

Interim Condensed Consolidated Financial Statements of

**ARTIS REAL ESTATE
INVESTMENT TRUST**

Three and nine months ended September 30, 2020 and 2019
(Unaudited)

(In Canadian dollars)

Interim Condensed Consolidated Balance Sheets

(Unaudited)

(In thousands of Canadian dollars)

	Note	September 30, 2020	December 31, 2019
ASSETS			
Non-current assets:			
Investment properties	4	\$ 4,415,703	\$ 4,618,719
Investment properties under development	4	129,630	102,590
Investments in joint ventures	5	176,897	186,610
Property and equipment		7,913	7,786
Notes receivable	6	17,651	93,832
Deferred rents receivable	7	1,421	—
		4,749,215	5,009,537
Current assets:			
Investment properties held for sale	4	287,506	221,915
Inventory properties		14,894	14,632
Deposits on investment properties		1,261	—
Prepaid expenses and other assets		9,757	10,533
Notes receivable	6	1,720	3,996
Accounts receivable and other receivables	7	16,951	21,013
Cash held in trust	8	91,310	5,938
Cash		35,198	42,455
		458,597	320,482
Total assets		\$ 5,207,812	\$ 5,330,019
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities:			
Mortgages and loans payable	9	\$ 907,721	\$ 1,005,196
Senior unsecured debentures	10	248,882	249,372
Credit facilities	11	775,381	886,522
Other long-term liabilities		1,902	1,000
		1,933,886	2,142,090
Current liabilities:			
Mortgages and loans payable	9	477,530	396,152
Senior unsecured debentures	10	249,781	199,959
Security deposits and prepaid rent		33,176	32,834
Accounts payable and other liabilities		106,995	88,231
		867,482	717,176
Total liabilities		2,801,368	2,859,266
Unitholders' equity		2,406,444	2,470,753
Commitments, contingencies and guarantees	20		
Subsequent events	24		
Total liabilities and unitholders' equity		\$ 5,207,812	\$ 5,330,019

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Operations

(Unaudited)

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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Revenue	14	\$ 113,328	\$ 127,005	\$ 345,907	\$ 394,480
Expenses:					
Property operating		26,269	31,054	83,705	97,189
Realty taxes		19,042	20,227	57,894	62,556
Total operating expenses		45,311	51,281	141,599	159,745
Net operating income		68,017	75,724	204,308	234,735
Other income (expenses):					
Corporate expenses		(5,294)	(4,181)	(8,770)	(12,411)
Interest expense	15	(20,235)	(27,342)	(65,859)	(82,510)
Interest income		1,302	516	4,169	1,467
Net income from investments in joint ventures	5	529	21,525	7,127	23,491
Fair value gain (loss) on investment properties	4	1,261	(19,829)	(131,891)	(62,864)
Foreign currency translation (loss) gain		(1,663)	(4,284)	(2,575)	5,864
Transaction costs		—	(80)	—	(217)
Fair value gain (loss) on derivative instruments and other transactions	16	1,979	3,056	(16,803)	(16,484)
Income (loss) before income taxes		45,896	45,105	(10,294)	91,071
Income tax expense	17	(197)	(473)	(587)	(1,211)
Net income (loss)		45,699	44,632	(10,881)	89,860
Other comprehensive (loss) income that may be reclassified to net income (loss) in subsequent periods:					
Unrealized foreign currency translation (loss) gain		(27,239)	16,306	33,286	(40,130)
Unrealized foreign currency translation (loss) gain on investments in joint ventures		(3,210)	1,300	3,800	(3,429)
Other comprehensive income that will not be reclassified to net income (loss) in subsequent periods:					
Unrealized gain from remeasurements of net pension obligation		—	—	—	671
Other comprehensive (loss) income		(30,449)	17,606	37,086	(42,888)
Total comprehensive income		\$ 15,250	\$ 62,238	\$ 26,205	\$ 46,972
Basic income (loss) per unit attributable to common unitholders	12	\$ 0.30	\$ 0.28	\$ (0.18)	\$ 0.52
Diluted income (loss) per unit attributable to common unitholders	12	0.30	0.28	(0.20)	0.52
Weighted-average number of common units outstanding:					
Basic	12	135,701,170	140,395,912	136,477,583	143,950,097
Diluted	12	136,528,698	140,395,912	137,736,642	143,950,097

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Unitholders' Equity

(Unaudited)

(In thousands of Canadian dollars)

	Common units capital contributions	Retained earnings	Accumulated other comprehensive income (loss)	Contributed surplus	Total common equity	Total preferred equity	Total
Unitholders' equity, December 31, 2018	\$ 1,959,647	\$ 143,169	\$ 246,716	\$ 11,632	\$ 2,361,164	\$ 376,881	\$ 2,738,045
Changes for the period:							
Issuance of common units, net of issue costs (note 12)	812	—	—	—	812	—	812
Redemption of preferred units (note 12)	—	—	—	(2,753)	(2,753)	(75,710)	(78,463)
Units acquired and cancelled through normal course issuer bid (note 12)	(161,976)	—	—	24,341	(137,635)	(6,206)	(143,841)
Units acquired through normal course issuer bid, not cancelled at period end (note 12)	—	—	—	9	9	(77)	(68)
Net income	—	89,860	—	—	89,860	—	89,860
Other comprehensive loss	—	—	(42,888)	—	(42,888)	—	(42,888)
Distributions	—	(71,459)	—	—	(71,459)	—	(71,459)
Unitholders' equity, September 30, 2019	1,798,483	161,570	203,828	33,229	2,197,110	294,888	2,491,998
Changes for the period:							
Issuance of common units, net of issue costs (note 12)	264	—	—	—	264	—	264
Units acquired and cancelled through normal course issuer bid (note 12)	—	—	—	44	44	(404)	(360)
Net income	—	32,877	—	—	32,877	—	32,877
Other comprehensive loss	—	—	(28,780)	—	(28,780)	—	(28,780)
Distributions	—	(25,246)	—	—	(25,246)	—	(25,246)
Unitholders' equity, December 31, 2019	1,798,747	169,201	175,048	33,273	2,176,269	294,484	2,470,753
Changes for the period:							
Issuance of common units, net of issue costs (note 12)	530	—	—	—	530	—	530
Units acquired and cancelled through normal course issuer bid (note 12)	(30,176)	—	—	12,058	(18,118)	(2,331)	(20,449)
Net loss	—	(10,881)	—	—	(10,881)	—	(10,881)
Other comprehensive income	—	—	37,086	—	37,086	—	37,086
Distributions	—	(70,595)	—	—	(70,595)	—	(70,595)
Unitholders' equity, September 30, 2020	\$ 1,769,101	\$ 87,725	\$ 212,134	\$ 45,331	\$ 2,114,291	\$ 292,153	\$ 2,406,444

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,		Nine months ended September 30,	
		2020	2019	2020	2019
Cash provided by (used in):					
Operating activities:					
Net income (loss)		\$ 45,699	\$ 44,632	\$ (10,881)	\$ 89,860
Adjustments for:					
Distributions from joint ventures		20,969	623	23,756	2,317
Net income from investments in joint ventures	5	(529)	(21,525)	(7,127)	(23,491)
Fair value (gain) loss on investment properties		(1,261)	19,829	131,891	62,864
Fair value (gain) loss on derivative instruments and other transactions	16	(1,979)	(3,056)	16,803	16,484
Unrealized foreign currency translation loss (gain)		1,377	4,128	3,061	(6,062)
Other items not affecting cash	18	7,395	6,747	16,982	20,082
Changes in non-cash operating items	18	10,495	(1,105)	4,139	(4,675)
		82,166	50,273	178,624	157,379
Investing activities:					
Acquisitions of investment properties, net of related debt	3	—	(3,800)	—	(8,940)
Proceeds from dispositions of investment properties, net of costs and related debt	3	213	57,666	82,081	185,154
Proceeds from disposition of note receivable	6	—	—	8,372	—
Additions to investment properties		(6,697)	(11,251)	(20,332)	(30,226)
Additions to investment properties under development		(17,534)	(19,814)	(51,738)	(71,025)
Additions to tenant inducements and leasing commissions		(12,095)	(14,232)	(41,615)	(45,901)
Additions to joint ventures	5	(299)	(2,785)	(587)	(16,052)
Additions to property and equipment		—	(238)	(13)	(1,716)
Issuances of notes receivable		(9)	(361)	(30)	(7,949)
Notes receivable principal repayments		79,343	4,835	80,342	8,806
Change in deposits on investment properties		33	(1,089)	(1,271)	(1,057)
Change in cash held in trust		(82,146)	(4,098)	(85,306)	(1,666)
		(39,191)	4,833	(30,097)	9,428
Financing activities:					
Repayment of mortgages and loans payable		(9,398)	(21,866)	(48,552)	(60,208)
Advance of mortgages and loans payable, net of financing costs		(382)	(32)	48,755	42
Issuance of senior unsecured debentures, net of financing costs	9	248,869	—	248,869	248,946
Repayment of senior unsecured debentures	9	—	—	(200,000)	(200,000)
Advance of revolving credit facilities		12,500	146,302	91,500	492,109
Repayment of revolving credit facilities, including financing costs		(265,000)	(73,029)	(407,721)	(357,633)
Advance of non-revolving credit facilities, net of financing costs		—	—	199,644	—
Repayment of lease liabilities		(51)	(24)	(157)	(57)
Purchase of common units under normal course issuer bid	12	—	(37,747)	(18,868)	(138,403)
Purchase of preferred units under normal course issuer bid	12	—	(1,778)	(1,581)	(5,506)
Redemption of preferred units	12	—	(78,463)	—	(78,463)
Distributions paid on common units		(18,283)	(18,959)	(55,556)	(56,471)
Distributions paid on preferred units		(4,350)	(5,371)	(13,079)	(16,205)
		(36,095)	(90,967)	(156,746)	(171,849)
Foreign exchange (loss) gain on cash held in foreign currency		(439)	795	962	(1,570)
Increase (decrease) in cash		6,441	(35,066)	(7,257)	(6,612)
Cash, beginning of period		28,757	94,597	42,455	66,143
Cash, end of period		\$ 35,198	\$ 59,531	\$ 35,198	\$ 59,531

See accompanying notes to interim condensed consolidated financial statements.

Notes to Interim Condensed Consolidated Financial Statements

Three and nine months ended September 30, 2020 and 2019 (Unaudited)

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

Note 1. Organization

Artis Real Estate Investment Trust (the "REIT") is an unincorporated closed-end real estate investment trust created under, and governed by, the laws of the Province of Manitoba. The REIT was created pursuant to the Declaration of Trust dated November 8, 2004, as most recently amended and restated on April 15, 2020 (the "Declaration of Trust"). The purpose of the REIT is to directly, or indirectly, own, manage, lease and (where appropriate) develop primarily industrial, office and retail properties in Canada and the United States (the "U.S."). The registered office of the REIT is 600 - 220 Portage Avenue, Winnipeg, Manitoba, R3C 0A5.

The Declaration of Trust provides that the REIT may make cash distributions to unitholders of the REIT. The amount distributed annually (currently \$0.54 per common unit, \$1.4155 per Series A Unit, \$1.3680 per Series E Unit and \$1.50 per Series I Unit) is set by the Board of Trustees.

On September 8, 2020, the REIT announced that the Board of Trustees has approved a plan to spin-off substantially all of its Canadian retail properties into a newly formed retail real estate investment trust ("Artis Retail REIT").

Note 2. Significant accounting policies

(a) Basis of presentation and measurement:

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

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2019, except for those policies and standards adopted as described in note 2 (c). These interim condensed consolidated financial statements have been prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated.

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

(b) Use of estimates and judgments:

The preparation of the interim condensed consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The critical accounting estimates and judgments have been set out in note 2 to the REIT's consolidated financial statements for the year ended December 31, 2019. For the nine months ended September 30, 2020, the REIT has identified no related party transaction requiring disclosures in the interim consolidated financial statements. There have been no changes to the critical accounting estimates and judgments during the nine months ended September 30, 2020.

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

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

Note 3. Acquisitions and dispositions of investment properties

Acquisitions:

The REIT did not acquire any properties during the nine months ended September 30, 2020.

On May 15, 2019, the REIT acquired an additional 15% interest in the Centre 70 Building, an office property located in Calgary, Alberta for total consideration of \$3,023. Prior to the acquisition date, the REIT owned 85% of this investment property as a joint operation and recorded its proportionate share of the assets, liabilities, revenues, expenses and cash flows in its consolidated financial statements. As a result of this acquisition, the REIT owns 100% of the property and accounts for it on a 100% consolidated basis. The REIT accounted for this acquisition as a step acquisition and recorded a bargain purchase gain of \$1,106.

On May 16, 2019, the REIT acquired an additional 5% interest in Park 8Ninety I, an industrial property located in the Greater Houston Area, Texas for total consideration of \$6,261. Prior to the acquisition date, the REIT owned 95% of this investment property and the property was classified as 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 step acquisition and remeasured its existing 95% interests to fair value at the acquisition date.

On August 8, 2019, the REIT acquired a surface parking lot that is ancillary to an existing office property in Winnipeg, Manitoba.

These acquisitions 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 joint ventures, were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Investment properties	\$ —	\$ 3,800	\$ —	\$ 11,443
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	—	—	—	(1,326)
Other net liabilities	—	—	—	(71)
	—	3,800	—	10,046
Consideration was comprised of the following:				
Cash consideration	—	3,800	—	8,940
Bargain purchase gain	—	—	—	1,106
Total consideration	\$ —	\$ 3,800	\$ —	\$ 10,046
Transaction costs expensed	\$ —	\$ 80	\$ —	\$ 217

Dispositions:

The REIT disposed of the following properties during the nine months ended September 30, 2020:

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

(1) Disposition includes a parcel of development land.

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

The cash proceeds from the sale of the above properties, net of costs and related debt, were \$82,081. In conjunction with the sale of 800 5th Avenue, the REIT also received a note receivable in the amount of \$10,000, which is secured by the property (note 6). The assets and liabilities associated with the properties were derecognized.

The REIT disposed of the following properties during the nine months ended September 30, 2019:

Property	Property count	Location	Disposition date	Asset class
169 Inverness Drive West I & II ⁽¹⁾	1	Greater Denver Area, CO	April 9, 2019	Office
Reenders Square	1	Winnipeg, MB	May 21, 2019	Retail
Britannia Building	1	Calgary, AB	May 22, 2019	Office
Nanaimo Portfolio	4	Nanaimo, BC	June 17, 2019	Office & Retail
1700 Broadway	1	Greater Denver Area, CO	June 27, 2019	Office
GSA Professional Office Building	1	Greater Phoenix Area, AZ	July 26, 2019	Office
415 Yonge Street	1	Greater Toronto Area, ON	September 27, 2019	Office

(1) Disposition includes a parcel of development land.

The cash proceeds from the sale of the above properties, net of costs and related debt, were \$185,154. In conjunction with the sale of 415 Yonge Street, the REIT also received a note receivable in the amount of \$79,000, which was secured by the property and repaid on September 30, 2020 (note 6). 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, 2020		
	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of period	\$ 4,618,719	\$ 102,590	\$ 221,915
Additions:			
Capital expenditures	20,223	49,609	109
Capitalized interest ⁽¹⁾	—	2,096	34
Leasing commissions	8,214	136	71
Straight-line rent adjustments	3,265	—	123
Tenant inducement additions, net of amortization	13,788	1,206	(230)
Contribution to investments in joint ventures ⁽²⁾	—	(2,529)	—
Dispositions	(213)	(135)	(130,833)
Foreign currency translation gain (loss)	56,734	391	(553)
Fair value loss	(100,740)	(3,265)	(27,886)
Reclassification of investment properties under development	18,914	(18,914)	—
Reclassification of investment properties held for sale	(223,201)	(1,555)	224,756
Balance, end of period	\$ 4,415,703	\$ 129,630	\$ 287,506

(1) During the nine months ended September 30, 2020, interest was capitalized to investment properties under development at a weighted-average effective interest rate of 2.70%.

(2) On January 24, 2020, the REIT contributed land under development to Park 8Ninety IV, a joint venture arrangement.

Year ended
December 31, 2019

	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of year	\$ 4,941,825	\$ 119,604	\$ 320,465
Additions:			
Acquisitions	71,635	—	—
Reclassification from investments in joint ventures ⁽¹⁾	66,765	—	—
Capital expenditures	42,116	82,994	3,650
Capitalized interest ⁽²⁾	—	3,740	—
Leasing commissions	14,415	1,168	1,158
Straight-line rent adjustments	5,446	—	631
Tenant inducement additions, net of amortization	16,133	2,762	1,532
Dispositions	(162,475)	—	(385,289)
Foreign currency translation loss	(106,548)	(1,964)	(1,812)
Fair value gain (loss)	19,400	2,601	(116,728)
Reclassification of investment properties under development	95,827	(95,827)	—
Reclassification of investment properties held for sale	(385,820)	(12,488)	398,308
Balance, end of year	\$ 4,618,719	\$ 102,590	\$ 221,915

(1) On May 16, 2019, the REIT increased its ownership interest in Park 8Ninety I to 100%. See note 3 for further information.

(2) During the year ended December 31, 2019, interest was capitalized to investment properties under development at a weighted-average effective interest rate of 3.81%.

During the nine months ended September 30, 2020, the REIT reclassified one retail property and one retail densification project from investment properties under development to investment properties.

The REIT had one industrial property, five office properties, four retail properties and one parcel of development land classified as investment properties held for sale that were listed with external brokers or under unconditional sale agreements at September 30, 2020 (December 31, 2019, seven office properties, one retail property and one parcel of development land). The properties held for sale had an aggregate mortgage payable balance of \$88,153 at September 30, 2020 (December 31, 2019, \$66,587). This balance is not accounted for as held for sale but is included in current liabilities as the REIT intends to repay or have the purchaser assume the mortgages upon disposition of the related investment properties.

Investment properties include right-of-use assets held under a lease with an aggregate fair value of \$13,797 at September 30, 2020 (December 31, 2019, \$13,997). The lease payments required under this lease were fully paid at the time of acquisition of the property.

At September 30, 2020, investment properties with a fair value of \$2,917,875 (December 31, 2019, \$3,031,195) were pledged as security under mortgage agreements.

The REIT obtains external valuations for a selection of properties representing various geographical regions and asset classes across its portfolio. For the three and nine months ended September 30, 2020, properties (including the REIT's ownership interest in properties held in joint venture arrangements) with an appraised value of \$302,787 and \$700,102, respectively (three and nine months ended September 30, 2019, \$151,154 and \$473,641, respectively), 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, 2020 and year ended December 31, 2019.

A change in the discount or capitalization rates used could have a material impact on the fair value of the REIT's investment properties. When discount or capitalization rates compress, the estimated fair values of investment properties increase. When discount or capitalization rates expand, the estimated fair values of investment properties decrease.

A change in estimated future rental income and expenses could have a material impact on the fair value of the REIT's investment properties. Estimated rental income and expenses are affected by, but not limited to, changes in rent and expense growth and occupancy rates.

Emergency measures enacted by governments in response to the COVID-19 pandemic, including travel restrictions, physical distancing and the temporary closure of non-essential businesses, have created significant estimation uncertainty in the determination of the fair value of investment properties as at September 30, 2020. The REIT has made assumptions with respect to the duration and severity of these emergency measures as well as the duration of the subsequent economic recovery in estimating the amount and timing of future cash flows generated from investment properties and used in the determination of fair value. As a result of this significant estimation uncertainty there is a risk that the assumptions used to determine fair values as at September 30, 2020 may change as more information becomes available, resulting in a material adjustment to the fair value of investment properties in future reporting periods.

Under the fair value hierarchy, the fair value of the REIT's investment properties is considered a Level 3, as described in note 23.

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

	September 30, 2020			December 31, 2019		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Canada:						
Discount rate	9.75 %	5.00 %	7.24 %	9.50%	5.00%	7.38%
Terminal capitalization rate	9.00 %	3.75 %	6.23 %	9.00%	3.75%	6.34%
Capitalization rate	9.25 %	3.75 %	6.11 %	9.00%	3.75%	6.23%
Investment horizon (years)	12.0	10.0	10.4	11.0	10.0	10.3
U.S.:						
Discount rate	9.50 %	6.25 %	7.82 %	9.00%	6.25%	7.86%
Terminal capitalization rate	8.50 %	5.25 %	6.83 %	8.00%	5.25%	6.86%
Capitalization rate	8.00 %	5.00 %	6.68 %	8.00%	5.00%	6.73%
Investment horizon (years)	12.0	10.0	10.4	12.0	10.0	10.4
Total portfolio:						
Discount rate	9.75 %	5.00 %	7.47 %	9.50%	5.00%	7.55%
Terminal capitalization rate	9.00 %	3.75 %	6.46 %	9.00%	3.75%	6.53%
Capitalization rate	9.25 %	3.75 %	6.33 %	9.00%	3.75%	6.41%
Investment horizon (years)	12.0	10.0	10.4	12.0	10.0	10.3

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

Note 5. Joint arrangements

The REIT has interests in the following joint arrangements:

Property	Principal purpose	Type of arrangement	Ownership interest	
			September 30, 2020	December 31, 2019
Park 8Ninety II	Investment property	Joint venture	95 %	95 %
Park 8Ninety IV	Investment property	Joint venture	95 %	95 %
Corridor Park	Investment property	Joint venture	90 %	90 %
Millwright Building	Investment property	Joint venture	80 %	80 %
Tower Business Center	Investment property	Joint venture	80 %	80 %
Graham Portfolio	Investment property	Joint venture	75 %	75 %
The Point at Inverness	Investment property	Joint venture	50 %	50 %
Cliveden Building	Investment property	Joint operation	50 %	50 %
Kincaid Building	Investment property	Joint operation	50 %	50 %

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

During the nine months ended September 30, 2020, the REIT contributed \$587 to Tower Business Center, Park 8Ninety II, Park 8Ninety IV and Millwright Building joint venture arrangements. In addition, the REIT contributed land under development of \$2,529 to the Park 8Ninety IV joint venture arrangement.

During the nine months ended September 30, 2020, the Millwright Building joint venture disposed of its investment property and the REIT's share of the proceeds, net of costs and related debt, was \$21,415.

The REIT is contingently liable for the obligations of certain joint arrangements. As at September 30, 2020, the co-owners' share of mortgage liabilities was \$35,307 (December 31, 2019, \$40,816). Management believes that the assets available from its joint arrangements are sufficient for the purpose of satisfying such obligations.

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

	September 30, 2020	December 31, 2019		
Non-current assets:				
Investment properties	\$ 288,723	\$ 306,051		
Current assets:				
Prepaid expenses and other assets	131	86		
Accounts receivable and other receivables	959	1,281		
Cash	12,569	9,207		
Total assets	302,382	316,625		
Non-current liabilities:				
Mortgages and loans payable	73,866	93,977		
Current liabilities:				
Mortgages and loans payable	38,478	27,598		
Security deposits and prepaid rent	2,791	3,483		
Accounts payable and other liabilities	10,350	4,957		
Total liabilities	125,485	130,015		
Investments in joint ventures	\$ 176,897	\$ 186,610		
	Three months ended September 30, 2020	September 30, 2019	Nine months ended September 30, 2020	September 30, 2019
Revenue	\$ 5,416	\$ 3,803	\$ 16,295	\$ 13,160
Expenses:				
Property operating	1,035	1,058	3,773	3,561
Realty taxes	1,376	762	3,730	2,800
Total operating expenses	2,411	1,820	7,503	6,361
Net operating income	3,005	1,983	8,792	6,799
Other income (expenses):				
Interest expense	(1,076)	(1,096)	(3,626)	(3,266)
Interest income	1	2	5	5
Fair value (loss) gain on investment properties	(1,401)	20,636	1,956	19,953
Net income from investments in joint ventures	\$ 529	\$ 21,525	\$ 7,127	\$ 23,491

Note 6. Notes receivable

	September 30, 2020	December 31, 2019
Note receivable, maturing in July 2022, bearing interest at 5.05% per annum, interest-only monthly payment until maturity, secured by an office property. ⁽¹⁾	\$ —	\$ 79,000
Note receivable, maturing in January 2024, bearing interest at 5.00% per annum, interest-only monthly payment until maturity, secured by an office property.	10,000	—
Note receivable from tenant maturing in May 2023, bearing interest at 5.89% per annum, repayable in varying blended monthly installments. ⁽²⁾	—	8,554
Note receivable from tenant, maturing in November 2031, bearing interest at 8.50% per annum, repayable in blended monthly installments of US\$50.	5,788	5,856
Other notes receivable	3,583	4,418
	19,371	97,828
Current portion	1,720	3,996
Non-current portion	\$ 17,651	\$ 93,832

(1) This note receivable was repaid on September 30, 2020. The proceeds were held in trust at September 30, 2020 and released to the REIT on October 1, 2020.

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

Note 7. Accounts receivable and other receivables

	September 30, 2020	December 31, 2019
Rents receivable	\$ 7,838	\$ 8,108
Deferred rents receivable	5,520	—
Allowance for doubtful accounts	(2,173)	(406)
Accrued recovery income	2,208	5,352
Other receivables	4,979	7,959
	18,372	21,013
Non-current portion of deferred rents receivable (net of related allowance for doubtful accounts of \$304)	1,421	—
Current portion	\$ 16,951	\$ 21,013

As a result of the COVID-19 pandemic and the related emergency measures enacted by governments, a number of tenants have had to limit operations or close their businesses temporarily, with the retail tenants most significantly impacted. The deferred rents receivable represent rents deferred for certain qualifying tenants with 83% of the repayment terms ending on or before December 31, 2021. Refer to note 22 for further discussion on credit risk and allowance for doubtful accounts.

Note 8. Cash held in trust

As at September 30, 2020, cash held in trust includes proceeds from the repayment of a note receivable (note 6), including accrued interest, in the amount of \$79,328.

Note 9. Mortgages and loans payable

	September 30, 2020	December 31, 2019
Mortgages and loans payable	\$ 1,387,496	\$ 1,403,401
Net above- and below-market mortgage adjustments	2,696	3,170
Financing costs	(4,941)	(5,223)
	1,385,251	1,401,348
Current portion	477,530	396,152
Non-current portion	\$ 907,721	\$ 1,005,196

Certain of the REIT's investment properties have been pledged as security under mortgages and other security agreements. As at September 30, 2020, 32.6% of the REIT's mortgages and loans payable bear interest at fixed rates (December 31, 2019, 32.1%), and a further 29.8% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place (December 31, 2019, 27.1%). The weighted-average effective rate on all mortgages and loans payable was 3.19% and the weighted-average nominal rate was 2.99% at September 30, 2020 (December 31, 2019, 3.94% and 3.77%, respectively). Maturity dates range from October 1, 2020 to June 1, 2031.

The REIT's mortgage providers have various financial covenants. The REIT monitors these covenants, which are primarily debt service coverage ratios. 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 10. Senior unsecured debentures

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

On February 22, 2019, the REIT issued 3.674% Series C senior unsecured debentures for gross proceeds of \$250,000. Interest is payable semi-annually on February 22 and August 22 in each year. These debentures are not redeemable by the REIT prior to maturity and rank equally with all other indebtedness of the REIT.

The REIT repaid the outstanding face value of the Series B senior unsecured debentures in the amount of \$200,000 upon maturity on February 7, 2020 and repaid the outstanding face value of the 3.753% Series A senior unsecured debentures in the amount of \$200,000 upon maturity on March 27, 2019.

Interest expense on the senior unsecured debentures is determined by applying the effective interest rate to the outstanding liability balance. The difference between actual cash interest payments and interest expense is an accretion to the liability.

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

Senior unsecured debenture issue	Issue date	Maturity date	Applicable interest rate
Series C	February 22, 2019	February 22, 2021	3.674 %
Series D	September 18, 2020	September 18, 2023	3.824 %

	Face value	Unamortized financing costs	Carrying value	Current portion	Non-current portion
Series C	\$ 250,000	\$ (219)	\$ 249,781	\$ 249,781	\$ —
Series D	250,000	(1,118)	248,882	—	248,882
September 30, 2020	\$ 500,000	\$ (1,337)	\$ 498,663	\$ 249,781	\$ 248,882
December 31, 2019	450,000	(669)	449,331	199,959	249,372

During the three and nine months ended September 30, 2020, financing cost amortization of \$151 and \$463 (2019, accretion to the liability of \$nil and \$51 and financing cost amortization of \$222 and \$667) were recorded.

In accordance with the Series C and Series D senior unsecured debenture supplemental indentures, the REIT must maintain various financial covenants. As at September 30, 2020, the REIT was in compliance with these requirements.

Note 11. Credit facilities

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

On February 6, 2020, the REIT entered into a two-year unsecured non-revolving term credit facility agreement in the amount of \$200,000. In 2017, the REIT entered into two five-year unsecured non-revolving term credit facility agreements in the aggregate amount of \$300,000. All non-revolving credit facilities can be utilized for general corporate and working capital purposes, property acquisitions and development financing.

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

	September 30, 2020			December 31, 2019		
	Borrowing capacity	Amounts drawn	Available to be drawn	Amounts drawn	Available to be drawn	Applicable interest rates ⁽¹⁾
Revolving facilities maturing December 14, 2021	\$ 400,000	\$ 185,739	\$ 214,261	\$ 341,117	\$ 58,883	BA rate plus 1.70% or prime plus 0.70% or LIBOR plus 1.70% or U.S. base rate plus 0.70%
Revolving facility maturing April 29, 2023	300,000	91,000	209,000	246,994	53,006	BA rate plus 1.70% or prime plus 0.70% or LIBOR plus 1.70% or U.S. base rate plus 0.70%
Non-revolving facility maturing February 4, 2022	200,000	200,000	—	—	—	2.22%
Non-revolving facility maturing July 6, 2022	150,000	150,000	—	150,000	—	3.57 %
Non-revolving facility maturing July 18, 2022	150,000	150,000	—	150,000	—	3.50 %
Financing costs		(1,358)		(1,589)		
Total credit facilities	\$1,200,000	\$ 775,381	\$ 423,261	\$ 886,522	\$ 111,889	

(1) The REIT has entered into interest rate swaps on the non-revolving credit facilities.

For purposes of the credit facilities, the REIT must maintain various financial covenants. As at September 30, 2020, the REIT was in compliance with these requirements.

Note 12. Unitholders' equity

(a) Common units:

(i) Authorized:

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

(ii) Issued and outstanding:

	Number of units	Amount
Balance at December 31, 2018	150,282,829	\$ 1,959,647
Restricted units redeemed	51,981	606
Deferred units redeemed	39,546	470
Units acquired and cancelled through normal course issuer bid	(12,417,833)	(161,976)
Balance at December 31, 2019	137,956,523	1,798,747
Restricted units redeemed	37,990	336
Deferred units redeemed	21,218	194
Units acquired and cancelled through normal course issuer bid	(2,314,410)	(30,176)
Balance at September 30, 2020	135,701,321	\$ 1,769,101

(b) Preferred units:

In accordance with the Declaration of Trust, the REIT may issue an unlimited number of preferred units. Particulars of the REIT's outstanding preferred units are as follows:

	Series A	Series E	Series G	Series I	Total
Number of units outstanding at December 31, 2018	3,445,400	3,996,200	3,196,200	5,000,000	15,637,800
Units acquired and cancelled through normal course issuer bid	(58,100)	(162,300)	(57,700)	—	(278,100)
Preferred units redeemed	—	—	(3,138,500)	—	(3,138,500)
Number of units outstanding at December 31, 2019	3,387,300	3,833,900	—	5,000,000	12,221,200
Units acquired and cancelled through normal course issuer bid	(26,100)	(36,170)	—	(34,460)	(96,730)
Number of units outstanding at September 30, 2020	3,361,200	3,797,730	—	4,965,540	12,124,470

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

	Series A	Series E	Series G	Series I	Total
Annual distribution rate	5.662 %	5.472 %	5.000 %	6.000 %	
Distribution rate reset date	September 30, 2022	September 30, 2023	—	April 30, 2023	
Carrying value at December 31, 2018	\$ 82,034	\$ 96,445	\$ 77,098	\$ 121,304	\$ 376,881
Units acquired and cancelled through normal course issuer bid	(1,383)	(3,916)	(1,388)	—	(6,687)
Preferred units redeemed	—	—	(75,710)	—	(75,710)
Carrying value at December 31, 2019	80,651	92,529	—	121,304	294,484
Units acquired and cancelled through normal course issuer bid	(621)	(874)	—	(836)	(2,331)
Carrying value at September 30, 2020	\$ 80,030	\$ 91,655	\$ —	\$ 120,468	\$ 292,153
Face value at September 30, 2020	\$ 84,030	\$ 94,943	\$ —	\$ 124,139	\$ 303,112
Face value at December 31, 2019	84,683	95,847	—	125,000	305,530

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

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

(c) Normal course issuer bid:

On December 13, 2019, the REIT announced that the Toronto Stock Exchange ("TSX") approved the renewal of its normal course issuer bid ("NCIB"). Under the renewed bid, the REIT has the ability to purchase for cancellation up to a maximum of 10% of the REIT's public float of common units and preferred units as at December 5, 2019 as follows:

	Public float	10% of public float
Common units	119,019,978	11,901,997
Preferred unit series:		
Series A	3,387,300	338,730
Series E	3,835,700	383,570
Series I	4,900,000	490,000

Purchases will be made at market prices through the facilities of the TSX and all common units and preferred units acquired by the REIT under this bid will be cancelled. This bid will remain in effect until the earlier of December 16, 2020, or the date on which the REIT has purchased the maximum number of units permitted under the bid. During the nine months ended September 30, 2020, the REIT acquired 2,314,410 common units at market prices aggregating \$18,868, resulting in contributed surplus of \$11,308, which was the excess of stated capital over redemption proceeds. During the nine months ended September 30, 2020, the REIT also acquired 26,100, 36,170 and 34,460 Series A, E and I Units, respectively, at market prices aggregating \$1,581, resulting in contributed surplus of \$750, which was the excess of stated capital over redemption proceeds.

During the year ended December 31, 2019, the REIT acquired 12,417,833 common units at market prices aggregating \$138,403, resulting in contributed surplus of \$23,573, which was the excess of stated capital over redemption proceeds. During the year ended December 31, 2019, the REIT also acquired 58,100, 162,300 and 57,700 Series A, E and G Units, respectively, at market prices aggregating \$5,866, resulting in contributed surplus of \$821, which was the excess of stated capital over redemption proceeds.

(d) Weighted-average common units:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net income (loss)	\$ 45,699	\$ 44,632	\$ (10,881)	\$ 89,860
Adjustment for distributions to preferred unitholders (note 13)	(4,350)	(4,713)	(13,073)	(15,552)
Net income (loss) attributable to common unitholders	41,349	39,919	(23,954)	74,308
Adjustment for restricted units	(84)	—	(1,782)	—
Adjustment for deferred units	—	—	(1,927)	—
Diluted net income (loss) attributable to common unitholders	\$ 41,265	\$ 39,919	\$ (27,663)	\$ 74,308

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

Basic common units	135,701,170	140,395,912	136,477,583	143,950,097
Effect of dilutive securities:				
Restricted units	827,528	—	751,032	—
Deferred units	—	—	508,027	—
Diluted common units	136,528,698	140,395,912	137,736,642	143,950,097
Net income (loss) per unit attributable to common unitholders:				
Basic	\$ 0.30	\$ 0.28	\$ (0.18)	\$ 0.52
Diluted	0.30	0.28	(0.20)	0.52

The computation of diluted net income (loss) per unit attributable to common unitholders includes restricted units and deferred units when these instruments are dilutive. For the three months ended September 30, 2020, deferred units were anti-dilutive for a total of 525,814 units. For the nine months ended September 30, 2020, there were no anti-dilutive units. For the three and nine months ended September 30, 2019, restricted units and deferred units were anti-dilutive, for an aggregate total of 1,134,020 units and 766,505 units, respectively.

Note 13. Distributions to unitholders

Total distributions declared to unitholders were as follows:

	Three months ended September 30, 2020		Three months ended September 30, 2019	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	\$ 18,320	\$ 0.14	\$ 18,821	\$ 0.14
Preferred unitholders - Series A	1,189	0.35	1,198	0.35
Preferred unitholders - Series E	1,299	0.34	1,317	0.34
Preferred unitholders - Series G	—	—	323	0.10
Preferred unitholders - Series I	1,862	0.38	1,875	0.38

	Nine months ended September 30, 2020		Nine months ended September 30, 2019	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	\$ 55,254	\$ 0.41	\$ 57,774	\$ 0.41
Preferred unitholders - Series A	3,574	1.06	3,607	1.06
Preferred unitholders - Series E	3,904	1.03	4,019	1.03
Preferred unitholders - Series G	—	—	2,301	0.73
Preferred unitholders - Series I	5,595	1.13	5,625	1.13

Note 14. Revenue

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Base rent	\$ 73,024	\$ 80,193	\$ 223,574	\$ 245,926
Operating cost and realty tax recoveries	42,249	46,591	126,851	144,738
Parking and other revenue	2,962	4,422	9,926	15,506
Tenant inducements amortized to revenue	(6,390)	(5,835)	(18,430)	(17,131)
Straight-line rent adjustments	1,095	1,574	3,388	4,498
Lease termination income	388	60	598	943
	\$ 113,328	\$ 127,005	\$ 345,907	\$ 394,480

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

Note 15. Interest expense

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Interest on mortgages and loans payable	\$ 10,755	\$ 15,270	\$ 35,328	\$ 48,362
Interest on senior unsecured debentures	2,646	4,009	7,923	12,376
Interest on credit facilities	6,090	7,292	20,399	19,175
Net amortization of above- and below-market mortgages fair value adjustments	(187)	(185)	(569)	(249)
Amortization of financing costs	931	956	2,778	2,897
Accretion on liability component of debentures	—	—	—	(51)
	\$ 20,235	\$ 27,342	\$ 65,859	\$ 82,510

Note 16. Fair value gain (loss) on derivative instruments and other transactions

The REIT recorded gains (losses) on the following:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Interest rate swaps	\$ 404	\$ (190)	\$ (20,951)	\$ (15,429)
Foreign currency contracts	1,575	3,246	4,585	(2,546)
Other derivatives	—	—	(437)	385
Bargain purchase gain ⁽¹⁾	—	—	—	1,106
	\$ 1,979	\$ 3,056	\$ (16,803)	\$ (16,484)

(1) The REIT realized a bargain purchase gain related to the step acquisition of the Centre 70 Building during the nine months ended September 30, 2019. See note 3 for further information.

Note 17. Income taxes

(a) Canadian taxes:

The REIT currently qualifies as a mutual fund trust and a real estate investment trust ("REIT") for Canadian income tax purposes. Under current tax legislation, income distributed annually by the REIT to unitholders is a deduction in the calculation of its taxable income. As the REIT intends to distribute all of its taxable income to its unitholders, the REIT does not record a provision for current Canadian income taxes.

(b) U.S. taxes:

The REIT's U.S. properties are owned by subsidiaries that are REITs for U.S. income tax purposes. These subsidiaries intend to distribute all of their U.S. taxable income to Canada and are entitled to deduct such distributions for U.S. income tax purposes. As a result, the REIT does not record a provision for current federal U.S. income taxes on the taxable income earned by these subsidiaries. These U.S. subsidiaries are subject to certain state taxes and a 30% to 35% withholding tax on distributions to Canada. Any withholding taxes paid are recorded with the related distributions.

The REIT is subject to federal and state taxation in the U.S. on the taxable income earned by its U.S. management subsidiary.

Note 18. Supplemental cash flow information

(a) Other items not affecting cash:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Tenant inducements amortized to revenue	\$ 6,390	\$ 5,835	\$ 18,430	\$ 17,131
Straight-line rent adjustments	(1,095)	(1,574)	(3,388)	(4,498)
Depreciation of property and equipment	344	271	1,025	829
Unit-based compensation	1,012	1,428	(1,294)	3,135
Other long-term employee benefits	—	16	—	888
Amortization of above- and below-market mortgages, net	(187)	(185)	(569)	(249)
Amortization of financing costs included in interest expense	931	956	2,778	2,897
Accretion on liability component of debentures	—	—	—	(51)
	\$ 7,395	\$ 6,747	\$ 16,982	\$ 20,082

(b) Changes in non-cash operating items:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Inventory properties	\$ (125)	\$ (909)	\$ (262)	\$ (2,516)
Prepaid expenses and other assets	(1,028)	(1,941)	1,349	(847)
Accounts receivable and other receivables	1,678	3,567	2,755	2,139
Security deposits and prepaid rent	(1,204)	(1,594)	(12)	264
Accounts payable and other liabilities	11,174	(228)	309	(3,715)
	\$ 10,495	\$ (1,105)	\$ 4,139	\$ (4,675)

(c) Other supplemental cash flow information:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Interest paid	\$ 22,571	\$ 30,820	\$ 71,342	\$ 88,332
Interest received	1,303	518	4,176	1,473
Income taxes paid (received)	380	(10)	916	731

Note 19. Segmented information

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

Three months ended September 30, 2020

	Canada	U.S.	REIT	Joint ventures adjustment	Total
Revenue	\$ 60,343	\$ 58,232	\$ 169	\$ (5,416)	\$ 113,328
Expenses:					
Property operating	14,602	12,702	—	(1,035)	26,269
Realty taxes	9,993	10,425	—	(1,376)	19,042
	24,595	23,127	—	(2,411)	45,311
Net operating income	35,748	35,105	169	(3,005)	68,017
Other income (expenses):					
Corporate expenses	—	—	(5,294)	—	(5,294)
Interest expense	(4,547)	(7,544)	(9,220)	1,076	(20,235)
Interest income	2	160	1,141	(1)	1,302
Net income from investments in joint ventures	—	—	—	529	529
Fair value gain (loss) on investment properties	2,254	(2,394)	—	1,401	1,261
Foreign currency translation loss	—	—	(1,663)	—	(1,663)
Fair value gain on derivative instruments and other transactions	—	—	1,979	—	1,979
Income (loss) before income taxes	33,457	25,327	(12,888)	—	45,896
Income tax expense	—	(197)	—	—	(197)
Net income (loss)	\$ 33,457	\$ 25,130	\$ (12,888)	\$ —	\$ 45,699
Additions to investment properties, investment properties under development and investment properties held for sale	\$ 20,500	\$ 9,565	\$ —	\$ (6,451)	\$ 23,614
Additions to tenant inducements	4,068	5,456	—	(595)	8,929
Additions to leasing commissions	475	3,094	—	(403)	3,166

Three months ended September 30, 2019

	Canada	U.S.	REIT	Joint ventures adjustment	Total
Revenue	\$ 70,680	\$ 59,980	\$ 148	\$ (3,803)	\$ 127,005
Expenses:					
Property operating	17,286	14,826	—	(1,058)	31,054
Realty taxes	10,893	10,096	—	(762)	20,227
	28,179	24,922	—	(1,820)	51,281
Net operating income	42,501	35,058	148	(1,983)	75,724
Other income (expenses):					
Corporate expenses	—	—	(4,181)	—	(4,181)
Interest expense	(6,280)	(10,373)	(11,785)	1,096	(27,342)
Interest income	188	160	170	(2)	516
Net income from investments in joint ventures	—	—	—	21,525	21,525
Fair value gain (loss) on investment properties	14,284	(13,477)	—	(20,636)	(19,829)
Foreign currency translation loss	—	—	(4,284)	—	(4,284)
Transaction costs	(87)	7	—	—	(80)
Fair value gain on derivative instruments and other transactions	—	—	3,056	—	3,056
Income (loss) before income taxes	50,606	11,375	(16,876)	—	45,105
Income tax expense	—	(473)	—	—	(473)
Net income (loss)	\$ 50,606	\$ 10,902	\$ (16,876)	\$ —	\$ 44,632
Acquisitions of investment properties	\$ 3,800	\$ —	\$ —	\$ —	\$ 3,800
Additions to investment properties, investment properties under development and investment properties held for sale	22,363	11,986	—	(3,976)	30,373
Additions to tenant inducements	5,677	5,747	—	(1,684)	9,740
Additions to leasing commissions	1,252	4,292	—	(1,052)	4,492

Nine months ended September 30, 2020

	Canada	U.S.	REIT	Joint ventures adjustment	Total
Revenue	\$ 183,367	\$ 178,574	\$ 261	\$ (16,295)	\$ 345,907
Expenses:					
Property operating	47,734	39,744	—	(3,773)	83,705
Realty taxes	30,459	31,165	—	(3,730)	57,894
	78,193	70,909	—	(7,503)	141,599
Net operating income	105,174	107,665	261	(8,792)	204,308
Other income (expenses):					
Corporate expenses	—	—	(8,770)	—	(8,770)
Interest expense	(14,488)	(25,239)	(29,758)	3,626	(65,859)
Interest income	140	547	3,487	(5)	4,169
Net income from investments in joint ventures	—	—	—	7,127	7,127
Fair value loss on investment properties	(122,004)	(7,931)	—	(1,956)	(131,891)
Foreign currency translation loss	—	—	(2,575)	—	(2,575)
Fair value loss on derivative instruments and other transactions	—	—	(16,803)	—	(16,803)
(Loss) income before income taxes	(31,178)	75,042	(54,158)	—	(10,294)
Income tax expense	—	(587)	—	—	(587)
Net (loss) income	\$ (31,178)	\$ 74,455	\$ (54,158)	\$ —	\$ (10,881)
Additions to investment properties, investment properties under development and investment properties held for sale	\$ 56,657	\$ 31,735	\$ —	\$ (18,451)	\$ 69,941
Additions to tenant inducements	13,512	24,878	—	(5,196)	33,194
Additions to leasing commissions	1,665	8,781	—	(2,025)	8,421

September 30, 2020

	Canada	U.S.	REIT	Joint ventures adjustment	Total
Total assets	\$ 2,790,209	\$ 2,431,300	\$ 111,788	\$ (125,485)	\$ 5,207,812
Total liabilities	583,444	1,021,066	1,322,343	(125,485)	2,801,368

Nine months ended September 30, 2019

	Canada	U.S.	REIT	Joint ventures adjustment	Total
Revenue	\$ 218,487	\$ 188,933	\$ 220	\$ (13,160)	\$ 394,480
Expenses:					
Property operating	54,728	46,022	—	(3,561)	97,189
Realty taxes	34,359	30,997	—	(2,800)	62,556
	89,087	77,019	—	(6,361)	159,745
Net operating income	129,400	111,914	220	(6,799)	234,735
Other income (expenses):					
Corporate expenses	—	—	(12,411)	—	(12,411)
Interest expense	(19,033)	(33,788)	(32,955)	3,266	(82,510)
Interest income	569	314	589	(5)	1,467
Net income from investments in joint ventures	—	—	—	23,491	23,491
Fair value gain (loss) on investment properties	11,715	(54,626)	—	(19,953)	(62,864)
Foreign currency translation gain	—	—	5,864	—	5,864
Transaction costs	(120)	(97)	—	—	(217)
Fair value gain (loss) on derivative instruments and other transactions	1,106	—	(17,590)	—	(16,484)
Income (loss) before income taxes	123,637	23,717	(56,283)	—	91,071
Income tax expense	—	(1,211)	—	—	(1,211)
Net income (loss)	\$ 123,637	\$ 22,506	\$ (56,283)	\$ —	\$ 89,860
Acquisitions of investment properties	\$ 7,929	\$ 3,514	\$ —	\$ —	\$ 11,443
Additions to investment properties, investment properties under development and investment properties held for sale	58,137	83,515	—	(43,286)	98,366
Additions to tenant inducements	15,210	21,667	—	(3,137)	33,740
Additions to leasing commissions	4,263	9,188	—	(1,290)	12,161

December 31, 2019

	Canada	U.S.	REIT	Joint ventures adjustment	Total
Total assets	\$ 2,987,331	\$ 2,360,066	\$ 112,637	\$ (130,015)	\$ 5,330,019
Total liabilities	640,100	979,670	1,369,511	(130,015)	2,859,266

Note 20. Commitments, contingencies and guarantees

(a) Unconditional purchase and sale agreements:

The REIT has an unconditional purchase agreement for a parcel of development land adjacent to existing industrial properties located in the Greater Phoenix Area, Arizona for a purchase price of US\$9,700 with expected closing in January 2021.

The REIT also has unconditional sale agreements for two office properties located in Toronto, Ontario for an aggregate sale price of \$114,000 with expected closing in November 2020 and one parcel of development land located in the Twin Cities Area, Minnesota for a sale price of US\$5,500 with expected closing in November 2020.

(b) Letters of credit:

As at September 30, 2020, the REIT had issued letters of credit in the amount of \$3,574 (December 31, 2019, \$3,574).

(c) Contingencies:

The REIT performs an assessment of legal and tax proceedings and claims which have occurred or could occur as a result of ongoing operations of the trust. Based on the information available, the outcomes of these contingent liabilities are uncertain and do not satisfy the requirements to be recognized in the consolidated financial statements as liabilities.

(d) Guarantees:

At September 30, 2020, the REIT has guaranteed certain debt assumed by purchasers in connection with the dispositions of three properties (December 31, 2019, three properties). These guarantees will remain until the debt is modified, refinanced or extinguished. Credit risk arises in the event that the purchasers default on repayment of their debt since it is guaranteed by the REIT. This credit risk is mitigated as the REIT has recourse under these guarantees in the event of default by the purchasers, in which case the REIT would have a claim against the underlying properties. The estimated amount of debt subject to the guarantees at September 30, 2020 was \$54,372 (December 31, 2019, \$56,025), with an estimated weighted-average remaining term of 2.4 years (December 31, 2019, 3.1 years). No liabilities in excess of the fair values of the guarantees have been recognized in the consolidated financial statements as the estimated fair values of the borrowers' interests in the underlying properties are greater than the mortgages payable for which the REIT provided the guarantees.

Note 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. Gross book value as defined in the Declaration of Trust includes the consolidated book value of the assets of the REIT, plus the amount of accumulated depreciation and amortization recorded in the books and records of the REIT, plus the amount of any deferred tax liability arising out of any indirect acquisitions, calculated in accordance with generally accepted accounting principles. As at September 30, 2020, the ratio of such indebtedness to gross book value was 51.0% (December 31, 2019, 51.3%), which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

The total managed capital for the REIT is summarized below:

	Note	September 30, 2020	December 31, 2019
Mortgages and loans payable	9	\$ 1,385,251	\$ 1,401,348
Senior unsecured debentures	10	498,663	449,331
Credit facilities	11	775,381	886,522
Total debt		2,659,295	2,737,201
Unitholders' equity		2,406,444	2,470,753
		\$ 5,065,739	\$ 5,207,954

Note 22. Risk management

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

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

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. The most significant of these risks, and the actions taken to manage them, are as follows:

(a) Market risk:

(i) Interest rate risk:

The REIT is exposed to interest rate risk on its borrowings. The Declaration of Trust restricts the REIT's indebtedness to 70% of the gross book value of the REIT's total assets. The REIT also monitors the amount of variable rate debt. The majority of REIT's debt financing is in fixed rate terms or variables rates with interest rate swaps in place. In addition, management considers the weighted-average term to maturity of long-term debt relative to the remaining average lease terms. At September 30, 2020, the REIT had variable rate debt, including credit facilities and debentures, of \$1,712,257 (December 31, 2019, \$2,041,647). At September 30, 2020, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$913,094 of variable rate debt, including swaps on credit facilities and debentures (December 31, 2019, \$880,729).

(ii) Foreign currency risk:

The REIT owns properties located in the U.S., and therefore, the REIT is subject to foreign currency fluctuations that may impact its financial position and results. In order to mitigate this risk, the REIT's debt on U.S. properties is held in US dollars to act as a natural hedge.

A \$0.10 weakening in the US dollar against the calculated average Canadian dollar exchange rate of 1.3300 and 1.3555 for the three and nine months ended September 30, 2020, and the period end exchange rate of 1.3339 at September 30, 2020, would have increased net income by approximately \$12,883 for the three months ended September 30, 2020 and decreased net loss by approximately \$12,671 for the nine months ended September 30, 2020. A \$0.10 weakening in the US dollar against the Canadian dollar would have decreased other comprehensive income by approximately \$105,417 and \$105,205 for the three and nine months ended September 30, 2020. Conversely, a \$0.10 strengthening in the US dollar against the Canadian dollar would have had an equal but opposite effect. This analysis assumes that all variables, in particular interest rates, remain constant.

(b) Credit risk:

The REIT's maximum exposure to credit risk is equivalent to the carrying value of each class of financial asset as separately presented in cash, cash held in trust, accounts receivable and other receivables, deposits on investment properties and notes receivable.

The REIT is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. The REIT's properties are diversified across the industrial, office and retail asset classes, and geographically diversified with properties owned across five Canadian provinces and six U.S. states. The COVID-19 pandemic has the largest impact on the retail tenants. In an effort to support tenants adversely impacted by the pandemic, rents were deferred for certain qualifying tenants with 83% of the repayment terms ending on or before December 31, 2021. Included in property operating expenses are expected credit (recovery) losses of \$(721) and \$2,231 during the three and nine months ended September 30, 2020 (three and nine months ended September 30, 2019, \$82 and \$430). In determining the expected credit losses, the REIT takes into account the expectations of future defaults based on payment history, tenant communications and economic conditions.

The REIT is also exposed to credit risk as a holder of notes receivable. Management mitigates this risk by carrying out credit checks and related due diligence on the borrowers, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

(c) Liquidity risk:

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they come due. The REIT manages liquidity risk by maintaining adequate cash and by having appropriate 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, 2020 including accounts payable and other liabilities, credit facilities, senior unsecured debentures and mortgages and loans payable. All debentures are disclosed at their face value.

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and other liabilities	\$ 106,995	\$ 106,995	\$ —	\$ —	\$ —
Credit facilities	776,739	—	776,739	—	—
Senior unsecured debentures	500,000	250,000	250,000	—	—
Mortgages and loans payable	1,387,496	464,793	561,970	312,746	47,987
	\$ 2,771,230	\$ 821,788	\$ 1,588,709	\$ 312,746	\$ 47,987

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, 2020.

		September 30, 2020		December 31, 2019	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	\$ 4,415,703	\$ 4,415,703	\$ 4,618,719	\$ 4,618,719
Investment properties under development	Level 3	129,630	129,630	102,590	102,590
Notes receivable	Level 2	19,371	19,838	97,828	98,485
Investment properties held for sale	Level 3	287,506	287,506	221,915	221,915
Derivative instruments	Level 2	1,951	1,951	1,303	1,303
		4,854,161	4,854,628	5,042,355	5,043,012
Liabilities:					
Mortgages and loans payable	Level 2	1,385,251	1,387,779	1,401,348	1,412,899
Senior unsecured debentures	Level 2	498,663	501,642	449,331	453,086
Credit facilities	Level 2	775,381	776,739	886,522	888,111
Derivative instruments	Level 2	25,588	25,588	8,187	8,187
		2,684,883	2,691,748	2,745,388	2,762,283
		\$ 2,169,278	\$ 2,162,880	\$ 2,296,967	\$ 2,280,729

The fair value of the REIT's accounts receivable and other receivables, cash held in trust, cash and accounts payable and other liabilities approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair values of notes receivable, derivative instruments, mortgages and loans payable, senior unsecured debentures and credit facilities have been determined by discounting the cash flows of these financial instruments using period end market rates for instruments of similar terms and credit risks.

Derivative instruments primarily consist of interest rate and foreign currency swaps. The REIT entered into interest rate swaps on a number of mortgages and 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, 2020:

- The cash held in trust from the repayment of a note receivable (including accrued interest) in the amount of \$79,328 was released to the REIT.
- The REIT entered into an unconditional sale agreement for a retail property in the Greater Vancouver Area, British Columbia for \$34,280 and an unconditional sale agreement for a retail property in Regina, Saskatchewan for \$16,000, with expected closings in November 2020.
- The REIT entered into a new joint venture arrangement, Park 8Ninety V, an industrial development project in the Greater Houston Area, Texas. The REIT has a 95% interest in this joint venture arrangement.
- The REIT repaid net \$66,000 and US\$300 on its revolving term credit facilities.
- The REIT purchased through the NCIB 200,301 common units at a weighted-average price of \$8.36.
- The REIT declared a monthly cash distribution of \$0.045 per common unit for the month of October 2020.
- The REIT declared a quarterly cash distribution of \$0.3750 per Series I Unit for the three months ended October 30, 2020.

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 5, 2020.