash and $9,228 in-kind junior preferred units.

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 nine months ended September 30, 2022, the REIT contributed $5 in aggregate to ICE LP and ICE II LP.

In addition, during the nine months ended September 30, 2022, the REIT contributed $11,952 to Park 8Ninety II, Corridor Park and Park 8Ninety V equity accounted investments.

The REIT is contingently liable for the obligations of certain associates and joint ventures. As at September 30, 2022, the co-owners' share of mortgage liabilities was $59,539 (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:

	September 30, 2022				December 31, 2021			
	Iris	Other associate	Joint ventures	Total	Iris	Other associate	Joint ventures	Total
Non-current assets:								
Investment properties	$ 725,731	$ —	$ 219,296	$ 945,027	$ —	$ —	$ 233,635	$ 233,635
Investment properties under development	—	11,037	—	11,037	—	4,687	42,337	47,024
Equity accounted investments	4,203	—	575	4,778	—	—	—	—
Current assets:								
Investment properties held for sale	90,889	—	20,045	110,934	—	—	—	—
Other current assets	28,586	589	3,516	32,691	—	29	4,501	4,530
Total assets	849,409	11,626	243,432	1,104,467	—	4,716	280,473	285,189
Non-current liabilities:								
Mortgages, loans and other debt	438,458	4,077	55,854	498,389	—	715	47,544	48,259
Current liabilities:								
Mortgages, loans and other debt	215,662	—	12,134	227,796	—	—	46,223	46,223
Other current liabilities	26,049	503	5,694	32,246	—	1,171	9,458	10,629
Total liabilities	680,169	4,580	73,682	758,431	—	1,886	103,225	105,111
REIT's share of net assets of equity accounted investments	$ 169,240	$ 7,046	$ 169,750	$ 346,036	$ —	$ 2,830	$ 177,248	$ 180,078

	Three months ended September 30, 2022				Three months ended September 30, 2021			
	Iris	Other associate	Joint ventures	Total	Iris	Other associate	Joint ventures	Total
Revenue	$ 26,636	$ —	$ 4,478	$ 31,114	$ —	$ —	$ 3,881	$ 3,881
Operating expenses	13,375	5	2,004	15,384	—	—	1,670	1,670
Net operating income	13,261	(5)	2,474	15,730	—	—	2,211	2,211
Fair value (loss) gain on investment properties	(38,613)	3,958	(7,498)	(42,153)	—	—	5,691	5,691
Other expenses and income, net	(17,281)	(39)	(996)	(18,316)	—	—	(592)	(592)
Net (loss) income from equity accounted investments	$ (42,633)	$ 3,914	$ (6,020)	$ (44,739)	$ —	$ —	$ 7,310	$ 7,310

	Nine months ended September 30, 2022				Nine months ended September 30, 2021			
	Iris	Other associate	Joint ventures	Total	Iris	Other associate	Joint ventures	Total
Revenue	$ 61,543	$ —	$ 12,899	$ 74,442	$ —	$ 2	$ 11,733	$ 11,735
Operating expenses	31,518	5	5,561	37,084	—	—	5,090	5,090
Net operating income	30,025	(5)	7,338	37,358	—	2	6,643	6,645
Fair value (loss) gain on investment properties	(38,157)	3,958	32,451	(1,748)	—	—	8,843	8,843
Bargain purchase gain	111,652	—	—	111,652	—	—	—	—
Other expenses and income, net	(46,280)	(39)	(2,401)	(48,720)	—	—	(1,969)	(1,969)
REIT's share of net income	57,240	3,914	37,388	98,542	—	2	13,517	13,519
Deferred tax impact of temporary differences in Iris (1)	4,313	—	—	4,313	—	—	—	—
Net income from equity accounted investments	$ 61,553	$ 3,914	$ 37,388	$ 102,855	$ —	$ 2	$ 13,517	$ 13,519

(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.

	September 30, 2022
Amounts in Iris' financial statements at 100%:	
Non-current assets	$ 2,236,315
Current assets	366,038
Non-current liabilities	(1,343,314)
Current liabilities	(740,478)
Net assets	518,561
REIT's ownership percentage	32.64 %
REIT's share of net assets in Iris	$ 169,240

	Three months ended September 30, 2022	For the period March 1 to September 30, 2022
Amounts in Iris' financial statements at 100%:		
Revenue	$ 81,605	$ 188,550
Operating expenses	(40,975)	(96,563)
Bargain purchase gain	—	342,072
Other (expenses) income	(171,244)	(254,824)
Net (loss) income	(130,614)	179,235
REIT's ownership percentage	32.64 %	32.64 %
REIT's share of net (loss) income before adjustments	(42,633)	58,503
Adjustments:		
Equity issue costs deducted from equity	—	(1,263)
Deferred tax impact of temporary differences in Iris (1)	—	4,313
REIT's share of net (loss) income from Iris	$ (42,633)	$ 61,553

(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	September 30, 2022	December 31, 2021
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 September 30, 2022, the co-owners' share of mortgage liabilities was $4,188 (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

	September 30, 2022	December 31, 2021
Rents receivable	$ 6,294	$ 5,578
Deferred rents receivable	280	955
Allowance for doubtful accounts	(1,714)	(1,717)
Accrued recovery income	3,033	3,181
Other receivables	8,902	6,799
	16,795	14,796
Non-current portion of deferred rents receivable, net of related allowance for doubtful accounts of $40 (December 31, 2021, $53)	64	122
Current portion	$ 16,731	$ 14,674

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

Note 8. Mortgages and loans payable

		September 30, 2022		December 31, 2021
Mortgages and loans payable	$	1,064,129	$	1,087,521
Net above- and below-market mortgage adjustments		1,027		1,604
Financing costs		(3,609)		(4,086)
		1,061,547		1,085,039
Current portion		722,240		301,910
Non-current portion	$	339,307	$	783,129

Certain of the REIT's investment properties have been pledged as security under mortgages and other security agreements. As at September 30, 2022, 31.2% of the REIT's mortgages and loans payable bear interest at fixed rates (December 31, 2021, 36.3%), and a further 35.6% 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 4.28% and the weighted-average nominal rate was 3.99% at September 30, 2022 (December 31, 2021, 3.31% and 3.04%, respectively). Maturity dates range from October 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 %
Series E	April 29, 2022	April 29, 2025	5.600 %

		Face value		Unamortized financing costs		Carrying value		Current portion		Non-current portion
Series D	$	250,000	$	(375)	$	249,625	$	249,625	$	—
Series E		200,000		(664)		199,336		—		199,336
September 30, 2022	$	450,000	$	(1,039)	$	448,961	$	249,625	$	199,336
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.

On April 29, 2022, the REIT issued 5.600% Series E senior unsecured debentures for gross proceeds of $200,000. Interest is payable semi-annually on October 29 and April 29 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 and nine months ended September 30, 2022, financing cost amortization of $155 and $381 (2021, $91 and $333) 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 and Series E senior unsecured debenture supplemental indentures, the REIT must maintain various financial covenants. As at September 30, 2022, the REIT was in compliance with these requirements.

Note 10. Credit facilities

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

		September 30, 2022		December 31, 2021		
	Borrowing capacity	Amounts drawn	Available to be drawn (1)	Amounts drawn	Available to be drawn (1)	Applicable interest rates
Revolving facilities maturing December 14, 2022	$ 400,000	$ 339,219	$ 60,781	$ —	$ 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	234,251	65,749	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 December 1, 2022	150,000	150,000	—	150,000	—	BA rate plus 1.60% or prime plus 0.60% (2)
Non-revolving facility maturing February 6, 2023	100,000	100,000	—	200,000	—	BA rate plus 1.60% or prime plus 0.60% (3)
Non-revolving facility maturing July 18, 2023	150,000	150,000	—	150,000	—	BA rate plus 1.70% or prime plus 0.70% (4)
Financing costs		(280)		(598)		
Total credit facilities	$ 1,100,000	$ 973,190	$ 126,530	$ 631,253	$ 568,149	
Current portion		973,190		499,610		
Non-current portion		$ —		$ 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 September 30, 2022, the total borrowing capacity of the revolving credit facilities was limited to $684,161 (December 31, 2021, limited to $635,313).

(2) Prior to the amendment, the non-revolving credit facility that matured on July 6, 2022 had an applicable interest rate of 3.57% under an interest rate swap.

(3) 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.

(4) Prior to the amendment, the non-revolving credit facility that matured on July 18, 2022 had an applicable interest rate of 3.50% under an interest rate swap.

The unsecured revolving term credit facilities in the aggregate amount of $700,000 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 February 4, 2022, the REIT repaid $100,000 of the $200,000 non-revolving credit facility that matured on that date and entered into an amended agreement for the remaining balance of $100,000 with a maturity date of February 6, 2023. On May 31, June 27 and August 8, 2022, the REIT entered into amended agreements for the other two unsecured non-revolving term credit facilities in the aggregate amount of $300,000 with the maturity dates extended to December 1, 2022 and July 18, 2023. All non-revolving credit facilities can be utilized for general corporate and working capital purposes, property acquisitions and development financing.

For purposes of the credit facilities, the REIT must maintain various financial covenants. As at September 30, 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 (1)	—		256,091
Balance at December 31, 2021	123,544,536		1,865,983
Restricted units redeemed	12,494		151
Units acquired and cancelled through normal course issuer bid	(7,769,208)		(117,675)
Balance at September 30, 2022	115,787,822	$	1,748,459

(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	(47,300)	(71,800)	(37,700)	(156,800)
Units acquired through normal course issuer bid, not cancelled at period end	—	(2,300)	(2,500)	(4,800)
Preferred units redeemed	(3,248,300)	—	—	(3,248,300)
Number of units outstanding at September 30, 2022	—	3,625,410	4,925,340	8,550,750

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, 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	(1,126)	(1,733)	(914)	(3,773)
Units acquired through normal course issuer bid, not cancelled at period end	—	(56)	(61)	(117)
Preferred units redeemed	(77,342)	—	—	(77,342)
Carrying value at September 30, 2022	$ —	$ 87,496	$ 119,493	$ 206,989
Face value at September 30, 2022	$ —	$ 90,635	$ 123,134	$ 213,769
Face value at December 31, 2021	82,390	92,488	124,139	299,017

On September 30, 2022, the REIT redeemed all 3,248,300 outstanding Series A Units with an aggregate face value of $81,208. The redemption amount was paid subsequent to September 30, 2022.

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

The Series E Units and Series I Units rank equally with each other and with the outstanding Series F Units and Series J Units into which they may be reclassified, and rank in priority to the common 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 (1)	3,300,400	330,040
Series E	3,707,734	370,773
Series I	4,865,540	486,554

(1) On September 30, 2022, the REIT redeemed all 3,248,300 outstanding Series A Units.

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 nine months ended September 30, 2022, the REIT acquired 7,769,208 common units at market prices aggregating $97,111, resulting in contributed surplus of $20,564, which was the excess of stated capital over redemption proceeds. As at September 30, 2022, the REIT had purchased the maximum number of common units allowed under the applicable term of the bid. During the nine months ended September 30, 2022, the REIT also acquired 47,300, 74,100 and 40,200 Series A, E and I Units, respectively, at market prices aggregating $3,918, resulting in reduction of contributed surplus of $28, 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 September 30, 2022, the REIT had not issued any securities under this short form base shelf prospectus.

(e) Weighted-average common units:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net (loss) income	$ (94,450)	$ 39,855	$ 123,007	$ 328,771
Adjustment for distributions to preferred unitholders (note 12)	(4,243)	(4,307)	(12,779)	(12,966)
Net (loss) income attributable to common unitholders	(98,693)	35,548	110,228	315,805
Adjustment for restricted units	(461)	—	(337)	373
Adjustment for deferred units	(558)	(146)	(953)	(464)
Diluted net (loss) income attributable to common unitholders	$ (99,712)	$ 35,402	$ 108,938	$ 315,714
The weighted-average number of common units outstanding was as follows:				
Basic common units	115,787,788	127,995,494	118,657,925	131,209,998
Effect of dilutive securities:				
Restricted units	450,989	—	401,654	353,199
Deferred units	180,881	95,408	167,358	79,039
Diluted common units	116,419,658	128,090,902	119,226,937	131,642,236
Net (loss) income per unit attributable to common unitholders:				
Basic	$ (0.85)	$ 0.28	$ 0.93	$ 2.41
Diluted	(0.86)	0.28	0.91	2.40

The computation of diluted net (loss) income per unit attributable to common unitholders includes restricted units and deferred units when these instruments are dilutive. For the three and nine months ended September 30, 2022, there were no anti-dilutive units. For the three months ended September 30, 2021, restricted units were anti-dilutive for a total of 396,774 units. For the nine-months ended September 30, 2021, there were no anti-dilutive units.

Note 12. Distributions to unitholders

Total distributions declared to unitholders were as follows:

	Three months ended September 30, 2022		Three months ended September 30, 2021	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	$ 17,368	$ 0.15	$ 18,967	$ 0.15
Preferred unitholders - Series A	1,149	0.35	1,170	0.35
Preferred unitholders - Series E	1,240	0.34	1,275	0.34
Preferred unitholders - Series I	1,854	0.38	1,862	0.38

	Nine months ended September 30, 2022		Nine months ended September 30, 2021	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	$ 53,021	$ 0.45	$ 57,609	$ 0.44
Preferred unitholders - Series A	3,461	1.06	3,532	1.06
Preferred unitholders - Series E	3,740	1.03	3,851	1.03
Preferred unitholders - Series I	5,578	1.13	5,583	1.13

Note 13. Revenue

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Base rent	$ 61,333	$ 62,757	$ 180,731	$ 198,817
Operating cost and realty tax recoveries	34,319	36,623	103,121	112,730
Parking and other revenue	2,372	2,685	7,284	9,390
Tenant inducements amortized to revenue	(6,269)	(6,084)	(19,104)	(18,827)
Straight-line rent adjustments	424	885	955	3,102
Lease termination income	1,935	167	5,423	771
Rental revenue from investment properties	94,114	97,033	278,410	305,983
Condominium sales	—	625	—	15,851
	$ 94,114	$ 97,658	$ 278,410	$ 321,834

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

Note 14. Interest expense

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Interest on mortgages and loans payable	$ 9,277	$ 8,791	$ 26,214	$ 28,125
Interest on senior unsecured debentures	5,211	2,396	11,874	8,446
Interest on credit facilities	9,339	5,078	20,608	14,680
Amortization of above- and below-market mortgages, net	(225)	(217)	(662)	(583)
Amortization of financing costs	862	790	2,390	2,520
	$ 24,464	$ 16,838	$ 60,424	$ 53,188

Note 15. Fair value (loss) gain on financial instruments

The REIT recorded (losses) gains on the following:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Interest rate swaps	$ 4,209	$ 2,622	$ 19,242	$ 10,258
Foreign currency contracts	—	(5,222)	—	305
Other derivatives	266	(24)	641	(97)
Equity securities	(20,019)	(598)	(59,088)	(544)
	$ (15,544)	$ (3,222)	$ (39,205)	$ 9,922

Note 16. Income taxes

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Current income tax (recovery) expense	$ (44)	$ 80	$ 314	$ 896
Deferred income tax (recovery) expense, net	(10,884)	10	19,935	(5)
Income tax (recovery) expense	$ (10,928)	$ 90	$ 20,249	$ 891

(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 nine months ended September 30, 2022, the REIT recognized a deferred tax liability of $15,842 primarily as a result of the bargain purchase gain and transaction costs relating to the acquisition of Cominar by Iris, and the tax impact of the REIT's share of loss from 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 September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Tenant inducements amortized to revenue	$ 6,269	$ 6,084	$ 19,104	$ 18,827
Straight-line rent adjustments	(424)	(885)	(955)	(3,102)
Depreciation of property and equipment	314	348	942	1,019
Unit-based compensation	(450)	405	(695)	1,147
Amortization of above- and below-market mortgages, net	(225)	(217)	(662)	(583)
Amortization of financing costs included in interest expense	862	790	2,390	2,520
	$ 6,346	$ 6,525	$ 20,124	$ 19,828

(b) Changes in non-cash operating items:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Inventory properties	$ —	$ 385	$ —	$ 13,687
Prepaid expenses and other assets	1,930	7,209	496	1,383
Accounts receivable and other receivables	(1,755)	(716)	(1,454)	5,160
Security deposits and prepaid rent	(2,046)	1,525	236	129
Accounts payable and other liabilities	20,985	8,958	30,661	10,696
	$ 19,114	$ 17,361	$ 29,939	$ 31,055

(c) Other supplemental cash flow information:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Interest paid	$ 26,126	$ 18,599	$ 57,914	$ 58,414
Interest received	544	549	2,741	1,258
Income taxes (recovered) paid	(5)	765	432	1,099

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 September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Space sharing licence costs	$ 31	$ 31	$ 93	$ 52
Service fees	375	34	785	35
	$ 406	$ 65	$ 878	$ 87

Amounts payable to Sandpiper were $375 as at September 30, 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). As at September 30, 2022, the REIT had a balance payable to ICE II LP of $489.

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, ICE LP and ICE II LP ("Iris Entities" - see note 5) are considered separately by executive management and evaluated based on the distributions received. Accordingly, the investments in Iris Entities 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 September 30, 2022		
		Canada		U.S.		REIT		Equity accounted investment properties adjustment (1)	Total
Revenue:									
Rental revenue from investment properties	$	42,516	$	56,073	$	3	$	(4,478)	$ 94,114
Condominium sales		—		—		—		—	—
Total revenue		42,516		56,073		3		(4,478)	94,114
Expenses:									
Property operating		12,236		14,124		—		(1,060)	25,300
Realty taxes		6,772		9,275		—		(949)	15,098
Condominium cost of sales		—		—		—		—	—
Total operating expenses		19,008		23,399		—		(2,009)	40,398
Net operating income		23,508		32,674		3		(2,469)	53,716
Other income (expenses):									
Corporate expenses		—		—		(1,675)		—	(1,675)
Strategic initiative expenses		—		—		—		—	—
Interest expense		(3,256)		(7,474)		(15,023)		1,289	(24,464)
Interest and other income		11		134		5,120		(4)	5,261
Distribution income from equity securities		—		—		3,095		—	3,095
Net loss from equity accounted investments		—		—		(42,383)		(2,356)	(44,739)
Fair value loss on investment properties		(11,525)		(66,087)		—		3,540	(74,072)
Foreign currency translation loss		—		—		(6,956)		—	(6,956)
Transaction costs		—		—		—		—	—
Fair value loss on financial instruments		—		—		(15,544)		—	(15,544)
Income (loss) before income taxes		8,738		(40,753)		(73,363)		—	(105,378)
Income tax recovery		—		70		10,858		—	10,928
Net income (loss)	$	8,738	$	(40,683)	$	(62,505)	$	—	$ (94,450)
Acquisition of investment properties	$	—	$	5,219	$	—	$	—	$ 5,219
Additions to investment properties, investment properties under development and investment properties held for sale		10,139		29,974		—		(14,255)	25,858
Additions to tenant inducements		1,808		6,001		—		102	7,911
Additions to leasing commissions		510		3,892		—		(627)	3,775

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

	Three months ended September 30, 2021				
	Canada	U.S.	REIT	Equity accounted investment properties adjustment [1]	Total
Revenue:					
Rental revenue from investment properties	$ 48,410	$ 52,508	$ (4)	$ (3,881)	$ 97,033
Condominium sales	625	—	—	—	625
Total revenue	49,035	52,508	(4)	(3,881)	97,658
Expenses:					
Property operating	13,197	12,857	—	(896)	25,158
Realty taxes	7,225	9,519	—	(774)	15,970
Condominium cost of sales	441	—	—	—	441
Total operating expenses	20,863	22,376	—	(1,670)	41,569
Net operating income	28,172	30,132	(4)	(2,211)	56,089
Other income (expenses):					
Corporate expenses	—	—	(2,374)	—	(2,374)
Strategic initiative expenses	—	—	—	—	—
Interest expense	(4,181)	(5,409)	(7,840)	592	(16,838)
Interest and other income	9	138	402	—	549
Distribution income from equity securities	—	—	334	—	334
Net loss from equity accounted investments	—	—	—	7,310	7,310
Fair value gain (loss) on investment properties	5,648	(3,914)	—	(5,691)	(3,957)
Foreign currency translation gain	—	—	2,054	—	2,054
Transaction costs	—	—	—	—	—
Fair value loss on financial instruments	—	—	(3,222)	—	(3,222)
Income (loss) before income taxes	29,648	20,947	(10,650)	—	39,945
Income tax expense	—	(90)	—	—	(90)
Net income (loss)	$ 29,648	$ 20,857	$ (10,650)	$ —	$ 39,855
Acquisitions of investment properties	$ —	$ 2,954	$ —	$ —	$ 2,954
Additions to investment properties, investment properties under development and investment properties held for sale	19,920	15,589	—	(6,593)	28,916
Additions to tenant inducements	2,099	3,896	—	(632)	5,363
Additions to leasing commissions	211	1,116	—	(58)	1,269

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

Nine months ended September 30, 2022					
	Canada	U.S.	REIT	Equity accounted investment properties adjustment [1]	Total
Revenue:					
Rental revenue from investment properties	$ 127,739	$ 163,509	$ 61	$ (12,899)	$ 278,410
Condominium sales	—	—	—	—	—
Total revenue	127,739	163,509	61	(12,899)	278,410
Expenses:					
Property operating	37,100	40,774	—	(3,027)	74,847
Realty taxes	19,852	28,647	—	(2,539)	45,960
Condominium cost of sales	—	—	—	—	—
Total operating expenses	56,952	69,421	—	(5,566)	120,807
Net operating income	70,787	94,088	61	(7,333)	157,603
Other income (expenses):					
Corporate expenses	—	—	(7,034)	—	(7,034)
Strategic initiative expenses	—	—	—	—	—
Interest expense	(10,595)	(19,101)	(33,733)	3,005	(60,424)
Interest and other income	24	399	12,939	(7)	13,355
Distribution income from equity securities	—	—	6,270	—	6,270
Net income from equity accounted investments	—	—	62,128	40,727	102,855
Fair value gain (loss) on investment properties	32,358	(17,847)	—	(36,409)	(21,898)
Foreign currency translation loss	—	—	(8,266)	—	(8,266)
Transaction costs	—	—	—	—	—
Fair value loss on financial instruments	—	—	(39,205)	—	(39,205)
Income before income taxes	92,574	57,539	(6,840)	(17)	143,256
Income tax expense	—	(354)	(19,912)	17	(20,249)
Net income (loss)	$ 92,574	$ 57,185	$ (26,752)	$ —	$ 123,007
Acquisitions of investment properties	$ —	$ 5,219	$ —	$ —	$ 5,219
Additions to investment properties, investment properties under development and investment properties held for sale	33,571	55,578	—	(17,019)	72,130
Additions to tenant inducements	5,399	24,031	—	(911)	28,519
Additions to leasing commissions	1,254	9,007	—	(1,088)	9,173

September 30, 2022					
	Canada	U.S.	REIT	Equity accounted investment properties adjustment [1]	Total
Total assets	$ 1,992,126	$ 2,542,803	$ 723,347	$ (77,773)	$ 5,180,503
Total liabilities	410,583	829,420	1,562,673	(77,773)	2,724,903

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

	Canada	U.S.	REIT	Equity accounted investment properties adjustment (1)	Total
					Nine months ended September 30, 2021
Revenue:					
Rental revenue from investment properties	$ 158,300	$ 159,323	$ 95	$ (11,735)	$ 305,983
Condominium sales	15,851	—	—	—	15,851
Total revenue	174,151	159,323	95	(11,735)	321,834
Expenses:					
Property operating	39,707	37,357	—	(2,671)	74,393
Realty taxes	24,293	28,633	—	(2,419)	50,507
Condominium cost of sales	14,576	—	—	—	14,576
Total operating expenses	78,576	65,990	—	(5,090)	139,476
Net operating income	95,575	93,333	95	(6,645)	182,358
Other income (expenses):					
Corporate expenses	—	—	(9,071)	—	(9,071)
Strategic initiative expenses	—	—	(18)	—	(18)
Interest expense	(12,866)	(17,972)	(24,315)	1,965	(53,188)
Interest and other income	47	421	792	(2)	1,258
Distribution income from equity securities	—	—	346	—	346
Net income from equity accounted investments	—	—	—	13,519	13,519
Fair value gain on investment properties	184,428	12,679	—	(8,843)	188,264
Foreign currency translation loss	—	—	(3,717)	—	(3,717)
Transaction costs	—	(11)	—	—	(11)
Fair value gain on financial instruments	—	—	9,922	—	9,922
Income (loss) before income taxes	267,184	88,450	(25,966)	(6)	329,662
Income tax expense	—	(897)	—	6	(891)
Net income (loss)	$ 267,184	$ 87,553	$ (25,966)	$ —	$ 328,771
Acquisitions of investment properties	$ —	$ 5,823	$ —	$ —	$ 5,823
Additions to investment properties, investment properties under development and investment properties held for sale	51,266	44,508	—	(27,273)	68,501
Additions to tenant inducements	10,321	10,910	—	(1,796)	19,435
Additions to leasing commissions	2,219	3,382	—	(504)	5,097

	Canada	U.S.	REIT	Equity accounted investment properties adjustment (1)	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

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

Note 20. Contingencies and guarantees

(a) Letters of credit:

As at September 30, 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 $4,340 (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 September 30, 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 September 30, 2022 was $42,133 (December 31, 2021, $43,586), with an estimated weighted-average remaining term of 0.7 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 September 30, 2022, the ratio of indebtedness to gross book value was 47.9% (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 September 30, 2022, the REIT is in compliance with the requirement in the Declaration of Trust.

The total managed capital for the REIT is summarized below:

	Note	September 30, 2022	December 31, 2021
Mortgages and loans payable	8	$ 1,061,547	$ 1,085,039
Senior unsecured debentures	9	448,961	249,346
Credit facilities	10	973,190	631,253
Total debt		2,483,698	1,965,638
Unitholders' equity		2,455,600	2,455,353
		$ 4,939,298	$ 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 the 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 September 30, 2022, the REIT had variable rate debt, including credit facilities, of $1,705,513 (December 31, 2021, $1,324,662). At September 30, 2022, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $379,178 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 1.3186 and 1.2874 for the three and nine months ended September 30, 2022, and the period end exchange rate of 1.3707 at September 30, 2022, would have decreased net loss by approximately $18,382 for the three months ended September 30, 2022 and increased net income by $14,775 for the nine months ended September 30, 2022. A $0.10 weakening in the US dollar against the Canadian dollar would have decreased other comprehensive income by approximately $128,009 and $120,561 for the three and nine months ended September 30, 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, 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 tenants' ability to pay. 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 $293 and $628 during the three and nine months ended September 30, 2022 (three and nine months ended September 30, 2021, $160 and $386).

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 September 30, 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	$ 189,279	$ 189,279	$ —	$ —	$ —
Lease liabilities	1,198	270	353	292	283
Credit facilities	973,470	973,470	—	—	—
Senior unsecured debentures	450,000	250,000	200,000	—	—
Mortgages and loans payable	1,064,129	548,601	311,228	153,759	50,541
	$ 2,678,076	$ 1,961,620	$ 511,581	$ 154,051	$ 50,824

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 nine months ended September 30, 2022 and the year ended December 31, 2021.

		September 30, 2022		December 31, 2021	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	$ 3,343,722	$ 3,343,722	$ 3,741,544	$ 3,741,544
Investment properties under development	Level 3	195,911	195,911	195,161	195,161
Preferred investments	Level 2	109,228	107,903	—	—
Equity securities	Level 1	269,908	269,908	77,186	77,186
Notes receivable	Level 2	37,859	35,450	36,282	36,473
Investment properties held for sale	Level 3	657,627	657,627	62,904	62,904
Derivative instruments	Level 2	13,298	13,298	1,029	1,029
		4,627,553	4,623,819	4,114,106	4,114,297
Liabilities:					
Mortgages and loans payable	Level 2	1,061,547	1,039,983	1,085,039	1,088,737
Senior unsecured debentures	Level 2	448,961	438,975	249,346	254,346
Credit facilities	Level 2	973,190	973,470	631,253	631,851
Derivative instruments	Level 2	217	217	7,689	7,689
		2,483,915	2,452,645	1,973,327	1,982,623
		$ 2,143,638	$ 2,171,174	$ 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

The following events occurred subsequent to September 30, 2022:

- The REIT entered into an unconditional sale agreement to sell a portfolio comprised of six industrial properties located in the Twin Cities Area, Minnesota for $102,510 (US$74,825).
- The REIT repaid mortgages in the aggregate amount of $14,317 and $15,468 (US$11,290).
- The REIT drew a net balance of $41,000 and drew a net balance of $28,770 (US$21,000) on its revolving term credit facilities.
- The REIT purchased through the NCIB 7,900 Series E Units at a weighted-average price of $23.20 and 10,900 Series I Units at a weighted-average price of $24.63.
- The REIT purchased equity securities for an aggregate cost of $28,299.
- The REIT declared a monthly cash distribution of $0.05 per common unit for the month of October 2022.
- The REIT declared a quarterly cash distribution of $0.3750 per Series I Unit for the three months ended October 31, 2022.

Note 25. Approval of financial statements

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