

Consolidated Financial Statements of

**ARTIS REAL ESTATE
INVESTMENT TRUST**

Years ended December 31, 2020 and 2019

(In Canadian dollars)



Management's Responsibility for Financial Statements

The management of Artis Real Estate Investment Trust is responsible for the preparation and integrity of the consolidated financial statements contained in the annual report. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and necessarily include some amounts that are based on management's best estimate and judgment. Management has determined such amounts on a reasonable basis and considers that the consolidated financial statements present fairly the financial position of the REIT, the results of its operations and its cash flows. Management has also prepared financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements. To fulfill its responsibility, management maintains internal accounting controls and systems and establishes policies and procedures to ensure the reliability of financial information and to safeguard assets.

The Board of Trustees is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Trustees carries out this responsibility principally through its Audit Committee, composed entirely of outside and unrelated trustees. The Audit Committee meets regularly with management of the REIT and with the independent auditors. The consolidated financial statements have been reviewed and approved by the Board of Trustees on the recommendation of its Audit Committee.

The REIT's independent auditor, Deloitte LLP, has been appointed by the unitholders to audit the consolidated financial statements and express an opinion thereon.

"Samir Manji"

Samir Manji
Interim Chief Executive Officer
March 2, 2021

"Jim Green"

Jim Green, CPA, CA
Chief Financial Officer
March 2, 2021

Independent Auditor's Report

To the Unitholders of Artis Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of Artis Real Estate Investment Trust (the "Trust"), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of operations, changes in unitholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

A key audit matter is a matter, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key Audit Matter Description

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

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

How the Key Audit Matter Was Addressed in the Audit

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

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

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Haik (Haig) Vanlian.

/s/ Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
March 2, 2021

Consolidated Balance Sheets

(In thousands of Canadian dollars)

	Note	December 31, 2020	December 31, 2019
ASSETS			
Non-current assets:			
Investment properties	4	\$ 4,325,121	\$ 4,618,719
Investment properties under development	4	132,243	102,590
Investments in joint ventures	5	200,306	186,610
Property and equipment	6	7,481	7,786
Notes receivable	7	20,313	93,832
Deferred rents receivable	10	778	—
		4,686,242	5,009,537
Current assets:			
Investment properties held for sale	4	74,483	221,915
Inventory properties	8	15,060	14,632
Deposits on investment properties		1,203	—
Prepaid expenses and other assets	9	7,307	10,533
Notes receivable	7	1,371	3,996
Accounts receivable and other receivables	10	17,465	21,013
Cash held in trust		22,007	5,938
Cash		34,703	42,455
		173,599	320,482
Total assets		\$ 4,859,841	\$ 5,330,019
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities:			
Mortgages and loans payable	11	\$ 868,396	\$ 1,005,196
Senior unsecured debentures	12	248,999	249,372
Credit facilities	13	529,087	886,522
Other long-term liabilities		1,823	1,000
		1,648,305	2,142,090
Current liabilities:			
Mortgages and loans payable	11	405,126	396,152
Senior unsecured debentures	12	249,920	199,959
Security deposits and prepaid rent		30,089	32,834
Accounts payable and other liabilities	14	97,130	88,231
Credit facilities	13	95,374	—
		877,639	717,176
Total liabilities		2,525,944	2,859,266
Unitholders' equity		2,333,897	2,470,753
Commitments, contingencies and guarantees	30		
Subsequent events	34		
Total liabilities and unitholders' equity		\$ 4,859,841	\$ 5,330,019

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

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

	Note	2020	Year ended December 31, 2019
Revenue	18	\$ 458,917	\$ 521,660
Expenses:			
Property operating		112,871	130,099
Realty taxes		76,771	81,705
Total operating expenses		189,642	211,804
Net operating income		269,275	309,856
Other income (expenses):			
Corporate expenses	19	(12,205)	(14,452)
Proxy matter expenses	20	(17,423)	—
Strategic initiative expenses	21, 35	(4,029)	(1,358)
Interest expense	22	(86,106)	(108,809)
Interest income		4,797	3,212
Net income from investments in joint ventures	5	24,851	36,843
Fair value loss on investment properties	4	(140,876)	(94,727)
Foreign currency translation gain		530	10,668
Transaction costs		—	(301)
Fair value loss on derivative instruments and other transactions	23	(16,538)	(16,379)
Income before income taxes		22,276	124,553
Income tax expense	24	(733)	(1,816)
Net income		21,543	122,737
Other comprehensive loss that may be reclassified to net income in subsequent periods:			
Unrealized foreign currency translation loss		(25,498)	(66,214)
Unrealized foreign currency translation loss on investments in joint ventures		(2,319)	(6,125)
Other comprehensive income that will not be reclassified to net income in subsequent periods:			
Unrealized gain from remeasurements of net pension obligation		—	671
Other comprehensive loss		(27,817)	(71,668)
Total comprehensive (loss) income		\$ (6,274)	\$ 51,069
Basic income per unit attributable to common unitholders	15	\$ 0.03	\$ 0.72
Diluted income per unit attributable to common unitholders	15	0.02	0.72
Weighted-average number of common units outstanding:			
Basic	15	136,206,856	142,434,694
Diluted	15	136,606,921	142,434,694

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Unitholders' Equity

(In thousands of Canadian dollars)

	Common units capital contributions	Retained earnings	Accumulated other comprehensive income (loss)	Contributed surplus	Total common equity	Total preferred equity	Total
Unitholders' equity, December 31, 2018	\$ 1,959,647	\$ 143,169	\$ 246,716	\$ 11,632	\$ 2,361,164	\$ 376,881	\$ 2,738,045
Changes for the year:							
Issuance of common units, net of issue costs (note 15)	1,076	—	—	—	1,076	—	1,076
Redemption of preferred units (note 15)	—	—	—	(2,753)	(2,753)	(75,710)	(78,463)
Units acquired and cancelled through normal course issuer bid (note 15)	(161,976)	—	—	24,394	(137,582)	(6,687)	(144,269)
Net income	—	122,737	—	—	122,737	—	122,737
Other comprehensive loss	—	—	(71,668)	—	(71,668)	—	(71,668)
Distributions	—	(96,705)	—	—	(96,705)	—	(96,705)
Unitholders' equity, December 31, 2019	1,798,747	169,201	175,048	33,273	2,176,269	294,484	2,470,753
Changes for the year:							
Issuance of common units, net of issue costs (note 15)	4,455	—	—	—	4,455	—	4,455
Units acquired and cancelled through normal course issuer bid (note 15)	(48,601)	—	—	15,977	(32,624)	(2,617)	(35,241)
Units acquired through normal course issuer bid, not cancelled at year end (note 15)	—	—	—	14	14	(65)	(51)
Net income	—	21,543	—	—	21,543	—	21,543
Other comprehensive loss	—	—	(27,817)	—	(27,817)	—	(27,817)
Distributions	—	(99,745)	—	—	(99,745)	—	(99,745)
Unitholders' equity, December 31, 2020	\$ 1,754,601	\$ 90,999	\$ 147,231	\$ 49,264	\$ 2,042,095	\$ 291,802	\$ 2,333,897

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

Year ended
December 31,
2019

	Note	2020	2019
Cash provided by (used in):			
Operating activities:			
Net income		\$ 21,543	\$ 122,737
Adjustments for:			
Net income from investments in joint ventures	5	(24,851)	(36,843)
Fair value loss on investment properties	4	140,876	94,727
Fair value loss on derivative instruments and other transactions	23	16,538	16,379
Unrealized foreign currency translation gain		(367)	(10,820)
Other items not affecting cash	25	22,486	25,880
Changes in non-cash operating items	25	108	(11,940)
		176,333	200,120
Investing activities:			
Acquisitions of investment properties, net of related debt	3	—	(36,349)
Proceeds from dispositions of investment properties, net of costs and related debt	3	229,000	247,819
Proceeds from disposition of note receivable	7	8,372	—
Additions to investment properties		(28,931)	(45,766)
Additions to investment properties under development		(71,762)	(86,639)
Additions to tenant inducements and leasing commissions		(57,536)	(60,553)
Additions to joint ventures	5	(2,006)	(17,087)
Distributions from joint ventures	35	25,603	3,730
Additions to property and equipment		(19)	(1,801)
Issuances of notes receivable		(57)	(8,074)
Notes receivable principal repayments		80,818	9,650
Change in deposits on investment properties		(1,271)	2,165
Change in cash held in trust		(16,256)	4,123
		165,955	11,218
Financing activities:			
Repayment of mortgages and loans payable		(57,640)	(98,252)
Advance of mortgages and loans payable, net of financing costs		56,879	14,650
Issuance of senior unsecured debentures, net of financing costs	12	248,916	248,946
Repayment of senior unsecured debentures	12	(200,000)	(200,000)
Advance of revolving credit facilities		121,500	538,229
Repayment of revolving credit facilities, including financing costs		(586,221)	(415,653)
Advance of non-revolving credit facilities, net of financing costs		199,644	—
Repayment of lease liabilities		(212)	(91)
Purchase of common units under normal course issuer bid	15	(33,442)	(138,403)
Purchase of preferred units under normal course issuer bid	15	(1,850)	(5,866)
Redemption of preferred units	15	—	(78,463)
Distributions paid on common units		(80,150)	(77,331)
Distributions paid on preferred units		(17,425)	(20,589)
		(350,001)	(232,823)
Foreign exchange loss on cash held in foreign currency		(39)	(2,203)
Decrease in cash		(7,752)	(23,688)
Cash, beginning of year		42,455	66,143
Cash, end of year		\$ 34,703	\$ 42,455

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2020 and 2019

(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 \$0.5562 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 November 30, 2020, the REIT reconstituted its Board with five new Trustees upon reaching a settlement agreement with Sandpiper Group to withdraw a unitholder meeting request received on September 30, 2020. Subsequently, the REIT has suspended the plan to spin-off substantially all of the REIT's Canadian retail properties as announced on September 8, 2020.

Note 2. Significant accounting policies

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of presentation and measurement:

The consolidated financial statements have been prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand dollars unless otherwise indicated. The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements unless otherwise indicated.

The consolidated financial statements have been prepared on the historical cost basis with the exception of investment properties, derivative financial instruments and the cash-settled unit-based payment liabilities, which are measured at fair value.

(c) Principles of consolidation:

The consolidated financial statements include the accounts of the REIT and entities controlled by the REIT and its subsidiaries (including joint arrangements). Control is achieved when the REIT has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. The REIT reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

All intercompany assets and liabilities, equity, revenue, expenses and cash flows relating to transactions between entities within the REIT are eliminated in full on consolidation.

(d) Translation of foreign currencies:

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the REIT.

Assets and liabilities of foreign operations are translated at the rate of exchange in effect at the balance sheet date. Revenue and expense items are translated at the average exchange rate for the period. Gains or losses on translation are included in other comprehensive income as foreign currency translation gains or losses. When there is a reduction in the net investment as a result of dilution or sale, or reduction in the equity of the foreign operation as a result of a capital transaction, amounts previously recognized in accumulated other comprehensive income are reclassified into net income.

For assets, liabilities, revenues and expenses that do not form part of the net investment in foreign operations, foreign currency translation gains or losses are included in net income. Monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expense items are translated at the rate in effect at the date of the transaction.

(e) Financial instruments:

Financial assets are classified, at initial recognition, and subsequently measured, based on three categories: (i) amortized cost, (ii) fair value through other comprehensive income ("FVOCI"), or (iii) fair value through profit and loss ("FVTPL"). Financial assets are classified and measured on the basis of both the business model in which the assets are managed and the contractual cash flow characteristics of the asset. With the exception of trade receivables that do not contain a significant financing component, the REIT initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price. Financial assets are recorded at amortized cost when financial assets are held with the objective of collecting contractual cash flows and those cash flows represent solely payments of principal and interest ("SPPI") and are not designated as FVTPL. Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Financial liabilities are classified and measured in two categories: (i) amortized cost or (ii) FVTPL.

The REIT classifies and measures its notes receivable, accounts receivable and other receivables, cash held in trust, cash, mortgages and loans payable, senior unsecured debentures, preferred shares liability, preferred units liabilities, accounts payable and other liabilities and credit facilities at amortized costs. All derivative instruments, including embedded derivatives, are classified as at FVTPL and are recorded on the consolidated balance sheet at fair value.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, with the exception of those classified as at FVTPL, are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. Transaction costs directly attributable to the acquisition or issuance of financial assets or liabilities classified as at FVTPL are recognized immediately in net income.

Financial assets, other than those classified as at FVTPL, are assessed for impairment at the end of each reporting period using the expected credit loss ("ECL") model. The ECL model is based on an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The REIT measures loss allowance for notes receivable, accounts receivable and other receivables at the lifetime expected credit losses. Notes receivable, accounts receivable and other receivables are written off when there is no realistic prospect of future recovery and all collateral has been realized.

(f) Investment properties:

Investment properties include properties held to earn rental income and properties that are being constructed or developed for future use as investment properties. Investment properties are measured at fair value with any changes therein recognized in profit or loss for the year.

Investment properties are classified as investment properties under development once construction at the property has commenced. Investment properties under development include initial acquisition costs and other direct costs during the period of development. Borrowing costs associated with direct expenditures on properties under development are capitalized from the commencement of the construction until the date of practical completion. The REIT considers practical completion to have occurred when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

The REIT occupies a portion of space in several of its investment properties. In the case of mixed use investment property and property held for use in the production of goods or services, the REIT classifies the property as investment property when only an insignificant portion is owner-occupied. The REIT considers the owner-occupied portion as insignificant when the property is primarily held to earn rental income.

A property acquisition is accounted for as a business combination using the acquisition method if the assets acquired and liabilities assumed constitute a business, and the REIT obtains control of the business. The cost of a business combination is measured as the fair value of the assets given up, equity instruments issued and liabilities assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. The REIT recognizes assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination. Changes in the fair value of contingent consideration arrangements that qualify as measurement period adjustments, adjustments arising from additional information obtained about an acquisition within one year of its date, are adjusted retrospectively. All other changes in fair value are recognized in profit or loss for the period.

Leasing commissions and straight-line rent receivables are included in the carrying amount of investment properties.

Payments to tenants under lease obligations are included in the carrying amount of investment properties. Payments that are determined to primarily benefit the tenant are treated as tenant inducements that reduce revenue.

Right-of-use assets, held under leases, that are investment properties are recognized in the REIT's consolidated balance sheet at fair value.

(g) Joint arrangements:

Joint arrangements are arrangements where the parties sharing ownership have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The REIT accounts for its joint arrangements as either joint ventures or joint operations.

A joint venture is an arrangement where the REIT jointly owns an investment property with another party and has rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The investment in the joint venture is initially measured at cost at the date of acquisition and adjusted thereafter for the REIT's share of changes in its net assets, less distributions received and any identified impairment loss. The REIT's share of the profit or loss from its investments in joint ventures is recognized in profit or loss for the year.

A joint operation is an arrangement where the REIT jointly owns an investment property with another party and has rights to the assets, and obligations for the liabilities, relating to the arrangement. The REIT accounts for joint operations by recording its proportionate share of their assets, liabilities, revenues, expenses and cash flows in its consolidated financial statements.

(h) Inventory properties:

Commercial condominium projects are recorded as inventory properties. Inventory properties are recorded at the lower of cost, including pre-development expenditures and capitalized borrowing costs, and net realizable value, which the REIT determines using the estimated selling price in the ordinary course of business, less estimated selling costs and development costs to complete.

Inventory properties are reviewed for impairment at each reporting date. An impairment loss is recognized in net income when the carrying value of the asset exceeds its net realizable value.

Transfers to inventory properties are based on a change in use evidenced by the commencement of development activities and expenditures, with a view to sell, at which point an investment property is transferred to inventory properties.

(i) Property and equipment:

Office furniture and fixtures and office equipment and software are carried at cost less accumulated depreciation, and are depreciated on a straight-line basis over their useful lives which are estimated to be between five to ten years. The estimated useful life, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimates accounted for on a prospective basis.

As a lessee of office premises, office equipment and vehicles, the REIT recognizes right-of-use assets and the related lease liabilities at the commencement date of the leases, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The recognized right-of-use assets are depreciated on a straight-line basis over the lease term. The related lease liabilities are included other payables and liabilities and other long-term liabilities.

(j) Assets held for sale and discontinued operations:

Non-current assets, or disposal groups comprising assets and liabilities, are categorized as held for sale at the point in time when the asset or disposal group is available for immediate sale, management has committed to a plan to sell and is actively locating a buyer at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is highly probable and expected to be completed within a one-year period. Investment properties measured under the fair value model and held for sale continue to be measured by the guidelines of IAS 40 - *Investment Property*. All other assets held for sale are stated at the lower of their carrying amount and fair value less selling costs. An asset that is subsequently reclassified as held and in use, with the exception of an investment property measured under the fair value model, is measured at the lower of its recoverable amount and the carrying amount that would have been recognized had the asset never been classified as held for sale.

A disposal group is classified as discontinued operation if it meets the following conditions: (i) it is a component that can be distinguished operationally and financially from the rest of the REIT's operations and (ii) it represents either a separate major line of business or geographical area of operations. The results of operations associated with disposal groups classified as discontinued operations held for sale are reported separately in the consolidated statement of operations.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(k) Cash held in trust:

Cash held in trust consists of cash held by financial institutions with restrictions pursuant to mortgage agreements, letters of credit and construction holdbacks. Cash held in trust may also include cash held in escrow pursuant to purchase and sale agreements in relation to acquisitions and dispositions of investment properties.

(l) Provisions:

A provision is recognized if, as a result of a past event, the REIT has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are remeasured at each balance sheet date using the current discount rate. The increase in the provision due to passage of time is recognized as interest expense.

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the REIT has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

(m) Revenue recognition:

The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue from investment properties includes all amounts earned from tenants related to lease agreements, including base rent, property operating cost and realty tax recoveries, lease termination income and other incidental income.

The total amount of base rent in lease agreements is accounted for on a straight-line basis over the term of the respective leases. A straight-line rent receivable, which is included in the carrying amount of investment properties, is recorded for the difference between the rental revenue recorded and the contractual rent received.

Property operating cost and realty tax recoveries are accrued and recognized as revenue in the period that the recoverable costs are incurred and become chargeable to tenants.

Tenant inducements are recognized as a reduction to revenue and are amortized on a straight-line basis over the term of the lease.

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

(n) Long-term benefits:

The costs of the REIT's defined benefit pension plans were accrued based on estimates, using actuarial techniques, of the amount of benefits employees earned in return for their services in the current and prior periods. The present value of the defined benefit liability and current service cost is determined by discounting the estimated benefits using the projected unit credit method to determine the fair value of the plan assets and total actuarial gains and losses and the proportion thereof which will be recognized. All pension plans were settled in 2019 and there were no pension plan assets nor liabilities as at December 31, 2020 and 2019.

(o) Unit-based compensation:

The REIT may issue unit-based awards to trustees, officers, employees and consultants. For cash-settled unit-based payment transactions in the form of restricted and deferred units, a liability is recognized and remeasured to fair value at each reporting date and at the settlement date. Any change in the fair value of the liability is recognized as compensation expense for the period.

For equity-settled unit-based payment transactions in the form of unit options, the REIT measures compensation expense using the fair value at the grant date, recognized over the vesting period.

(p) Earnings per unit:

Basic earnings per common unit is computed by dividing net income for the period attributable to common unitholders by the weighted-average number of common units outstanding during the reporting period. Diluted earnings per unit is calculated based on the weighted-average number of common units outstanding during the period, plus the effect of dilutive unit equivalents of restricted units and deferred units.

(q) Use of estimates and judgments:

The preparation of the consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Impact of the COVID -19 pandemic

In March 2020, the outbreak of COVID-19 was recognized as a pandemic by the World Health Organization. The ongoing COVID-19 pandemic has resulted in governments enacting emergency measures, including travel restrictions, physical distancing, capacity restrictions and temporary closure of non-essential businesses. While governments have eased COVID-19 restrictions and businesses have started to reopen in mid-2020, there were still restrictive measures in place. In addition, a recent resurgence of COVID-19 has resulted in the re-imposition of certain restrictions and may lead to more restrictions being implemented again to reduce the spread of COVID-19. These changes have caused disruptions 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 economic impact associated with the COVID-19 pandemic is subject to significant uncertainty, as is the extent it will affect the REIT's operations, financial results and capital resources. In the preparation of these consolidated financial statements, the REIT has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets and liabilities, and the reported amount of its results using the best available information as of December 31, 2020. Actual results could differ from those estimates. Estimates and assumptions that are most subject to increased uncertainty caused by the COVID-19 pandemic relate to the valuation of investment properties, the carrying amount of investment in joint ventures and the estimate of any expected credit losses on accounts receivable and notes receivable.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts reported in the consolidated financial statements are as follows:

- Accounting for business combinations - The REIT's accounting policy relating to business combinations is described in note 2 (f). Judgment is applied in determining whether property acquisitions constitute the purchase of a business or the purchase of assets.

- Accounting for tenant inducements - The REIT's accounting policy relating to tenant inducements is described in note 2 (f) and note 2 (m). The REIT makes judgments with respect to whether tenant inducements provided in connection with a lease enhance the value of the leased property which determines whether such amounts are treated as capital expenditures or as tenant inducements that reduce revenue.
- Capitalized cost of investment properties under development - The REIT's accounting policy relating to investment properties under development is described in note 2 (f). Judgment is applied in identifying the point at which practical completion of the investment property under development occurs.
- Classification of leases - The REIT's accounting policy for the classification of its leases as a lessor is described in note 2 (m). The REIT makes judgments in determining whether certain leases are operating or finance leases. The REIT determined that all of its leases are operating leases.
- Classification of property as investment property or owner-occupied property - The REIT's accounting policy for the classification of properties that comprise a portion that is held to earn rental income and another portion that is held for use in the production or supply of goods or services or for administrative purposes is described in note 2 (f). Judgment is applied in determining whether the portion of the property held for use in the production or supply of goods or services or for administrative purposes is insignificant in comparison to the portion held to earn rental income.
- Classification of joint arrangements - The REIT's accounting policy relating to joint arrangements is described in note 2 (g) and note 5. Judgment is applied in determining whether joint arrangements constitute a joint venture or a joint operation.
- Disclosure of related party transactions - Judgment is applied in determining if entities with which the REIT had transactions are considered related parties in accordance with IAS 24 - *Related Party Transactions*. The REIT disclosed transactions with related parties and key management personnel in notes 27 and 28.

Information about assumptions and estimation uncertainties that are critical to the determination of the amounts reported in the consolidated financial statements are as follows:

- Valuation of investment properties - The fair value of investment properties represents an estimate of the price that would be agreed upon between knowledgeable, willing parties in an arm's length transaction. The critical estimates and assumptions underlying the valuation of investment properties are described in note 4.
- Valuation of deferred tax liabilities and assets - The critical estimates and assumptions underlying the valuation of deferred tax liabilities and assets are described in note 24.
- Allowance for doubtful accounts - The critical estimates and assumptions underlying the valuation of allowance for doubtful accounts are described in note 32.
- Fair value of financial instruments - The fair value of financial instruments is estimated as the amount for which an instrument could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The estimates and assumptions underlying the fair value of financial instruments are described in note 33.

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

The amendments to the definition of a business in IFRS 3 – *Business Combinations* 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 are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.

The amendments to IAS 1 and IAS 8 align the definition of "material" across the standards and clarify certain aspects of the definition. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The adoption of the amendments to the definition of material did not have a significant impact on the REIT's consolidated financial statements.

(s) Future changes in accounting standards:

In January 2020, the IASB issued amendments to IAS 1 - *Presentation of Financial Statements* to specify the requirements for classifying liabilities as current or non-current. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The REIT does not expect a material impact to its consolidated financial statements from the adoption of these amendments.

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

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

In August 2020, the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments include a number of reliefs and additional disclosures. For financial instruments at amortized cost, the amendments introduce a practical expedient such that if a change in the contractual cash flows is as a result of IBOR reform and occurs on an economically equivalent basis, the change will be accounted for by updating the effective interest rate with no immediate gain or loss recognized. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The REIT is in the process of assessing the impact of these amendments on its IBOR-based financial instruments.

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

Note 3. Acquisitions and dispositions of investment properties

Acquisitions:

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

The REIT acquired the following property during the year ended December 31, 2019:

Property	Property count	Location	Acquisition date	Asset class
Boulder Lakes Business Park II	1	Twin Cities Area, MN	October 25, 2019	Office

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 a joint venture and accounted for using the equity method. As a result of this acquisition, the REIT owns 100% of the property and accounts for it on a consolidated basis. The REIT accounted for this acquisition as step acquisition and remeasured its existing 95% interest to fair value at the acquisition date.

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

On November 1, 2019, the REIT acquired a parcel of industrial development land adjacent to an existing industrial property in the Greater Houston Area, Texas.

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:

	Year ended December 31,	
	2020	2019
Investment properties (note 4)	\$ —	\$ 71,635
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	—	(34,109)
Other net liabilities	—	(71)
	—	37,455
Consideration was comprised of the following:		
Cash consideration	—	36,349
Bargain purchase gain	—	1,106
Total consideration	\$ —	\$ 37,455
Transaction costs expensed	\$ —	\$ 301

Dispositions:

The REIT disposed of the following properties during the year ended December 31, 2020:

Property	Property count	Location	Disposition date	Asset class
Centre 15 Building	1	Calgary, AB	January 21, 2020	Office
Calgary Office Portfolio ⁽¹⁾	2	Calgary, AB	January 30, 2020	Office
800 5th Avenue	1	Calgary, AB	January 31, 2020	Office
1165 Kenaston Street	1	Ottawa, ON	March 31, 2020	Office
Concorde Corporate Centre	2	Toronto, ON	November 16, 2020	Office
Delta Shoppers Mall	1	Greater Vancouver Area, BC	November 18, 2020	Retail
Shoppers Landmark Centre	1	Regina, SK	November 25, 2020	Retail
Strathcona Shoppers Centre	1	Regina, SK	December 7, 2020	Retail
ASM America Headquarters Building	1	Phoenix, AZ	December 10, 2020	Office
1110 Pettigrew Avenue	1	Regina, SK	December 15, 2020	Industrial

(1) Disposition includes a parcel of development land.

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

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

The cash proceeds from the sale of the above properties, net of costs and related debt, were \$229,000. In conjunction with the sales of 800 5th Avenue and the parcel of office development land, the REIT also received notes receivable in the amounts of \$10,000 and \$3,192 (US\$2,450), respectively, which are secured by the property or a portion of the development land sold (note 7). The assets and liabilities associated with the properties were derecognized.

The REIT disposed of the following properties during the year ended December 31, 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
Estevan Retail Portfolio	2	Estevan, SK	October 30, 2019	Retail
495 Richmond Road	1	Ottawa, ON	November 27, 2019	Office
Centre 70 Building	1	Calgary, AB	December 16, 2019	Office
Minnesota Retail Portfolio ⁽¹⁾	6	Twin Cities Area, MN	December 19, 2019	Retail

(1) Dispositions include a parcel of development land.

The cash proceeds from the sale of the above properties, net of costs and related debt, were \$247,819. 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 in full on September 30, 2020 (note 7). The assets and liabilities associated with the properties were derecognized.

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

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

(1) During the year ended December 31, 2020, interest was capitalized to investment properties under development at a weighted-average effective interest rate of 2.59%.

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

(3) On October 20, 2020, the REIT contributed land under development to Park 8Ninety V, 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 (note 3)	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%.

Marwest Construction Ltd. ("Marwest") is a significant vendor contracted for capital projects and tenant inducements. The REIT's former President and Chief Executive Officer (retired effective December 31, 2020) is the sole director (not a beneficial shareholder) of a company that has a non-controlling ownership interest in Marwest.

Costs paid and accrued to Marwest include the following:

		Year ended December 31,	
		2020	2019
Capital expenditures	\$	63,831	\$ 65,832
Tenant inducement additions		4,118	5,775
	\$	67,949	\$ 71,607

For the year ended December 31, 2020, capital expenditures paid and accrued to Marwest included \$54,846 (2019, \$53,140) relating to the 300 Main and 330 Main commercial and residential/multi-family development projects located in Winnipeg, Manitoba. Included in the costs paid and accrued to Marwest were construction management fees of \$2,146 and labour costs of \$4,997 for the year ended December 31, 2020 (2019, \$2,765 and \$3,457, respectively).

At December 31, 2020, investment properties under development included capitalized development costs of \$130,291 (December 31, 2019, \$74,842) relating to the 300 Main development project. Estimation of the recoverable amount of investment properties under development is subject to uncertainty due to development risks including development costs exceeding original estimates, construction or other unforeseen timing delays and leasing on a timely basis or at anticipated rates upon completion.

During the year ended December 31, 2020, the REIT reclassified one retail property and one retail densification project from investment properties under development to investment properties.

The REIT had two office properties and two retail properties classified as investment properties held for sale that were listed with external brokers or under unconditional sale agreements at December 31, 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 \$16,133 at December 31, 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.

At December 31, 2020, included in investment properties was \$48,854 (December 31, 2019, \$47,933) 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 \$12,955 at December 31, 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 December 31, 2020, investment properties with a fair value of \$2,645,834 (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 year ended December 31, 2020, properties (including the REIT's ownership interest in properties held in joint venture arrangements) with an appraised value of \$916,550 (December 31, 2019, \$563,870), were appraised by qualified external valuation professionals. The REIT uses similar assumptions and valuation techniques in its internal valuations as used by the external valuation professionals. Internal valuations are performed by the REIT's valuations team who report directly to the Chief Financial Officer. The valuations processes and results are reviewed by management on a quarterly basis.

The REIT determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method. Under the discounted cash flow method, expected future cash flows are discounted using an appropriate rate based on the risk of the property. Expected future cash flows for each investment property are based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. The REIT uses leasing history, market reports, tenant profiles and building assessments, among other things, in determining the most appropriate assumptions. Discount and capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one net income is stabilized and capitalized at a rate appropriate for each investment property. The stabilized net income incorporates allowances for vacancy, management fees and structural repair reserves. The resulting capitalized value is further adjusted, where appropriate, for costs to stabilize the net income and non-recoverable capital expenditures. There were no changes to the REIT's internal valuation methodology during the years ended December 31, 2020 and 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 December 31, 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 December 31, 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 33.

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

	December 31, 2020			December 31, 2019		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Canada:						
Discount rate	9.75 %	5.00 %	7.16 %	9.50%	5.00%	7.38%
Terminal capitalization rate	9.00 %	3.75 %	6.19 %	9.00%	3.75%	6.34%
Capitalization rate	9.25 %	3.75 %	6.09 %	9.00%	3.75%	6.23%
Investment horizon (years)	12.0	10.0	10.5	11.0	10.0	10.3
U.S.:						
Discount rate	9.50 %	6.25 %	7.79 %	9.00%	6.25%	7.86%
Terminal capitalization rate	8.50 %	5.25 %	6.78 %	8.00%	5.25%	6.86%
Capitalization rate	8.00 %	5.00 %	6.63 %	8.00%	5.00%	6.73%
Investment horizon (years)	11.0	10.0	10.3	12.0	10.0	10.4
Total portfolio:						
Discount rate	9.75 %	5.00 %	7.42 %	9.50%	5.00%	7.55%
Terminal capitalization rate	9.00 %	3.75 %	6.43 %	9.00%	3.75%	6.53%
Capitalization rate	9.25 %	3.75 %	6.30 %	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.

The following sensitivity table outlines the impact of a 0.25% change in the weighted-average capitalization rate on investment properties at December 31, 2020:

	Change to fair value if capitalization rate increased by 0.25%	Change to fair value if capitalization rate decreased by 0.25%
Canada	\$ (96,236)	\$ 105,109
U.S.	(74,679)	80,699
	\$ (170,915)	\$ 185,808

Note 5. Joint arrangements

The REIT has interests in the following joint arrangements:

Property	Principal purpose	Type of arrangement	Ownership interest	
			December 31, 2020	December 31, 2019
Park 8Ninety II	Investment property	Joint venture	95 %	95 %
Park 8Ninety IV	Investment property	Joint venture	95 %	95 %
Park 8Ninety V	Investment property	Joint venture	95 %	— %
Corridor Park	Investment property	Joint venture	90 %	90 %
Millwright Building	Investment property	Joint venture	— %	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 year ended December 31, 2020, the REIT entered into a new joint venture arrangement, Park 8Ninety V, an industrial development project in the Greater Houston Area, Texas.

During the year ended December 31, 2020, the REIT contributed \$2,006 to Park 8Ninety IV, Park 8Ninety V, Corridor Park, Millwright Building and Tower Business Center joint venture arrangements. In addition, the REIT contributed land under development of \$2,529 and \$12,232 to the Park 8Ninety IV and Park 8Ninety V joint venture arrangements, respectively.

On August 25, 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 December 31, 2020, the co-owners' share of mortgage liabilities was \$34,299 (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:

	December 31, 2020	December 31, 2019
Non-current assets:		
Investment properties	\$ 236,954	\$ 306,051
Investment properties under development	14,466	—
Current assets:		
Investment property held for sale	60,819	—
Prepaid expenses and other assets	172	86
Accounts receivable and other receivables	819	1,281
Cash	14,241	9,207
Total assets	327,471	316,625
Non-current liabilities:		
Mortgages and loans payable	49,832	93,977
Current liabilities:		
Mortgages and loans payable	60,930	27,598
Security deposits and prepaid rent	2,861	3,483
Accounts payable and other liabilities	13,542	4,957
Total liabilities	127,165	130,015
Investments in joint ventures	\$ 200,306	\$ 186,610
		Year ended December 31,
		2020
		2019
Revenue	\$ 20,785	\$ 17,958
Expenses:		
Property operating	4,457	4,938
Realty taxes	5,190	3,513
Total operating expenses	9,647	8,451
Net operating income	11,138	9,507
Other income (expenses):		
Interest expense	(4,561)	(4,372)
Interest income	17	7
Fair value gain on investment properties	18,257	31,701
Net income from investments in joint ventures	\$ 24,851	\$ 36,843

Note 6. Property and equipment

	December 31, 2020	December 31, 2019
Office furniture and fixtures	\$ 12,242	\$ 12,262
Office equipment and software	1,428	1,423
Right-of-use leased assets	1,726	611
Accumulated depreciation	(7,915)	(6,510)
	\$ 7,481	\$ 7,786

Note 7. Notes receivable

	December 31, 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 \$64 (US\$50)	5,450	5,856
Note receivable, maturing in November 2024, bearing interest at 4.00% per annum, accrued interest and principal due on maturity, secured by a parcel of land.	3,137	—
Other notes receivable	3,097	4,418
	21,684	97,828
Current portion	1,371	3,996
Non-current portion	\$ 20,313	\$ 93,832

(1) This note receivable was repaid on September 30, 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 8. Inventory properties

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

	December 31, 2020	December 31, 2019
Balance, beginning of year	\$ 14,632	\$ 11,227
Capital expenditures	285	3,268
Capitalized interest ⁽¹⁾	143	137
Balance, end of year	\$ 15,060	\$ 14,632

(1) During the year ended December 31, 2020, interest was capitalized at a weighted-average effective interest rate of 2.62% (2019, 3.80%).

Inventory properties include an industrial property in the process of conversion into commercial condominium units. Inventory properties earned net operating income of \$296 for the year ended December 31, 2020 (2019, \$284).

Note 9. Prepaid expenses and other assets

	December 31, 2020	December 31, 2019
Prepaid insurance	\$ 3,948	\$ 3,499
Prepaid realty taxes	993	1,029
Prepaid acquisition, disposition and development costs	749	1,176
Derivative instruments (note 33)	—	1,303
Other prepaid expenses	1,617	3,526
	\$ 7,307	\$ 10,533

Note 10. Accounts receivable and other receivables

	December 31, 2020	December 31, 2019
Rents receivable	\$ 5,660	\$ 8,108
Deferred rents receivable	4,901	—
Allowance for doubtful accounts	(1,989)	(406)
Accrued recovery income	3,344	5,352
Other receivables	6,327	7,959
	18,243	21,013
Non-current portion of deferred rents receivable (net of related allowance for doubtful accounts of \$152)	778	—
Current portion	\$ 17,465	\$ 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 repayment terms ending on or before December 31, 2022.

Refer to note 32 for further discussion on credit risk and allowance for doubtful accounts.

Note 11. Mortgages and loans payable

	December 31, 2020	December 31, 2019
Mortgages and loans payable	\$ 1,275,277	\$ 1,403,401
Net above- and below-market mortgage adjustments	2,423	3,170
Financing costs	(4,178)	(5,223)
	1,273,522	1,401,348
Current portion	405,126	396,152
Non-current portion	\$ 868,396	\$ 1,005,196

Certain of the REIT's investment properties have been pledged as security under mortgages and other security agreements. As at December 31, 2020, 31.8% of the REIT's mortgages and loans payable bear interest at fixed rates (December 31, 2019, 32.1%), and a further 37.1% 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 3.23% and the weighted-average nominal rate was 3.03% at December 31, 2020 (December 31, 2019, 3.94% and 3.77%, respectively). Maturity dates range from January 1, 2021 to June 1, 2031.

The REIT's mortgage providers have various financial covenants. The REIT monitors these covenants, which are primarily debt service coverage ratios. Mortgages and loans payable with maturities within 12 months or are payable on demand as a result of a financial covenant breach are classified as current liabilities.

Note 12. Senior unsecured debentures

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

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.

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	\$ (80)	\$ 249,920	\$ 249,920	\$ —
Series D	250,000	(1,001)	248,999	—	248,999
December 31, 2020	\$ 500,000	\$ (1,081)	\$ 498,919	\$ 249,920	\$ 248,999
December 31, 2019	450,000	(669)	449,331	199,959	249,372

During the year ended December 31, 2020, financing cost amortization of \$672 (2019, accretion to the liability of \$51 and financing cost amortization of \$901) were recorded.

In accordance with the Series C and Series D senior unsecured debenture supplemental indentures, the REIT must maintain a consolidated EBITDA to consolidated interest expense ratio of not less than 1.65, consolidated indebtedness to aggregate assets of not more than 65% and minimum adjusted unitholders' equity of \$300,000. As at December 31, 2020 and 2019, the REIT was in compliance with these requirements.

Note 13. Credit facilities

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

On 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:

	December 31, 2020			December 31, 2019		
	Borrowing capacity	Amounts drawn	Available to be drawn ⁽¹⁾	Amounts drawn	Available to be drawn ⁽¹⁾	Applicable interest rates ⁽²⁾
Revolving facilities maturing December 14, 2021	\$ 400,000	\$ 95,617	\$ 304,383	\$ 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	30,000	270,000	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		(1,156)		(1,589)		
Total credit facilities	\$1,200,000	\$ 624,461	\$ 574,383	\$ 886,522	\$ 111,889	
Current portion		95,374		—		
Non-current portion		\$ 529,087		\$ 886,522		

(1) Under the terms of the revolving credit facilities, the REIT must maintain a minimum unencumbered property assets to consolidated unsecured indebtedness ratio of 1.4. As at December 31, 2020, this covenant limits the total borrowing capacity of the revolving credit facilities to \$388,163 (December 31, 2019, \$656,650).

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

For purposes of the credit facilities, the REIT must maintain a consolidated indebtedness to consolidated gross book value ratio of not more than 65%, a consolidated secured indebtedness to consolidated gross book value ratio of not more than 50%, a minimum consolidated EBITDA to debt service ratio of 1.4, a minimum unitholders' equity of not less than the sum of \$1,700,000 and 75% of net proceeds received in connection with any equity offerings made after the date of the credit facilities agreement, a minimum unencumbered property assets value to consolidated unsecured indebtedness ratio of 1.4, and a minimum consolidated EBITDA to consolidated interest expense ratio of 1.65. As at December 31, 2020 and 2019, the REIT was in compliance with these requirements.

Note 14. Accounts payable and other liabilities

	December 31, 2020	December 31, 2019
Accounts payable and accrued liabilities	\$ 35,407	\$ 39,018
Distributions payable	7,485	7,458
Accrued interest	10,132	8,694
Accrued realty taxes	11,563	11,136
Tenant installments payable	5,458	2,939
Derivative instruments (note 33)	22,792	8,187
Cash-settled unit-based payments liability	2,958	9,205
Other payables and liabilities	1,335	1,594
	\$ 97,130	\$ 88,231

Note 15. Unitholders' equity

(a) Common units:

(i) Authorized:

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

(ii) Issued and outstanding:

	Number of units	Amount
Balance at December 31, 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	229,675	2,454
Deferred units redeemed	184,693	2,001
Units acquired and cancelled through normal course issuer bid	(3,727,716)	(48,601)
Balance at December 31, 2020	134,643,175	\$ 1,754,601

(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	(29,600)	(44,578)	—	(34,460)	(108,638)
Units acquired through normal course issuer bid, not cancelled at year end	(1,500)	(1,224)	—	—	(2,724)
Number of units outstanding at December 31, 2020	3,356,200	3,788,098	—	4,965,540	12,109,838

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	(705)	(1,076)	—	(836)	(2,617)
Units acquired through normal course issuer bid, not cancelled at year end	(35)	(30)	—	—	(65)
Carrying value at December 31, 2020	\$ 79,911	\$ 91,423	\$ —	\$ 120,468	\$ 291,802
Face value at December 31, 2020	\$ 83,905	\$ 94,702	\$ —	\$ 124,139	\$ 302,746
Face value at December 31, 2019	84,683	95,847	—	125,000	305,530

(i) Series A:

On August 2 and 10, 2012, the REIT issued a total of 3,450,000 Cumulative Rate Reset Preferred Trust Units, Series A (the "Series A Units") for aggregate gross proceeds of \$86,250. The Series A Units paid a cumulative distribution yield of 5.25% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial period ended September 30, 2017. The distribution rate was reset on September 30, 2017 at 5.662% and will be reset on September 30, 2022 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 4.06%.

The REIT may redeem the Series A Units on September 30, 2022 and on September 30 every five years thereafter. The holders of Series A Units have the right to reclassify their Series A Units to Preferred Units, Series B (the "Series B Units"), subject to certain conditions, on September 30, 2022 and on September 30 every five years thereafter. The Series B Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series B Units have the right to reclassify their Series B Units to Series A Units on September 30, 2027 and on September 30 every five years thereafter.

(ii) Series E:

On March 21, 2013, the REIT issued 4,000,000 Cumulative Rate Reset Preferred Trust Units, Series E (the "Series E Units") for aggregate gross proceeds of \$100,000. The Series E Units paid a cumulative distribution yield of 4.75% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial period ended September 30, 2018. The distribution rate was reset on September 30, 2018 at 5.472% and will be reset on September 30, 2023 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 3.30%.

The REIT may redeem the Series E Units on September 30, 2023 and on September 30 every five years thereafter. The holders of Series E Units have the right to reclassify their Series E Units to Preferred Units, Series F (the "Series F Units"), subject to certain conditions, on September 30, 2023 and on September 30 every five years thereafter. The Series F Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series F Units have the right to reclassify their Series F Units to Series E Units on September 30, 2028 and on September 30 every five years thereafter.

(iii) Series G:

On July 29, 2013, the REIT issued 3,200,000 Cumulative Rate Reset Preferred Trust Units, Series G (the "Series G Units") for aggregate gross proceeds of \$80,000. This included 200,000 Series G Units issued pursuant to the partial exercise of the Underwriters' option. The Series G Units paid a cumulative distribution yield of 5.00% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial period ended July 31, 2019. On July 31, 2019, the REIT redeemed all 3,138,500 outstanding Series G Units with an aggregate face value of \$78,463.

(iv) Series I:

On January 31, 2018, under the August 8, 2016 short form base shelf prospectus, the REIT issued 5,000,000 Cumulative Minimum Rate Reset Preferred Trust Units, Series I (the "Series I Units") for aggregate gross proceeds of \$125,000. The Series I Units pay a cumulative distribution yield of 6.00% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial five-year period ending April 30, 2023. The distribution rate will be reset on April 30, 2023 and every five years thereafter at a rate equal to the greater of (i) the sum of the then five-year Government of Canada bond yield and 3.93% and (ii) 6.00%.

The REIT may redeem the Series I Units on April 30, 2023 and on April 30 every five years thereafter. The holders of Series I Units have the right to reclassify their Series I Units to Preferred Units, Series J (the "Series J Units"), subject to certain conditions, on April 30, 2023 and on April 30 every five years thereafter. The Series J Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series J Units have the right to reclassify their Series J Units to Series I Units on April 30, 2028 and on April 30 every five years thereafter.

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

(c) Normal course issuer bid:

On December 15, 2020, 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 7, 2020 as follows:

	Public float	10% of public float
Common units	101,603,961	10,160,396
Preferred unit series:		
Series A	3,361,200	336,120
Series E	3,797,730	379,773
Series I	4,865,540	486,554

Purchases will be made at market prices through the facilities of the TSX and/or alternative Canadian trading systems and all common units and preferred units acquired by the REIT under this bid will be cancelled. This bid will remain in effect until the earlier of December 16, 2021, or the date on which the REIT has purchased the maximum number of units permitted under the bid. During the year ended December 31, 2020, the REIT acquired 3,727,716 common units at market prices aggregating \$33,442, resulting in contributed surplus of \$15,159, which was the excess of stated capital over redemption proceeds. During the year ended December 31, 2020, the REIT also acquired 31,100, 45,802 and 34,460 Series A, E and I Units, respectively, at market prices aggregating \$1,850, resulting in contributed surplus of \$832, which was the excess of stated capital over redemption proceeds.

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:

	Year ended December 31,	
	2020	2019
Net income	\$ 21,543	\$ 122,737
Adjustment for distributions to preferred unitholders (note 17)	(17,420)	(19,936)
Net income attributable to common unitholders	4,123	102,801
Adjustment for restricted units	(374)	—
Adjustment for deferred units	(346)	—
Diluted net income attributable to common unitholders	\$ 3,403	\$ 102,801

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

Basic common units	136,206,856	142,434,694
Effect of dilutive securities:		
Restricted units	320,049	—
Deferred units	80,016	—
Diluted common units	136,606,921	142,434,694
Net income per unit attributable to common unitholders:		
Basic	\$ 0.03	\$ 0.72
Diluted	0.02	0.72

The computation of diluted net income per unit attributable to common unitholders includes restricted units and deferred units when these instruments are dilutive. For the year ended December 31, 2020, there were no anti-dilutive units. For the year ended December 31, 2019, restricted units and deferred units were anti-dilutive, for an aggregate total of 535,557 units and 280,942 units, respectively.

Note 16. Equity incentive plan

Under the REIT's equity incentive plan, there may be grants of unit options, restricted units, deferred units and installment units, which are subject to certain restrictions. Under this incentive plan, the total number of units reserved for issuance may not exceed 8,500,000 units, of which a maximum of 4,000,000 units are reserved for the issuance of unit options.

(a) Restricted units:

Unit-based compensation expense related to restricted units outstanding under the equity incentive plan for the year ended December 31, 2020 amounted to \$4,579 (2019, \$2,981), including \$2,123 related to accelerated vesting of restricted units as part of the executive settlement in connection with the proxy matter (note 20). Restricted units vest on and after the third anniversary of the date of grant. The restricted units accrue additional restricted units during the vesting period, and are credited when the restricted units are redeemed. Each restricted unit is valued at the closing price of the REIT's common units on the balance sheet date.

The REIT's restricted units outstanding are as follows:

	2020	Year ended December 31, 2019
	Units	Units
Balance, beginning of year	694,034	546,573
Granted	262,303	287,195
Accrued	43,877	26,356
Redeemed	(582,764)	(145,129)
Expired	(12,513)	(20,961)
Balance, end of year	404,937	694,034
Restricted units vested at end of year	14,291	19,130

(b) Deferred units:

Unit-based compensation expense related to deferred units outstanding under the equity incentive plan for the year ended December 31, 2020 amounted to \$399 (2019, \$1,282). Deferred units can only be granted to trustees of the REIT and vest immediately. Deferred units are redeemable within a specified time frame after a trustee ceases to be a trustee. The deferred units accrue additional deferred units after the grant date. Each deferred unit is valued at the closing price of the REIT's common units on the balance sheet date.

The REIT's deferred units outstanding are as follows:

	2020	Year ended December 31, 2019
	Units	Units
Balance, beginning of year	472,451	92,673
Granted	60,914	409,128
Accrued	28,050	12,594
Redeemed	(468,507)	(41,944)
Balance, end of year	92,908	472,451
Deferred units vested at end of year	92,908	472,451

(c) Unit options:

At December 31, 2020 and 2019, no unit options had been granted under the REIT's equity incentive plan.

(d) Installment units:

At December 31, 2020 and 2019, no installment units had been granted under the REIT's equity incentive plan.

Note 17. Distributions to unitholders

Total distributions declared to unitholders were as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	\$ 73,654	\$ 0.54	\$ 76,396	\$ 0.54
Preferred unitholders - Series A	4,763	1.42	4,806	1.42
Preferred unitholders - Series E	5,200	1.37	5,329	1.37
Preferred unitholders - Series G	—	—	2,301	0.73
Preferred unitholders - Series I	7,457	1.50	7,500	1.50

Note 18. Revenue

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

	Year ended December 31,	
	2020	2019
Base rent	\$ 294,851	\$ 322,554
Operating cost and realty tax recoveries	170,553	194,579
Parking and other revenue	12,741	20,736
Tenant inducements amortized to revenue	(24,854)	(23,385)
Straight-line rent adjustments	4,923	6,077
Lease termination income	703	1,099
	\$ 458,917	\$ 521,660

Refer to note 29 for a disaggregation of revenue by reportable geographical region.

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

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

	December 31, 2020	December 31, 2019
Not later than one year	\$ 293,096	\$ 315,977
One to two years	260,653	286,806
Two to three years	233,099	243,841
Three to four years	196,447	209,760
Four to five years	159,376	170,768
Later than five years	635,042	670,120
	\$ 1,777,713	\$ 1,897,272

Note 19. Corporate expenses

	Year ended December 31,	
	2020	2019
Accounting, legal and consulting	3,316	3,396
Public company costs	1,367	1,545
Unit-based compensation	2,855	4,264
Salaries and benefits	1,940	2,688
Depreciation of property and equipment	1,422	1,130
General and administrative	1,305	1,429
	\$ 12,205	\$ 14,452

Note 20. Proxy matter expenses

On September 30, 2020, the REIT received a unitholder requisition requesting the REIT call a special meeting of the REIT's unitholders for the purpose of reconstituting the Board with five new Trustees. On November 30, 2020, the REIT reached an agreement with Sandpiper Group to withdraw its unitholder meeting request and pending litigation. In connection with this proxy matter, the REIT incurred \$17,423 of expenses including legal, advisory and executive settlement costs (notes 16, 27 and 28).

Note 21. Strategic initiative expenses

In 2019, the Board of Trustees launched a formal strategic review process to explore value-maximizing opportunities for the REIT. During the course of the strategic review, the REIT actively disposed of non-core investment properties, repurchased units under its NCIB and engaged independent financial and legal advisors to review various strategic alternatives. The strategic initiative expenses include legal and advisory costs in the amounts of \$4,029 and \$1,358 in 2020 and 2019, respectively.

Note 22. Interest expense

	Year ended December 31,	
	2020	2019
Interest on mortgages and loans payable	\$ 45,492	\$ 62,445
Interest on senior unsecured debentures	12,639	16,352
Interest on credit facilities	24,983	26,640
Net amortization of above- and below-market mortgages fair value adjustments	(752)	(434)
Amortization of financing costs	3,744	3,857
Accretion on liability component of debentures	—	(51)
	\$ 86,106	\$ 108,809

Note 23. Fair value loss on derivative instruments and other transactions

The REIT recorded (losses) gains on the following:

	2020	Year ended December 31, 2019
Interest rate swaps	\$ (18,388)	\$ (11,892)
Foreign currency contracts	2,257	(5,978)
Other derivatives	(407)	385
Bargain purchase gain ⁽¹⁾	—	1,106
	\$ (16,538)	\$ (16,379)

(1) The REIT realized a bargain purchase gain related to the step acquisition of the Centre 70 Building during the year ended December 31, 2019. See note 3 for further information.

Note 24. Income taxes

(a) Canadian taxes:

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

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

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

The SIFT Rules do not apply to a REIT that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the SIFT Rules and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions throughout the years ended December 31, 2020 and 2019. As a result, the REIT does not recognize any deferred income tax assets or liabilities for Canadian income tax purposes.

(b) U.S. taxes:

The REIT's U.S. properties are owned by subsidiaries that are REITs for U.S. income tax purposes. These subsidiaries intend to distribute all of their U.S. taxable income to Canada and are entitled to deduct such distributions for U.S. income tax purposes. As a result, the REIT does not record a provision for current federal U.S. income taxes on the taxable income earned by these subsidiaries. These U.S. subsidiaries are subject to certain state taxes and a 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 25. Supplemental cash flow information

(a) Other items not affecting cash:

	Year ended December 31,	
	2020	2019
Tenant inducements amortized to revenue	\$ 24,854	\$ 23,385
Straight-line rent adjustments	(4,923)	(6,077)
Depreciation of property and equipment	1,422	1,130
Unit-based compensation	(1,859)	3,182
Other long-term employee benefits	—	888
Amortization of above- and below-market mortgages, net	(752)	(434)
Amortization of financing costs included in interest expense	3,744	3,857
Accretion on liability component of debentures	—	(51)
	\$ 22,486	\$ 25,880

(b) Changes in non-cash operating items:

	Year ended December 31,	
	2020	2019
Inventory properties	\$ (428)	\$ (3,405)
Prepaid expenses and other assets	1,633	(1,497)
Accounts receivable and other receivables	2,597	(1,335)
Security deposits and prepaid rent	(2,367)	(2,225)
Accounts payable and other liabilities	(1,327)	(3,478)
	\$ 108	\$ (11,940)

(c) Other supplemental cash flow information:

	Year ended December 31,	
	2020	2019
Interest paid	\$ 87,189	\$ 114,500
Interest received	4,811	3,220
Income taxes paid	1,216	995

Note 26. Subsidiaries

Subsidiaries of the REIT, including joint arrangements and excluding bare trustees, are outlined as follows:

Name of entity	Country	Ownership interest	
		December 31, 2020	December 31, 2019
Artis General Partner Ltd.	Canada	100 %	100 %
AX L.P.	Canada	100 %	100 %
Artis Property Management General Partner Ltd.	Canada	100 %	100 %
AX Property Management L.P.	Canada	100 %	100 %
Winnipeg Square Leaseco, Inc.	Canada	100 %	100 %
AR GL General Partner Ltd.	Canada	75 %	75 %
AR GL Limited Partnership	Canada	75 %	75 %
Artis US Holdings, Inc.	U.S.	100 %	100 %
Artis US Holdings II GP, Inc.	U.S.	100 %	100 %
Artis US Holdings II, LLC	U.S.	100 %	100 %
Artis US Holdings II L.P.	U.S.	100 %	100 %
Artis US Holdings III GP, Inc.	U.S.	100 %	100 %
Artis US Holdings III, LLC	U.S.	100 %	100 %
Artis US Holdings III L.P.	U.S.	100 %	100 %
AX US Management, Inc.	U.S.	100 %	100 %
Park 8Ninety Phase II, LP	U.S.	95 %	95 %
Park 8Ninety Phase IV, LP	U.S.	95 %	95 %
Park 8Ninety Phase V, LP	U.S.	95 %	— %
Artis/Core Park West Land, Ltd.	U.S.	90 %	90 %
Tower Business Center L.P.	U.S.	80 %	80 %
Artis/Ryan Millwright, LP	U.S.	80 %	80 %
ARTIS HRA Inverness Point GP, LLC	U.S.	50 %	50 %
ARTIS HRA Inverness Point, LP	U.S.	50 %	50 %

Note 27. Related Party Transactions

In addition to the remuneration to Trustees and key management personnel disclosed in note 28, the REIT had the following related party transactions.

For the year ended December 31, 2020, the proxy matter expenses (note 20) included reimbursements of advisory, legal and other out-of-pocket expenses incurred by Sandpiper Asset Management Inc. and RFA Capital Partners Inc. of \$1,383 and \$42, respectively, relating to the settlement agreement between the REIT and Sandpiper Group. Sandpiper Asset Management Inc. is a related party of the REIT by virtue of being a company under joint control of a Trustee and RFA Capital Partners Inc. is a related party of the REIT by virtue of being a company controlled by another Trustee.

Note 28. Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the REIT, directly or indirectly.

The remuneration of Trustees and key management personnel was as follows:

	Year ended December 31,	
	2020	2019
Retirement settlements	\$ 12,719	\$ —
Short-term benefits	9,775	8,128
Post-employment benefits	—	1,199
Other long-term benefits	—	379
Unit-based compensation	1,961	3,060
	\$ 24,455	\$ 12,766

(a) Retirement settlements:

In connection with the resolution of the proxy matter (see note 20), the President & Chief Executive Officer retired effective December 31, 2020 and the Chief Financial Officer will be retiring effective at the conclusion of the 2021 annual meeting of the Unitholders. As a result of the retirements, the REIT recorded executive settlement expenses of \$12,719 in 2020, which are included in proxy matter expenses. These expenses included reimbursement of legal fees in the aggregate amount of \$69.

(b) Short-term benefits:

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

(c) Post-employment benefits and other long-term benefits:

The REIT had defined benefit plans providing pension benefits and obligations for future retirement payments to certain key management personnel. During the year ended December 31, 2019, the REIT settled the defined benefit plans and the obligations for retirement payments.

(d) Unit-based compensation:

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

Note 29. Segmented information

The REIT owns and operates properties located in Canada and the U.S. These properties are managed and reported internally by country. Segmented information includes the REIT's 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.

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

December 31, 2020

	Canada	U.S.	REIT	Joint ventures adjustment	Total
Total assets	\$ 2,638,216	\$ 2,317,975	\$ 30,815	\$ (127,165)	\$ 4,859,841
Total liabilities	521,907	962,922	1,168,280	(127,165)	2,525,944

Year ended December 31, 2019

	Canada	U.S.	REIT	Joint ventures adjustment	Total
Revenue	\$ 289,050	\$ 250,257	\$ 311	\$ (17,958)	\$ 521,660
Expenses:					
Property operating	74,587	60,450	—	(4,938)	130,099
Realty taxes	44,442	40,776	—	(3,513)	81,705
	119,029	101,226	—	(8,451)	211,804
Net operating income	170,021	149,031	311	(9,507)	309,856
Other income (expenses):					
Corporate expenses	—	—	(14,452)	—	(14,452)
Strategic initiative expenses	—	—	(1,358)	—	(1,358)
Interest expense	(24,782)	(43,500)	(44,899)	4,372	(108,809)
Interest income	747	526	1,946	(7)	3,212
Net income from investments in joint ventures	—	—	—	36,843	36,843
Fair value gain (loss) on investment properties	4,811	(67,837)	—	(31,701)	(94,727)
Foreign currency translation gain	—	—	10,668	—	10,668
Transaction costs	(120)	(181)	—	—	(301)
Fair value gain (loss) on derivative instruments and other transactions	1,106	—	(17,485)	—	(16,379)
Income (loss) before income taxes	151,783	38,039	(65,269)	—	124,553
Income tax expense	—	(1,816)	—	—	(1,816)
Net income (loss)	\$ 151,783	\$ 36,223	\$ (65,269)	\$ —	\$ 122,737
Acquisitions of investment properties	\$ 7,929	\$ 63,706	\$ —	\$ —	\$ 71,635
Additions to investment properties, investment properties under development and investment properties held for sale	82,932	89,817	—	(43,989)	128,760
Additions to tenant inducements	19,267	29,892	—	(5,347)	43,812
Additions to leasing commissions	6,310	14,069	—	(3,638)	16,741

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 30. Commitments, contingencies and guarantees

(a) Unconditional sale agreements:

The REIT has an unconditional sale agreement for two retail properties located in Regina, Saskatchewan for a sale price of \$45,000 with expected closing in April 2021.

(b) Letters of credit:

As at December 31, 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 December 31, 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 December 31, 2020 was \$53,811 (December 31, 2019, \$56,025), with an estimated weighted-average remaining term of 2.1 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 31. Capital management

The REIT's objectives when managing capital are to safeguard the ability to continue as a going concern and to generate sufficient returns to provide unitholders with stable cash distributions. The REIT defines capital as mortgages and loans payable, senior unsecured debentures, credit facilities and unitholders' equity.

The REIT's Declaration of Trust permits the REIT to incur indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the REIT is not more than 70% of the gross book value of the REIT's total assets. Gross book value as defined in the Declaration of Trust includes the consolidated book value of the assets of the REIT, plus the amount of accumulated depreciation and amortization recorded in the books and records of the REIT, plus the amount of any deferred tax liability arising out of any indirect acquisitions, calculated in accordance with generally accepted accounting principles. As at December 31, 2020, the ratio of such indebtedness to gross book value was 49.3% (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	December 31, 2020	December 31, 2019
Mortgages and loans payable	11	\$ 1,273,522	\$ 1,401,348
Senior unsecured debentures	12	498,919	449,331
Credit facilities	13	624,461	886,522
Total debt		2,396,902	2,737,201
Unitholders' equity		2,333,897	2,470,753
		\$ 4,730,799	\$ 5,207,954

Note 32. Risk management

In the normal course of business, the REIT is exposed to a number of risks arising from its financial instruments. The most significant of these risks, and the actions taken to manage them, are as follows:

(a) Market risk:

(i) Interest rate risk:

The REIT is exposed to interest rate risk on its borrowings. The Declaration of Trust restricts the REIT's indebtedness to 70% of the gross book value of the REIT's total assets. The REIT also monitors the amount of variable rate debt. The majority of REIT's debt financing is in fixed rate terms or variables rates with interest rate swaps in place. In addition, management considers the weighted-average term to maturity of long-term debt relative to the remaining average lease terms. At December 31, 2020, the REIT had variable rate debt, including credit facilities and debentures, of \$1,495,281 (December 31, 2019, \$2,041,647). At December 31, 2020, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$973,405 of variable rate debt, including swaps on credit facilities and debentures (December 31, 2019, \$880,729).

The following table outlines the impact on interest expense of a 100 basis point increase or decrease in interest rates on the REIT's variable rate debt and fixed rate debt maturing within one year:

	Impact on interest expense	
Variable rate debt	\$	5,219
Fixed rate debt due within one year		4,126
	\$	9,345

(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 1.3375 for the year ended December 31, 2020, and the year-end exchange rate of 1.2732 at December 31, 2020, would have increased net income by approximately \$5,780 for the year ended December 31, 2020. A \$0.10 weakening in the US dollar against the Canadian dollar would have increased other comprehensive loss by approximately \$104,485 for the year ended December 31, 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.

(iii) Other price risk:

The REIT periodically enters into derivative transactions in regards to non-financial items, primarily natural gas and electrical contracts, to manage the price risk arising from fluctuations in these commodities.

(b) Credit risk:

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

The REIT is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. The REIT's properties are diversified across the industrial, office and retail asset classes, and geographically diversified with properties owned across five Canadian provinces and six U.S. states.

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

Included in property operating expenses are expected credit losses of \$2,693 during the year ended December 31, 2020 (2019, \$589).

The aging of accounts receivable is summarized as follows:

	December 31, 2020	December 31, 2019
Past due 0 - 30 days	\$ 2,074	\$ 5,110
Past due 31 - 90 days	596	935
Past due more than 91 days	2,990	2,063
	5,660	8,108
Allowance for doubtful accounts	(1,444)	(406)
	\$ 4,216	\$ 7,702

The repayment terms of the deferred receivables are as follows:

	December 31, 2020	December 31, 2019
Not later than one year	\$ 3,971	\$ —
One to two years	930	—
	4,901	—
Allowance for doubtful accounts	(545)	—
	\$ 4,356	\$ —

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

	December 31, 2020	December 31, 2019
Balance, beginning of year	\$ 406	\$ 471
Additional provisions recorded	2,860	744
Reversal of previous provisions	(167)	(155)
Amounts written-off	(1,081)	(640)
Foreign currency translation loss	(29)	(14)
Balance, end of year	\$ 1,989	\$ 406

The REIT is also exposed to credit risk as a holder of notes receivable. Management mitigates this risk by carrying out credit checks and related due diligence on the borrowers and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In addition, management monitors ongoing repayments and evaluates market conditions that may affect debtors' ability to repay.

(c) Liquidity risk:

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they come due. The REIT manages liquidity risk by maintaining adequate cash and by having appropriate credit facilities available. In addition, the REIT continuously monitors and reviews both actual and forecasted cash flows.

The following are the estimated maturities of the REIT's financial liabilities at December 31, 2020 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	\$ 96,924	\$ 96,924	\$ —	\$ —	\$ —
Lease liabilities	1,419	206	369	311	533
Credit facilities	625,617	95,617	530,000	—	—
Senior unsecured debentures	500,000	250,000	250,000	—	—
Mortgages and loans payable	1,275,277	405,949	631,849	172,323	65,156
	\$ 2,499,237	\$ 848,696	\$ 1,412,218	\$ 172,634	\$ 65,689

Note 33. Fair value measurements

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

There were no transfers of assets or liabilities between hierarchy levels during the years ended December 31, 2020 and 2019.

		December 31, 2020		December 31, 2019	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	\$ 4,325,121	\$ 4,325,121	\$ 4,618,719	\$ 4,618,719
Investment properties under development	Level 3	132,243	132,243	102,590	102,590
Notes receivable	Level 2	21,684	22,269	97,828	98,485
Investment properties held for sale	Level 3	74,483	74,483	221,915	221,915
Derivative instruments	Level 2	—	—	1,303	1,303
		4,553,531	4,554,116	5,042,355	5,043,012
Liabilities:					
Mortgages and loans payable	Level 2	1,273,522	1,278,649	1,401,348	1,412,899
Senior unsecured debentures	Level 2	498,919	507,251	449,331	453,086
Credit facilities	Level 2	624,461	625,617	886,522	888,111
Derivative instruments	Level 2	22,792	22,792	8,187	8,187
		2,419,694	2,434,309	2,745,388	2,762,283
		\$ 2,133,837	\$ 2,119,807	\$ 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 34. Subsequent events

The following events occurred subsequent to December 31, 2020:

- The Park Lucero East partnership purchased a parcel of development land in the Greater Phoenix Area, Arizona. The purchase price at the REIT's 10% interest was \$1,234 (US\$970).
- The REIT acquired an additional 5% interest in Park 8Ninety IV, an industrial property located in the Greater Houston Area, Texas, for total consideration of \$1,921 (US\$1,510). Prior to the acquisition date, the REIT owned 95% of this investment property and the property was classified as a joint venture.
- The REIT disposed of Tower Business Center, an industrial property located in the Greater Denver Area, Colorado, held in one of its joint venture arrangements. The sale price of this property at the REIT's interest was \$67,508 (US\$53,160) and a portion of the proceeds was used to repay the outstanding mortgage financing of \$21,224 (US\$16,713) at the REIT's interest.
- A condominium corporation was registered for the industrial property classified as inventory (see note 8) and the REIT closed on the sales of a number of condominium units for an aggregate sale price of \$9,425.
- The REIT entered into an unconditional sale agreement to sell a portion of a retail property located in Fort McMurray, Alberta for \$4,600 with expected closing in April 2021.
- The REIT repaid a maturing mortgage for an office property in the amount of \$12,978, repaid a maturing mortgage for a retail property in the amount of \$5,405, repaid a maturing mortgage for an industrial portfolio in the amount of \$9,354 (US\$7,366) and repaid a mortgage for an industrial property held under a joint venture arrangement at the REIT's interest in the amount of \$9,365 (US\$7,360).
- The REIT received new mortgage financing on three previously unencumbered retail properties in the amount of \$81,000.
- The REIT received new mortgage financing in the amount of \$20,000 and repaid the existing mortgage in the amount of \$10,944 for a retail property.
- The REIT made an interest payment for the Series C senior unsecured debentures in the amount of \$4,593 for the six months ended February 22, 2021 and repaid the principal balance upon maturity in the amount of \$250,000.
- The REIT repaid a net balance of \$30,000 and drew a net balance \$202,551 (US\$159,500) on its revolving term credit facilities.
- The REIT purchased through the NCIB 1,064,346 common units at a weighted-average price of \$10.68, 3,700 Series A Units at a weighted-average price of \$19.51 and 6,624 Series E Units at a weighted-average price of \$18.81.
- The REIT declared a monthly cash distribution of \$0.04635 per common unit for the months of January and February 2021.
- The REIT declared a quarterly cash distribution of \$0.3750 per Series I Unit for the three months ended January 31, 2021.

Note 35. Comparative figures

Certain comparative figures in the consolidated statements of operations, consolidated statements of cash flows and note 29 segmented reporting for the year ended December 31, 2019 have been reclassified to conform with the financial statement presentation adopted for the year ended December 31, 2020. Strategic initiative expenses were previously included in corporate expenses for the year ended December 31, 2019 and are now presented as a separate line item on the consolidated statements of operations and segmented reporting. This reclassification is intended to provide additional details on the REIT's results of operations. Distributions from joint ventures were previously presented as cash flows from operating activities and are now presented as cash flows from investing activities on the consolidated statements of cash flows. This reclassification is intended to better reflect the nature of the cash flows.

Note 36. Approval of financial statements

These consolidated financial statements were approved by the Board of Trustees and authorized for issue on March 2, 2021.