Interim Condensed Consolidated Financial Statements of

ARTIS REAL ESTATE INVESTMENT TRUST

Three months ended March 31, 2023 and 2022
(Unaudited)

(In Canadian dollars)

Interim Condensed Consolidated Balance Sheets

(Unaudited)

(In thousands of Canadian dollars)

	Note	March 31, 2023	December 31, 2022
ASSETS			
Non-current assets:			
Investment properties	4	$ 3,033,883	$ 3,156,206
Investment properties under development	4	243,936	191,552
Equity accounted investments	5	311,492	326,050
Preferred investments	6	122,630	114,184
Equity securities	8	262,510	316,768
Property and equipment		5,028	5,343
Notes receivable		21,426	37,702
		4,000,905	4,147,805
Current assets:			
Investment properties held for sale	4	377,904	335,813
Prepaid expenses and other assets		12,945	12,161
Notes receivable		10,968	993
Accounts receivable and other receivables	9	15,916	17,307
Cash held in trust		11,656	10,666
Cash		37,212	29,168
		466,601	406,108
Total assets		$ 4,467,506	$ 4,553,913
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities:			
Mortgages and loans payable	10	$ 365,039	$ 388,569
Senior unsecured debentures	11	199,431	199,368
Credit facilities	12	721,735	374,735
Deferred tax liabilities	19	5,564	9,525
Other long-term liabilities		1,782	1,866
		1,293,551	974,063
Current liabilities:			
Mortgages and loans payable	10	514,093	476,129
Senior unsecured debentures	11	249,819	249,723
Security deposits and prepaid rent		26,229	25,513
Accounts payable and other liabilities		61,131	72,902
Credit facilities	12	149,950	526,424
		1,001,222	1,350,691
Total liabilities		2,294,773	2,324,754
Unitholders' equity		2,172,733	2,229,159
Contingencies and guarantees	23		
Subsequent events	27		
Total liabilities and unitholders' equity		$ 4,467,506	$ 4,553,913

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Operations

(Unaudited)

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

	Note	Three months ended March 31, 2023	2022
Revenue:			
Rental revenue from investment properties	15	$ 90,255	$ 93,241
Expenses:			
Property operating		27,221	25,990
Realty taxes		14,973	15,789
Total operating expenses		42,194	41,779
Net operating income		48,061	51,462
Other income (expenses):			
Interest and other income	16	8,837	3,078
Distribution income from equity securities	8	4,083	1,006
Interest expense	17	(29,732)	(16,057)
Corporate expenses		(1,448)	(2,999)
Equity securities expenses	8	(205)	(191)
Net (loss) income from equity accounted investments	5	(13,457)	140,284
Fair value (loss) gain on investment properties	4	(27,708)	70,941
Fair value (loss) gain on financial instruments	18	(16,935)	20,193
Foreign currency translation gain		1,856	1,263
(Loss) income before income taxes		(26,648)	268,980
Income tax recovery (expense)	19	3,887	(31,967)
Net (loss) income		(22,761)	237,013
Other comprehensive loss that may be reclassified to net (loss) income in subsequent periods:			
Unrealized foreign currency translation loss		(811)	(21,208)
Unrealized foreign currency translation loss on equity accounted investments		(99)	(2,029)
Other comprehensive loss		(910)	(23,237)
Total comprehensive (loss) income		$ (23,671)	$ 213,776
Basic (loss) income per unit attributable to common unitholders	13	$ (0.22)	$ 1.91
Diluted (loss) income per unit attributable to common unitholders	13	(0.23)	1.90
Weighted-average number of common units outstanding:			
Basic	13	115,396,136	121,888,430
Diluted	13	116,073,937	122,477,577

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 (deficit)	Accumulated other comprehensive income	Contributed surplus	Total common equity	Total preferred equity	Total
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 13)	7	—	—	—	7	—	7
Units acquired and cancelled through normal course issuer bid (note 13)	(64,160)	—	—	11,490	(52,670)	(1,167)	(53,837)
Units acquired through normal course issuer bid, not cancelled at period end (note 13)	—	—	—	—	—	(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
Changes for the period:							
Issuance of common units, net of issue costs (note 13)	223	—	—	—	223	—	223
Redemption of preferred units (note 13)	—	—	—	(3,866)	(3,866)	(77,342)	(81,208)
Units acquired and cancelled through normal course issuer bid (note 13)	(59,035)	—	—	11,310	(47,725)	(3,662)	(51,387)
Units acquired through normal course issuer bid, not cancelled at year end (note 13)	(325)	—	—	134	(191)	(104)	(295)
Net loss	—	(242,307)	—	—	(242,307)	—	(242,307)
Other comprehensive income	—	—	134,068	—	134,068	—	134,068
Distributions	—	(117,684)	—	—	(117,684)	—	(117,684)
Distributions in units (note 13)	9,234	(9,234)	—	—	—	—	—
Unitholders' equity, December 31, 2022	1,751,927	(72,956)	256,589	87,793	2,023,353	205,806	2,229,159
Changes for the period:							
Issuance of common units, net of issue costs (note 13)	22	—	—	—	22	—	22
Units acquired and cancelled through normal course issuer bid (note 13)	(20,591)	—	—	9,412	(11,179)	(1,032)	(12,211)
Units acquired through normal course issuer bid, not cancelled at period end (note 13)	—	—	—	10	10	(274)	(264)
Net loss	—	(22,761)	—	—	(22,761)	—	(22,761)
Other comprehensive loss	—	—	(910)	—	(910)	—	(910)
Distributions	—	(20,302)	—	—	(20,302)	—	(20,302)
Unitholders' equity, March 31, 2023	$ 1,731,358	$ (116,019)	$ 255,679	$ 97,215	$ 1,968,233	$ 204,500	$ 2,172,733

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands of Canadian dollars)

	Note	Three months ended March 31, 2023	2022
Cash provided by (used in):			
Operating activities:			
Net (loss) income		$ (22,761)	$ 237,013
Adjustments for:			
Interest income on preferred investments received in-kind	6	(8,446)	—
Distribution income from equity securities	8	(4,083)	(1,006)
Net loss (income) from equity accounted investments	5	13,457	(140,284)
Fair value loss (gain) on investment properties	4	27,708	(70,941)
Fair value loss (gain) on financial instruments	18	16,935	(20,193)
Unrealized foreign currency translation loss (gain)		118	(1,221)
Deferred taxes		(3,961)	32,070
Other items not affecting cash	20	6,438	7,422
Changes in non-cash operating items	20	1,250	(3,696)
		26,655	39,164
Investing activities:			
Proceeds from dispositions of investment properties, net of costs and related debt	3	13,529	63,859
Additions to investment properties		(4,953)	(2,887)
Additions to investment properties under development		(7,741)	(10,614)
Additions to tenant inducements and leasing commissions		(11,306)	(10,299)
Contributions to equity accounted investments		(468)	(98,878)
Distributions from equity accounted investments		974	1,885
Purchase of preferred investments		—	(100,000)
Purchases of equity securities		—	(60,160)
Proceeds from disposition of equity securities, net of costs		39,238	—
Distributions from equity securities		4,325	851
Additions to property and equipment		—	(21)
Issuances of notes receivable		(87)	(138)
Notes receivable principal repayments		6,378	273
Change in cash held in trust		(1,228)	(165)
		38,661	(216,294)
Financing activities:			
Repayment of mortgages and loans payable		(44,417)	(16,480)
Advance of mortgages and loans payable, net of financing costs		59,054	(245)
Advance of revolving credit facilities		131,662	275,000
Repayment of revolving credit facilities, including financing costs		(161,216)	(44,527)
Repayment of non-revolving credit facilities, including financing costs		(180)	(100,065)
Repayment of lease liabilities		(78)	(75)
Purchase of common units under normal course issuer bid	13	(11,176)	(52,661)
Purchase of preferred units under normal course issuer bid	13	(1,299)	(1,316)
Distributions paid on common units		(26,546)	(62,943)
Distributions paid on preferred units		(3,059)	(4,277)
		(57,255)	(7,589)
Foreign exchange loss on cash held in foreign currency		(17)	(431)
Increase (decrease) in cash		8,044	(185,150)
Cash, beginning of period		29,168	221,474
Cash, end of period		$ 37,212	$ 36,324

See accompanying notes to interim condensed consolidated financial statements.

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

Note 1. Organization

Artis Real Estate Investment Trust (the "REIT") is an unincorporated closed-end real estate investment trust created under, and governed by, the laws of the Province of Manitoba. The REIT was created pursuant to the Declaration of Trust dated November 8, 2004, as most recently amended and restated on December 19, 2021 (the "Declaration of Trust"). The 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. Material accounting policy information

(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, 2022, 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, 2022.

(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, 2022. There have been no changes to the critical accounting estimates and judgments during the three months ended March 31, 2023.

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

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, which establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 replaced IFRS 4 *Insurance Contracts*. In June 2020, the IASB issued amendments to IFRS 17 that included changing the effective date to 2023. IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. This standard had no impact on the interim condensed consolidated financial statements.

In February 2021, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*. The amendments to IAS 1 replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The IASB has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2. The amendments had no impact on the interim condensed consolidated financial statements.

In February 2021, the IASB issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in which it introduces a new definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments had no 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, 2023 and 2022.

Dispositions:

The REIT disposed of the following property during the three months ended March 31, 2023:

Property	Property count	Location	Disposition date	Asset class
North 48 Commercial Centre	1	Saskatoon, SK	March 14, 2023	Office

The cash proceeds received from the sale of the above property, net of costs and related debt, were $13,529. The assets and liabilities associated with the property were derecognized.

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.

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

			Three months ended March 31, 2023
	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of period	$ 3,156,206	$ 191,552	$ 335,813
Additions:			
Capital expenditures	4,050	4,362	—
Capitalized interest (1)	—	686	—
Leasing commissions	1,021	507	99
Straight-line rent adjustments	222	—	325
Tenant inducement additions, net of amortization	3,208	—	225
Disposition	—	—	(13,529)
Foreign currency translation (loss) gain	(1,159)	1	(158)
Fair value (loss) gain	(18,174)	262	(9,796)
Reclassification of investment properties under development	(47,106)	47,106	—
Reclassification of investment properties held for sale	(64,385)	(540)	64,925
Balance, end of period	$ 3,033,883	$ 243,936	$ 377,904

(1) During the three months ended March 31, 2023, interest was capitalized to investment properties under development at a weighted-average effective rate of 6.48%.

						Year ended December 31, 2022
		Investment properties		Investment properties under development		Investment properties held for sale
Balance, beginning of year	$	3,741,544	$	195,161	$	62,904
Additions:						
Acquisitions		5,219		—		—
Reclassification from equity accounted investments (1)		98,930		—		—
Capital expenditures		24,223		60,340		2,399
Capitalized interest (2)		—		1,346		—
Leasing commissions		8,434		258		3,363
Straight-line rent adjustments		966		7		406
Tenant inducement additions, net of amortization		8,277		1,740		1,123
Dispositions		(18,412)		—		(486,517)
Foreign currency translation gain		115,183		956		34,152
Fair value loss		(124,258)		(9,352)		(44,821)
Reclassification of investment properties under development		5,888		(5,888)		—
Reclassification of investment properties held for sale		(709,788)		(53,016)		762,804
Balance, end of year	$	3,156,206	$	191,552	$	335,813

(1) On September 30, 2022, the REIT increased its ownership interest in Park 8Ninety II to 100%.
(2) During the year ended December 31, 2022, interest was capitalized to investment properties under development at a weighted-average effective rate of 4.60%.

The REIT had 12 industrial properties, three office properties, five retail properties and two parcels of development land classified as investment properties held for sale that were actively marketed for sale or under unconditional or conditional sale agreements at March 31, 2023 (December 31, 2022, 10 industrial properties, four office properties, one retail property, two industrial properties under development and two parcels of development land). The properties held for sale had an aggregate mortgage payable balance of $107,552 at March 31, 2023 (December 31, 2022, $72,018). 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 March 31, 2023, included in investment properties was $49,329 (December 31, 2022, $48,962) 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 $10,431 at March 31, 2023 (December 31, 2022, $10,420). The lease payments required under this lease were fully paid at the time of acquisition of the property.

At March 31, 2023, investment properties with a fair value of $1,632,166 (December 31, 2022, $1,649,162) 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, 2023, 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 $211,925 (year ended December 31, 2022, $613,315), 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, 2023 and the year ended December 31, 2022.

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 current global macroeconomic environment has created estimation uncertainty in the determination of the fair values of investment properties as at March 31, 2023. The REIT has reviewed the valuation of its properties in light of the difficulty in anticipating the impact of factors including, but not limited to, inflationary pressures, rising interest rates, labour and supply shortages and the on-going COVID-19 pandemic, on property cash flows and capitalization rates. As a result of this estimation uncertainty, there is a risk that the assumptions used to determine fair values as at March 31, 2023 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 26.

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

	March 31, 2023			December 31, 2022		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Canada:						
Discount rate	9.50 %	5.00 %	7.18 %	9.50 %	5.00 %	7.21 %
Terminal capitalization rate	9.00 %	3.75 %	6.19 %	9.00 %	3.75 %	6.23 %
Capitalization rate	8.75 %	3.75 %	6.20 %	8.75 %	3.75 %	6.20 %
Investment horizon (years)	12.0	10.0	10.4	12.0	10.0	10.4
U.S.:						
Discount rate	10.00 %	6.00 %	7.88 %	10.00 %	6.00 %	7.82 %
Terminal capitalization rate	8.25 %	5.25 %	6.83 %	8.25 %	5.25 %	6.79 %
Capitalization rate	8.25 %	5.00 %	6.70 %	8.25 %	5.00 %	6.66 %
Investment horizon (years)	12.0	10.0	10.4	12.0	10.0	10.4
Total portfolio:						
Discount rate	10.00 %	5.00 %	7.49 %	10.00 %	5.00 %	7.48 %
Terminal capitalization rate	9.00 %	3.75 %	6.48 %	9.00 %	3.75 %	6.48 %
Capitalization rate	8.75 %	3.75 %	6.42 %	8.75 %	3.75 %	6.40 %
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

The REIT has the following equity accounted investments:

			Ownership interest	
	Principal purpose	Location	March 31, 2023	December 31, 2022
Associates:				
Iris Acquisition II LP ("Iris")	Investment in Cominar Real Estate Investment Trust	Greater Montreal & Quebec City Areas, QC/Greater Ottawa Area, ON	32.64 %	32.64 %
Park Lucero East	Investment property	Greater Phoenix Area, AZ	10.00 %	10.00 %
Joint ventures:				
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 %	50.00 %
ICE II LP	Investment in the asset manager of Cominar Real Estate Investment Trust	—	50.00 %	50.00 %

During the three months ended March 31, 2023, the REIT contributed $468 to Corridor Park, Park Lucero East, The Point at Inverness and Park 8Ninety V equity accounted investments.

The REIT is contingently liable for the obligations of certain associates and joint ventures. As at March 31, 2023, the co-owners' share of mortgage liabilities was $51,733 (December 31, 2022, $49,982). 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, 2023				December 31, 2022			
	Iris	Other associate	Joint ventures	Total	Iris	Other associate	Joint ventures	Total
Non-current assets:								
Investment properties	$ 697,119	$ 12,813	$ 233,350	$ 943,282	$ 666,538	$ —	$ 212,794	$ 879,332
Investment properties under development	—	—	—	—	—	12,452	—	12,452
Other non-current assets	9,021	—	327	9,348	7,611	—	823	8,434
Current assets:								
Investment properties held for sale	62,197	—	—	62,197	102,119	—	19,303	121,422
Other current assets	16,879	80	4,870	21,829	20,055	50	7,019	27,124
Total assets	785,216	12,893	238,547	1,036,656	796,323	12,502	239,939	1,048,764
Non-current liabilities:								
Mortgages, loans and other debt	457,569	4,455	60,678	522,702	435,007	4,255	59,159	498,421
Current liabilities:								
Mortgages, loans and other debt	175,856	—	969	176,825	192,715	—	959	193,674
Other current liabilities	20,909	287	4,441	25,637	22,416	178	8,025	30,619
Total liabilities	654,334	4,742	66,088	725,164	650,138	4,433	68,143	722,714
REIT's share of net assets of equity accounted investments	$ 130,882	$ 8,151	$ 172,459	$ 311,492	$ 146,185	$ 8,069	$ 171,796	$ 326,050

	Three months ended March 31, 2023				Three months ended March 31, 2022			
	Iris	Other associate	Joint ventures	Total	Iris	Other associate	Joint ventures	Total
Revenue	$ 25,449	$ 18	$ 3,604	$ 29,071	$ 8,675	$ —	$ 4,002	$ 12,677
Operating expenses	13,982	9	1,687	15,678	4,742	—	1,745	6,487
Net operating income	11,467	9	1,917	13,393	3,933	—	2,257	6,190
Fair value (loss) gain on investment properties	(2,365)	96	578	(1,691)	(416)	—	31,172	30,756
Bargain purchase gain	—	—	—	—	111,652	—	—	111,652
Other expenses and income, net	(24,406)	(83)	(670)	(25,159)	(11,865)	—	(762)	(12,627)
REIT's share of net (loss) income	(15,304)	22	1,825	(13,457)	103,304	—	32,667	135,971
Deferred tax impact of temporary differences in Iris (1)	—	—	—	—	4,313	—	—	4,313
Net (loss) income from equity accounted investments	$ (15,304)	$ 22	$ 1,825	$ (13,457)	$ 107,617	$ —	$ 32,667	$ 140,284

(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 (loss) income from Iris.

	March 31, 2023	December 31, 2022
Amounts in Iris's financial statements at 100%:		
Non-current assets	$ 2,163,416	$ 2,065,407
Current assets	242,269	374,303
Non-current liabilities	(1,401,867)	(1,332,743)
Current liabilities	(602,776)	(659,040)
Net assets	401,042	447,927
REIT's ownership percentage	32.64 %	32.64 %
REIT's share of net assets in Iris	$ 130,882	$ 146,185

	Three months ended March 31, 2023	Period March 1 to March 31, 2022 (1)
Amounts in Iris's financial statements at 100%:		
Revenue	$ 77,970	$ 26,578
Operating expenses	(42,837)	(14,531)
Bargain purchase gain	—	342,072
Other expenses	(82,018)	(33,756)
Net (loss) income	(46,885)	320,363
REIT's ownership percentage	32.64 %	32.64 %
REIT's share of net (loss) income before adjustments	(15,304)	104,567
Adjustments:		
Equity issue costs deducted from equity	—	(1,263)
Deferred tax impact of temporary differences in Iris (2)	—	4,313
REIT's share of net (loss) income from Iris	$ (15,304)	$ 107,617

(1) The REIT acquired common equity units of Iris on March 1, 2022.

(2) 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. Preferred investments

The REIT's investments in the junior preferred units of Iris are as follows:

	Three months ended March 31, 2023	Year ended December 31, 2022
Balance, beginning of period	$ 114,184	$ —
Contributions	—	100,000
In-kind units received through distributions	8,446	14,184
Balance, end of period	$ 122,630	$ 114,184

During the three months ended March 31, 2023, the REIT received income from preferred investments of $8,446, comprised of in-kind junior preferred units (2022, income of $1,529 paid in cash).

Note 7. Joint operations

The REIT has interests in the following joint operations:

			Ownership interest	
Property	Location	Principal purpose	March 31, 2023	December 31, 2022
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 consolidated financial statements.

The REIT is contingently liable for the obligations of certain joint operations. As at March 31, 2023, the co-owners' share of mortgage liabilities was $4,012 (December 31, 2022, $4,097). Management has assessed that the assets available from its joint operations are sufficient for the purpose of satisfying such obligations.

Note 8. Equity securities

The REIT invests in equity securities of publicly-traded Canadian real estate entities. The equity securities are measured at fair values using quoted market prices in active markets.

	Three months ended March 31, 2023	Year ended December 31, 2022
Balance, beginning of period	$ 316,768	$ 77,186
Purchases	—	335,971
Dispositions	(39,238)	(41,469)
Reclassified to equity accounted investments	—	(13,488)
Fair value loss (note 18)	(15,020)	(41,432)
Balance, end of period	$ 262,510	$ 316,768

For the three months ended March 31, 2023, the REIT earned distribution income of $4,083 (2022, $1,006) and incurred commissions, service and professional fees of $205 (2022, $191), inclusive of services fees paid to Sandpiper (note 21).

Note 9. Accounts receivable and other receivables

	March 31, 2023	December 31, 2022
Rents receivable	$ 5,955	$ 5,229
Deferred rents receivable	220	238
Allowance for doubtful accounts	(1,806)	(2,187)
Accrued recovery income	4,618	3,470
Other receivables	6,929	10,557
	15,916	17,307

Refer to note 25 for further discussion on credit risk and allowance for doubtful accounts.

Note 10. Mortgages and loans payable

		March 31, 2023		December 31, 2022
Mortgages and loans payable	$	881,767	$	866,736
Net above- and below-market mortgage adjustments		548		782
Financing costs		(3,183)		(2,820)
		879,132		864,698
Current portion		514,093		476,129
Non-current portion	$	365,039	$	388,569

Certain of the REIT's investment properties have been pledged as security under mortgages and other security agreements. As at March 31, 2023, 37.6% of the REIT's mortgages and loans payable bear interest at fixed rates (December 31, 2022, 38.6%), and a further 22.2% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place (December 31, 2022, 25.1%). The weighted-average effective rate on all mortgages and loans payable was 5.24% and the weighted-average nominal rate was 4.86% at March 31, 2023 (December 31, 2022, 4.84% and 4.46%, respectively). Maturity dates range from April 1, 2023 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 11. 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	$	(181)	$	249,819	$	249,819	$	—
Series E		200,000		(569)		199,431		—		199,431
March 31, 2023	$	450,000	$	(750)	$	449,250	$	249,819	$	199,431
December 31, 2022		450,000		(909)		449,091		249,723		199,368

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 months ended March 31, 2023, financing cost amortization of $159 (2022, $92) 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 March 31, 2023, the REIT was in compliance with these requirements.

Note 12. Credit facilities

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

		March 31, 2023		December 31, 2022		
	Borrowing capacity	Amounts drawn	Available to be drawn [1]	Amounts drawn	Available to be drawn [1]	Applicable interest rates
Revolving facilities maturing December 14, 2024	$ 400,000	$ 325,339	$ 74,661	$ 375,346	$ 24,654	BA rate plus 1.70% or prime plus 0.70% or adjusted SOFR plus 1.70% or U.S. base rate plus 0.70%
Revolving facility maturing April 29, 2025	280,000	247,363	32,637	226,588	73,412	BA rate plus 1.70% or prime plus 0.70% or adjusted SOFR plus 1.70% or U.S. base rate plus 0.70%
Non-revolving facility maturing April 3, 2023	50,000	50,000	—	50,000	—	BA rate plus 1.70% or prime plus 0.70%
Non-revolving facility maturing February 6, 2024	100,000	100,000	—	100,000	—	BA rate plus 1.70% or prime plus 0.70%
Non-revolving facility maturing July 18, 2024	150,000	150,000	—	150,000	—	BA rate plus 1.70% or prime plus 0.70%
Financing costs		(1,017)		(775)		
Total credit facilities	$ 980,000	$ 871,685	$ 107,298	$ 901,159	$ 98,066	
Current portion		149,950		526,424		
Non-current portion		$ 721,735		$ 374,735		

(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, 2023, this covenant did not limit the total borrowing capacity of the revolving credit facilities.

The unsecured revolving term credit facilities in the aggregate amount of $680,000 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 28, 2023, the revolving term credit facilities agreement was amended to reduce the second tranche of the facilities from $300,000 to $280,000 and extend the maturity date to April 29, 2025. The interest rate on US dollar term advances for all revolving credit facilities was amended to adjusted SOFR plus 1.70%, in place of the previous LIBOR plus 1.70% rate. In addition, the amended and restated agreement provides for CORRA as the Canadian benchmark replacement rate on Canadian dollar term advances when the publication of CDOR ceases on June 28, 2024.

All non-revolving credit facilities can be utilized for general corporate and working capital purposes, property acquisitions and development financing. On January 31, 2023, the REIT entered into amended agreements to extend the maturity dates of the $50,000 non-revolving credit facility and the $100,000 non-revolving credit facility to April 3, 2023 and February 6, 2024, respectively. On February 28, 2023, the REIT entered into another amended agreement to extend the maturity date of the $150,000 non-revolving credit facility to July 18, 2024 and to provide for CORRA as the Canadian benchmark replacement rate on all Canadian dollar term advances when the publication of CDOR ceases on June 28, 2024.

For purposes of the credit facilities, the REIT must maintain various financial covenants. As at March 31, 2023, the REIT was in compliance with these requirements.

Note 13. 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, 2021	123,544,536	$	1,865,983
Restricted units redeemed	20,974		230
Units acquired and cancelled through normal course issuer bid	(8,134,776)		(123,195)
Units acquired through normal course issuer bid, not cancelled at year end	(21,500)		(325)
Special distribution in units (1)	—		9,234
Balance at December 31, 2022	115,409,234		1,751,927
Restricted units redeemed	2,392		22
Units acquired and cancelled through normal course issuer bid	(1,356,296)		(20,591)
Balance at March 31, 2023	114,055,330	$	1,731,358

(1) The common units issued as part of the special distribution declared on December 31, 2022 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, 2021	3,295,600	3,699,510	4,965,540	11,960,650
Units acquired and cancelled through normal course issuer bid	(47,300)	(92,200)	(66,700)	(206,200)
Units acquired through normal course issuer bid, not cancelled at year end	—	(2,200)	(2,100)	(4,300)
Preferred units redeemed	(3,248,300)	—	—	(3,248,300)
Number of units outstanding at December 31, 2022	—	3,605,110	4,896,740	8,501,850
Units acquired and cancelled through normal course issuer bid	—	(17,000)	(25,600)	(42,600)
Units acquired through normal course issuer bid, not cancelled at period end	—	(4,700)	(6,600)	(11,300)
Number of units outstanding at March 31, 2023	—	3,583,410	4,864,540	8,447,950

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, 2021	$	78,468	$	89,285	$	120,468	$	288,221
Units acquired and cancelled through normal course issuer bid		(1,126)		(2,226)		(1,617)		(4,969)
Units acquired through normal course issuer bid, not cancelled at year end		—		(53)		(51)		(104)
Preferred units redeemed		(77,342)		—		—		(77,342)
Carrying value at December 31, 2022		—		87,006		118,800		205,806
Units acquired and cancelled through normal course issuer bid		—		(410)		(622)		(1,032)
Units acquired through normal course issuer bid, not cancelled at period end		—		(114)		(160)		(274)
Carrying value at March 31, 2023	$	—	$	86,482	$	118,018	$	204,500
Face value at March 31, 2023	$	—	$	89,585	$	121,614	$	211,199
Face value at December 31, 2022		—		90,128		122,419		212,547

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

On March 31, 2023, the REIT announced it did not intend to exercise its right to redeem all or any part of the outstanding Series I Units on April 30, 2023 (see note 27).

(c) Normal course issuer bid:

On December 15, 2022, 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 6, 2022 as follows:

	Public float	10% of public float
Common units	78,609,420	7,860,942
Preferred unit series:		
Series E	3,610,010	361,001
Series I	4,805,340	480,534

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 18, 2023, 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, 2023, the REIT acquired 1,356,296 common units at market prices aggregating $11,176, resulting in contributed surplus of $9,415, which was the excess of stated capital over redemption proceeds. During the three months ended March 31, 2023, the REIT also acquired 21,700 and 32,200 Series E and I Units, respectively, at market prices aggregating $1,299, resulting in contributed surplus of $7, which was the excess of stated capital over redemption proceeds.

During the year ended December 31, 2022, the REIT acquired 8,156,276 common units at market prices aggregating $100,572, resulting in contributed surplus of $22,948, which was the excess of stated capital over redemption proceeds. During the year ended December 31, 2022, the REIT also acquired 47,300, 94,400 and 68,800 Series A, E and I Units, respectively, at market prices aggregating $5,087, resulting in reduction of contributed surplus of $14, which was the excess of redemption proceeds over stated capital.

(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, 2023, the REIT had not issued any securities under this short form base shelf prospectus.

(e) Weighted-average common units:

	Three months ended March 31, 2023	2022
Net (loss) income	$ (22,761)	$ 237,013
Adjustment for distributions to preferred unitholders (note 14)	(3,059)	(4,277)
Net (loss) income attributable to common unitholders	(25,820)	232,736
Adjustment for restricted units	(322)	336
Adjustment for deferred units	(323)	4
Diluted net (loss) income attributable to common unitholders	$ (26,465)	$ 233,076
The weighted-average number of common units outstanding was as follows:		
Basic common units	115,396,136	121,888,430
Effect of dilutive securities:		
Restricted units	450,388	439,224
Deferred units	227,413	149,923
Diluted common units	116,073,937	122,477,577
Net (loss) income per unit attributable to common unitholders:		
Basic	$ (0.22)	$ 1.91
Diluted	(0.23)	1.90

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 months ended March 31, 2023 and 2022, there were no anti-dilutive units.

Note 14. Distributions to unitholders

Total distributions declared to unitholders were as follows:

	Three months ended March 31, 2023		Three months ended March 31, 2022	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	$ 17,243	$ 0.15	$ 18,071	$ 0.15
Preferred unitholders - Series A	—	—	1,160	0.35
Preferred unitholders - Series E	1,226	0.34	1,255	0.34
Preferred unitholders - Series I	1,833	0.38	1,862	0.38

Note 15. Revenue

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

	Three months ended March 31, 2023	2022
Base rent	$ 58,197	$ 59,380
Operating cost and realty tax recoveries	35,014	35,719
Parking and other revenue	2,552	2,459
Tenant inducements amortized to revenue	(6,246)	(6,406)
Straight-line rent adjustments	547	288
Lease termination income	191	1,801
Rental revenue from investment properties	$ 90,255	$ 93,241

Refer to note 22 for a disaggregation of revenue by reportable geographical region.

Note 16. Interest and other income

	Three months ended March 31, 2023	2022
Interest on junior preferred units of Iris (note 6)	$ 8,446	$ 1,529
Interest on notes receivable	373	442
Other	18	1,107
	$ 8,837	$ 3,078

Note 17. Interest expense

	Three months ended March 31, 2023	2022
Interest on mortgages and loans payable	$ 10,243	$ 8,311
Interest on senior unsecured debentures	5,138	2,371
Interest on credit facilities	13,721	4,866
Amortization of above- and below-market mortgages, net	(233)	(218)
Amortization of financing costs	863	727
	$ 29,732	$ 16,057

Note 18. Fair value (loss) gain on financial instruments

The REIT recorded (losses) gains on the following:

	Three months ended March 31, 2023	2022
Interest rate swaps	$ (1,592)	$ 10,535
Other derivatives	(323)	(397)
Equity securities (note 8)	(15,020)	10,055
	$ (16,935)	$ 20,193

Note 19. Income taxes

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

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

The SIFT Rules do not apply to a REIT that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the SIFT Rules and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions throughout the three months ended March 31, 2023 and the year ended December 31, 2022.

The REIT is subject to corporate income taxes in Canada and the U.S. through its Canadian subsidiary that holds the investment in Iris and its U.S. management subsidiary.

Income tax recovery (expense) comprised of:

		Three months ended March 31, 2023		2022
Current income tax expense	$	(74)	$	(94)
Deferred income tax recovery (expense), net		3,961		(31,873)
Income tax recovery (expense)	$	3,887	$	(31,967)

The tax effects of temporary differences that give rise to the deferred tax liabilities are presented below:

		March 31, 2023		December 31, 2022
Equity accounted investment	$	5,329	$	9,323
Property and equipment		179		183
Other		56		19
Deferred tax liabilities	$	5,564	$	9,525

Note 20. Supplemental cash flow information

(a) Other items not affecting cash:

		Three months ended March 31, 2023		2022
Tenant inducements amortized to revenue	$	6,246	$	6,406
Straight-line rent adjustments		(547)		(288)
Depreciation of property and equipment		314		314
Unit-based compensation		(205)		481
Amortization of above- and below-market mortgages, net		(233)		(218)
Amortization of financing costs included in interest expense		863		727
	$	6,438	$	7,422

(b) Changes in non-cash operating items:

		Three months ended March 31, 2023		2022
Prepaid expenses and other assets	$	(2,394)	$	710
Accounts receivable and other receivables		1,151		(343)
Security deposits and prepaid rent		730		1,736
Accounts payable and other liabilities		1,763		(5,799)
	$	1,250	$	(3,696)

(c) Other supplemental cash flow information:

		Three months ended March 31, 2023		2022
Interest paid	$	28,156	$	17,599
Interest received		353		424
Income taxes (recovered) paid		(38)		192

Note 21. 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.

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 ending April 30, 2023, 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.

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 was effective May 17, 2021 and 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, 2023		2022
Space sharing licence costs	$	31	$	31
Service fees		415		120
	$	446	$	151

Amounts payable to Sandpiper were $415 as at March 31, 2023 (December 31, 2022, $446).

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. As at March 31, 2023, the REIT had a balance payable to ICE II LP of $240 (December 31, 2022, $738).

Note 22. 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. Other income (expenses), including interest expense relating to senior unsecured debentures and credit facilities, interest income from notes receivables not related to owned investment properties, distribution income from equity securities and fair value gain (loss) on financial instruments, have not been allocated to the segments. In addition, 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.

	Three months ended March 31, 2023				
	Canada	U.S.	REIT [1]	Equity accounted investment properties adjustment [2]	Total
Revenue:					
Rental revenue from investment properties	$ 43,407	$ 50,435	$ 35	$ (3,622)	$ 90,255
Expenses:					
Property operating	13,592	14,621	—	(992)	27,221
Realty taxes	7,068	8,609	—	(704)	14,973
Total operating expenses	20,660	23,230	—	(1,696)	42,194
Net operating income	22,747	27,205	35	(1,926)	48,061
Other income (expenses):					
Interest and other income	22	145	8,921	(251)	8,837
Distribution income from equity securities	—	—	4,083	—	4,083
Interest expense	(2,998)	(8,391)	(19,347)	1,004	(29,732)
Corporate expenses	—	—	(1,448)	—	(1,448)
Equity securities expenses	—	—	(205)	—	(205)
Net (loss) income from equity accounted investments	—	—	(15,304)	1,847	(13,457)
Fair value loss on investment properties	(7,062)	(19,972)	—	(674)	(27,708)
Fair value loss on financial instruments	—	—	(16,935)	—	(16,935)
Foreign currency translation gain	—	—	1,856	—	1,856
Income (loss) before income taxes	12,709	(1,013)	(38,344)	—	(26,648)
Income tax (expense) recovery	—	(106)	3,993	—	3,887
Net income (loss)	$ 12,709	$ (1,119)	$ (34,351)	$ —	$ (22,761)
Additions to investment properties, investment properties under development and investment properties held for sale	$ 6,521	$ 2,646	$ —	$ (755)	$ 8,412
Additions to tenant inducements	1,386	8,486	—	(193)	9,679
Additions to leasing commissions	437	1,338	—	(148)	1,627

	March 31, 2023				
	Canada	U.S.	REIT	Equity accounted investment properties adjustment [2]	Total
Total assets	$ 1,886,732	$ 2,086,296	$ 565,068	$ (70,590)	$ 4,467,506
Total liabilities	369,043	650,097	1,346,223	(70,590)	2,294,773

(1) Includes corporate expenses. interest relating to senior unsecured debentures and credit facilities, distribution income from equity securities, fair value gain (loss) on financial instruments and income(loss) from Iris Entities that are not allocated to the segments.

(2) 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 March 31, 2022
		Canada		U.S.		REIT [1]		Equity accounted investment properties adjustment [2]		Total
Revenue:										
Rental revenue from investment properties	$	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
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):										
Interest and other income		5		134		2,940		(1)		3,078
Distribution income from equity securities		—		—		1,006		—		1,006
Interest expense		(3,755)		(5,458)		(7,607)		763		(16,057)
Corporate expenses		—		—		(2,999)		—		(2,999)
Equity securities expenses		—		—		(191)		—		(191)
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
Fair value gain on financial instruments		—		—		20,193		—		20,193
Foreign currency translation gain		—		—		1,263		—		1,263
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
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

										December 31, 2022
		Canada		U.S.		REIT		Equity accounted investment properties adjustment [2]		Total
Total assets	$	1,897,378	$	2,098,827	$	629,546	$	(71,838)	$	4,553,913
Total liabilities		372,166		634,781		1,389,645		(71,838)		2,324,754

(1) Includes corporate expenses. interest relating to senior unsecured debentures and credit facilities, distribution income from equity securities, fair value gain (loss) on financial instruments and income from Iris Entities that are not allocated to the segments.

(2) 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 23. Contingencies and guarantees

(a) Letters of credit:

As at March 31, 2023, the REIT had issued letters of credit in the amount of $63 (December 31, 2022, $63).

(b) Contingencies:

The REIT performs an assessment of legal and tax proceedings and claims which have occurred or could occur as a result of ongoing operations. 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, 2023, the REIT has guaranteed certain debt assumed by purchasers in connection with the dispositions of two properties (December 31, 2022, 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, 2023 was $41,141 (December 31, 2022, $41,639), with an estimated weighted-average remaining term of 0.2 years (December 31, 2022, 0.4 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 24. 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, 2023, the ratio of indebtedness to gross book value was 49.1% (December 31, 2022, 48.5%), 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, 2023, the REIT is in compliance with the requirement in the Declaration of Trust.

The total managed capital for the REIT is summarized below:

	Note	March 31, 2023	December 31, 2022
Mortgages and loans payable	10	$ 879,132	$ 864,698
Senior unsecured debentures	11	449,250	449,091
Credit facilities	12	871,685	901,159
Total debt		2,200,067	2,214,948
Unitholders' equity		2,172,733	2,229,159
		$ 4,372,800	$ 4,444,107

Note 25. 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 March 31, 2023, the REIT had variable rate debt, including credit facilities, of $1,422,901 (December 31, 2022, $1,434,072). At March 31, 2023, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $195,908 of variable rate debt (December 31, 2022, $217,136).

(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 1.3559 for the three months ended March 31, 2023, and the period end exchange rate of 1.3533 at March 31, 2023, would have decreased net loss by $14,305 for the three months ended March 31, 2023. A $0.10 weakening in the US dollar against the Canadian dollar would have increased other comprehensive loss by approximately $105,938 for the three months ended March 31, 2023. 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 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 five 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.

Included in property operating expenses are expected credit losses of $3 during the three months ended March 31, 2023 (2022, $16).

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, 2023 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	$ 60,806	$ 60,806	$ —	$ —	$ —
Lease liabilities	1,159	325	331	297	206
Credit facilities	872,702	150,000	722,702	—	—
Senior unsecured debentures	450,000	250,000	200,000	—	—
Mortgages and loans payable	881,767	493,326	278,976	79,929	29,536
	$ 2,266,434	$ 954,457	$ 1,202,009	$ 80,226	$ 29,742

Note 26. Fair value measurements

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

There were no transfers of assets or liabilities between hierarchy levels during the three months ended March 31, 2023 and the year ended December 31, 2022.

		March 31, 2023		December 31, 2022	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	$ 3,033,883	$ 3,033,883	$ 3,156,206	$ 3,156,206
Investment properties under development	Level 3	243,936	243,936	191,552	191,552
Preferred investments	Level 2	122,630	116,608	114,184	113,239
Equity securities	Level 1	262,510	262,510	316,768	316,768
Notes receivable	Level 2	32,394	30,342	38,695	36,212
Investment properties held for sale	Level 3	377,904	377,904	335,813	335,813
Derivative instruments	Level 2	4,304	4,304	5,885	5,885
		4,077,561	4,069,487	4,159,103	4,155,675
Liabilities:					
Mortgages and loans payable	Level 2	879,132	859,892	864,698	842,138
Senior unsecured debentures	Level 2	449,250	442,830	449,091	436,609
Credit facilities	Level 2	871,685	872,702	901,159	901,934
Derivative instruments	Level 2	320	320	—	—
		2,200,387	2,175,744	2,214,948	2,180,681
		$ 1,877,174	$ 1,893,743	$ 1,944,155	$ 1,974,994

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. The swaps are not designated in a hedge relationship.

Note 27. Subsequent events

The following events occurred subsequent to March 31, 2023:

- The REIT disposed of a retail property located in Edmonton, Alberta for a sale price of $8,000.
- The REIT entered into unconditional sale agreements for three retail properties located in Alberta for sale prices totalling $71,550, with closings expected in May, 2023 and another unconditional sale agreement for an industrial property located in Minnesota for a sale price of $38,977 (US$28,900) with closing expected in June 2023.
- The REIT repaid a maturing mortgage for a retail property in the amount of $16,583.
- The REIT received upward financing upon renewal of two maturing mortgages in the aggregate amount of $10,002.
- The annual distribution rate for the Series I Units was reset to 6.993% for the five-year period commencing May 1, 2023. None of the Series I Units were reclassified to Series J Units and accordingly, all Series I Units remain issued and outstanding.
- The REIT repaid the non-revolving credit facility in the amount of $50,000 upon maturity on April 3, 2023.
- The REIT drew a net balance of $32,000 on its revolving term credit facilities.
- The REIT purchased through the NCIB 1,898,072 common units at a weighted-average price of $7.17, 23,000 Series E Units at a weighted-average price of $17.32 and 24,500 Series I Units at a weighted-average price of $19.97.
- The REIT sold equity securities for aggregate net proceeds of $34,824.
- The REIT declared a monthly cash distribution of $0.05 per common unit for the month of April 2023.
- The REIT declared a quarterly cash distribution of $0.3750 per Series I Unit for the three months ended April 30, 2023.

Note 28. Approval of financial statements

These interim condensed consolidated financial statements were approved by the Board of Trustees and authorized for issue on May 11, 2023.