



ANNUAL REPORT

2018

ABOUT ARTIS REIT

Artis is one of the largest diversified commercial real estate investment trusts in Canada. Since 2004, Artis has executed an aggressive but disciplined growth strategy, building a portfolio of office, retail and industrial properties in Canada and select markets in the United States ("U.S.).

Artis' primary objective is to provide a tax-efficient monthly cash distribution, as well as long-term appreciation in the value of Artis' units through the accumulation and effective management of a quality portfolio of commercial real estate. Artis meets this objective through strategic asset ownership, a disciplined growth strategy and prudent financial management.

ON THE COVER:

Front: Canadian Pacific Plaza,
120 South Sixth Street, Minneapolis, MN

Inside: 220 Portage Avenue, Winnipeg, MB

DISCLAIMER:

All figures are presented in Canadian dollars and on a Proportionate Share basis unless otherwise noted. The information in this Annual Report should be read in conjunction with the REIT's audited annual consolidated financial statements and management's discussion and analysis for the years ended December 31, 2018, 2017 and 2016. These documents are available on SEDAR at www.sedar.com or on Artis' website at www.artisreit.com.

MESSAGE FROM THE PRESIDENT & CHIEF EXECUTIVE OFFICER

Fellow Unitholders:

2018 has been a year of significant change for Artis. In November, we announced several new initiatives that are focused on improving our growth profile, strengthening our balance sheet and ensuring the REIT is best positioned for long-term and sustainable adjusted funds from operations per unit and net asset value per unit growth. These initiatives include revising the REIT's distribution, immediately and continually buying back units through the normal course issuer bid, optimizing our portfolio by narrowing our focus to key assets in fewer markets, and pursuing high-yield, accretive development projects in our target markets that will improve the value and quality of our portfolio. Given the current real estate and economic outlook, including rising interest rates and the challenges faced by the Calgary office market due to overbuilding and the decline in oil prices, and in consideration of Artis' units trading at a significant discount to net asset value, these initiatives will position the REIT to deliver meaningful and sustainable growth for our unitholders.

Since the announcement in November, we've made notable progress on these initiatives. We reset the distribution to a conservative level and focused on maximizing the unit buyback through our normal course issuer bid immediately. From November 1 to December 31, we bought back 3,541,927 common units at a weighted-average price of \$9.77 and 12,200 preferred units at a weighted-average price of \$19.83. In 2019, we have, and will continue to, maximize our unit purchases through our normal course issuer bid to the extent that the significant discount between our trading price and net asset value persists. In the meantime, our plan to optimize our portfolio is well under way. We sold an office building and listed 16 properties for sale with qualified brokers who are actively marketing the assets. We are also pleased to report that our development projects are on schedule and are all well-located, best-in-class assets that are garnering healthy leasing interest and will improve the overall growth profile and quality of our portfolio.

In addition to navigating these many operational changes in 2018, our board of trustees spent valuable time meeting with unitholders to elicit feedback and discuss the importance of sound governance practices. With this feedback in mind, we implemented significant improvements to our governance and compensation policies to better align with industry best practices. These new policies focus on the importance of gender diversity on the board and in the workplace, board renewal and committee changes to encourage new and objective perspectives, and various changes to compensation policies including the addition of performance-based compensation as part of the 2018 executive compensation and a say on pay advisory vote for unitholders at our 2019 annual general meeting. In

addition, we added three new board members in 2018 who bring a wealth of knowledge, experience, and new perspectives to our board. These changes have been well received by our unitholders and we are committed to continuously reviewing and making improvements to our governance and compensation policies in the future. We are also pleased to announce that we are expanding our annual report on corporate sustainability this year to be even more comprehensive, covering updates on social and governance practices in addition to updates on environment practices at Artis. We look forward to publishing this report in the coming months.

Over the last year, we have extensively reviewed all aspects of our business from our assets, to our financial management, to our governance practices to name only a few. This is an ongoing process that will carry into 2019 and beyond. Looking ahead, the next few years will be transformational for Artis. Combined with our strong and dedicated board and management team, our initiatives will ultimately make Artis an even stronger and more resilient REIT. I'd like to thank our employees and our trustees for their hard work and dedication over the past year, and our unitholders for continuing to put their trust in us. We look forward to 2019 with confidence and enthusiasm for both the challenges, and the rewards, that lie ahead.



A handwritten signature in black ink, appearing to read 'Armin Martens'.

Armin Martens, P.Eng., MBA
President & C.E.O.

FINANCIAL HIGHLIGHTS

(in thousands, except per unit amounts)

YEAR ENDED DECEMBER 31	2018	2017	2016
Revenue	\$534,065	\$542,929	\$572,515
Property Net Operating Income	\$315,536	\$325,645	\$348,714
Distributions Per Common Unit	\$0.99	\$1.08	\$1.08
Normalized Funds from Operations (FFO)	\$200,139	\$215,360	\$225,876
Normalized FFO per unit	\$1.30	\$1.43	\$1.55
Normalized FFO payout ratio	76.2%	75.5%	69.7%
Gross Book Value (GBV)	\$5,847,249	\$5,386,329	\$5,668,337
Secured Mortgages and Loans to GBV	30.6%	31.9%	40.6%
Total Long-Term Debt and Credit Facilities to GBV	50.6%	49.3%	51.0%

INVESTOR HIGHLIGHTS

CANADIAN COMMERCIAL REIT WITH 235 PROPERTIES TOTALLING 25.1 MILLION SQUARE FEET OF LEASABLE AREA

TRUST UNITS EARN A MONTHLY DISTRIBUTION OF \$0.54 PER UNIT PER ANNUM

PREFERRED UNITS EARN A STABLE QUARTERLY DISTRIBUTION

DIVERSIFIED BY ASSET CLASS INCLUDING OFFICE, RETAIL AND INDUSTRIAL PROPERTIES, AND GEOGRAPHICALLY IN SELECT CANADIAN AND U.S. MARKETS



BBB (LOW) & PFD-3 (LOW) INVESTMENT GRADE CREDIT RATING FROM DBRS

Normalized FFO excludes certain non-recurring adjustments. The 2016 FFO comparative information has been revised to reflect the impact of the new FFO guidelines issued by REALpac in February 2017.

FUNDS FROM OPERATIONS **\$200,139**

2018	\$200,139
2017	\$215,360
2016	\$225,876

PROPERTY NOI **\$315,536**

2018	\$315,536
2017	\$325,645
2016	\$348,714

REVENUE **\$534,065**

2018	\$534,065
2017	\$542,929
2016	\$572,515

TOTAL ASSETS **\$5,841,846**

2018	\$5,841,846
2017	\$5,382,008
2016	\$5,664,907

REAL ESTATE PERFORMANCE

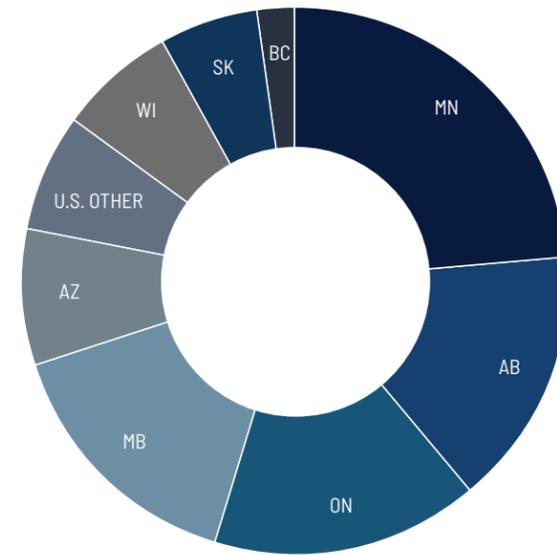
Portfolio diversification, both by geography and by asset class, is a core strategy of the REIT. Artis' portfolio comprises 235 properties totalling 25.1 million square feet of gross leasable area across five Canadian provinces and six U.S. states. In 2018, Artis' portfolio continued to show stable occupancy levels, which remained over 90% at all times throughout the year.

Artis concluded 2018 with a well-diversified portfolio of 235 properties, totalling 25.1 million square feet of gross leasable area and representing three asset classes that are strategically located in two countries, across five Canadian provinces and six U.S. states. The Canadian assets account for 54.3% of Artis' portfolio by gross leasable area, while 45.7% of the portfolio by gross leasable area is located in the U.S. By asset class, Artis' industrial portfolio accounts for 43.5% of the gross leasable area of the portfolio, while office assets represent 42.7% and retail assets represent 13.8%. Portfolio diversification, both by geography and by asset class, is a core strategy of the REIT. The diversification of Artis' portfolio provides stability and protection from risks associated with changes in economic conditions of a particular market or industry.

Since Artis acquired its first U.S. property in 2010, U.S. assets have been an integral part of the REIT's diversification strategy. Artis' U.S. assets, which represent 45.2% of Artis' 2018 fourth quarter property net operating income, have enhanced the diversification and overall quality of the portfolio while providing the REIT with a natural hedge. In 2018, Artis announced several new initiatives which, over the next three years once executed, are anticipated to increase Artis' U.S. weighting (by percentage of total property net operating income) to approximately 60%. As part of these new initiatives, Artis plans to optimize its portfolio by narrowing its focus to key assets in fewer markets, a plan which will include selling \$800 million to \$1 billion worth of assets over the next three years. Artis plans to use a portion of the proceeds to fund growth opportunities, primarily development projects in the U.S. and select acquisitions in target markets that will improve the value and quality of the portfolio. During 2018, the REIT sold six properties in total, all of which were considered non-core assets. Management continues to work diligently on the REIT's numerous development projects, capitalizing on the opportunity to own new generation real estate that provides a healthy return, higher than that of acquiring an existing property.

In 2018, Artis' portfolio continued to show consistent performance, reporting occupancy levels over 90% at all times throughout the year. Across Artis' seven offices located in Winnipeg, Calgary, Edmonton, Toronto, Phoenix, Madison and Minneapolis, 3.0 million square feet of lease transactions (including new leases and renewals) were completed during the year. The weighted-average increase in rental rates achieved on renewals that commenced during the year was 2.3%, while same property net operating income growth was 1.1%. Looking ahead to 2019, a manageable 14.0% of Artis' gross leasable area expires, 21.7% of which was renewed or committed to new leases at the end of 2018. Artis' property managers continue to focus on building relationships with tenants, working to ensure their space is aligned with their business strategy and overall needs. Helping tenants to be successful has a positive impact on the REIT's tenant retention, which an essential factor in effective real estate management.

Corporate sustainability is a core value at Artis and is another factor by which to measure the effectiveness of the REIT's property and asset management. As one of Canada's largest and most prominent landlords, Artis considers it a responsibility, as an employer and a member of the community, to set a high standard in sustainable practices and demonstrate the importance of environmental care and protection. Artis facilitates and promotes a corporate culture that values and prioritizes



PORTFOLIO BY GROSS LEASABLE AREA BY GEOGRAPHICAL REGION

■ MN	23.7%
■ AB	15.4%
■ ON	15.7%
■ MB	15.2%
■ AZ	8.3%
■ U.S. OTHER	6.9%
■ WI	6.8%
■ SK	5.8%
■ BC	2.2%

sustainability. Investment in, and the development and management of buildings in an environmentally prudent and resource efficient manner is a high priority. Artis has expanded its annual report on corporate sustainability for 2018 to include environmental, social and governance ("ESG") updates, demonstrating Artis' commitment to the accountability and transparency of ESG practices and reinforcing the REIT's dedication to continuous improvement in these areas.

MAX AT KIERLAND

16220 North Scottsdale Road, Scottsdale, AZ





1700 BROADWAY
1700 Broadway Street, Denver, CO



STAPLEY CENTER
1630 South Stapley Drive, Phoenix, AZ



HUDSON'S BAY CENTRE
1600 Stout Street, Denver, CO



BOULDER LAKES BUSINESS PARK I
2900 Ames Crossing Road, Minneapolis, MN

MEETING THE OBJECTIVE

Artis' primary objective is to provide a tax-efficient monthly cash distribution, as well as long-term appreciation in the value of Artis' units through the accumulation and effective management of a quality portfolio of commercial real estate.

Artis' three core strategies to meet this objective are: strategic asset ownership, disciplined growth, and prudent financial management.

STRATEGIC ASSET OWNERSHIP

Artis' portfolio consists of quality office, retail and industrial real estate that is strategically and diversely located in select primary and secondary markets in Canada and the U.S. To maximize the potential of the portfolio, management conducts ongoing analysis of relevant economic fundamentals in its target markets and the performance of its assets, while continuously considering opportunities to make accretive acquisitions, pursuing the development of new generation real estate and disposing of assets that are not aligned with the REIT's long-term strategy.

In November 2018, Artis announced several new initiatives, one of which is to optimize the portfolio by narrowing its focus to key assets in fewer markets, a plan which will include selling \$800 million to \$1 billion worth of assets over the next three years. For the purpose of these new initiatives, Artis has categorized its current portfolio into three asset types: Core Artis Assets, Development Assets and Non-Core Artis Assets. The following outlines the categorization and the REIT's strategy for each asset type going forward:

- Core Artis Assets are invaluable assets located in target markets in which Artis anticipates maintaining a long-term presence. These assets are located in markets that have excellent demand generators that support historically high occupancy rates and same property net operating income growth and are well leased to quality tenants, including necessity and service-based tenants in the retail assets. Core Artis Assets represent approximately 79% of Artis' current portfolio and include industrial, office and retail properties. These assets will continue to be actively managed and prudently managed to realize maximum growth and management is confident that they will continue to deliver strong performance going forward.
- Development Assets include parcels of land owned by Artis upon which a development project is under way or that have potential for future development, as well as select assets with growth potential to be realized from redevelopment and repositioning. These assets will be actively managed and redeveloped to maximize unitholder value while new development projects are pursued in a prudent manner. Development projects that are under way are predominantly new generation industrial projects with development yields well in excess of acquisition capitalization rates. The Development Asset category represents approximately 4% of Artis' portfolio and, with future investment, is expected to double in weighting over the next three years as projects are completed.
- Non-Core Artis Assets are quality assets that are outliers in Artis' portfolio with respect to type or location. These assets are in markets where Artis does not intend to grow and, due to lack of scale and local positioning, does not anticipate maintaining a long-term presence. Also considered Non-Core Artis Assets are select multi-family densification opportunities which, upon receiving the appropriate rezoning approval, will be sold to capitalize on the strong demand for residential development sites and unlock incremental value for unitholders. The disposition of these assets is aligned with Artis' strategy of owning a focused and optimized portfolio. Management anticipates these assets, which represent 17% of Artis' current portfolio, will be sold opportunistically over the next three years.

Artis plans to use a portion of the proceeds to fund growth opportunities, primarily development projects in the U.S. and select acquisitions in target markets that will improve the value and quality of the portfolio.

During the year, Artis disposed of six properties in Canada and the U.S. for aggregate sale prices of \$159.1 million and US\$19.1 million.

2018 ACQUISITIONS

In 2018, Artis acquired an office property in the Greater Phoenix Area, Arizona, an office property in the Twin Cities Area, Minnesota, and the remaining 50% interest in two office properties in Denver, Colorado, at a weighted-average capitalization rate of 6.54%. In addition, Artis acquired the remaining 10% interest in Park Lucero II, three parcels of land in the U.S. and a parking lot that is ancillary to an owned office property in Winnipeg, Manitoba. The aggregate purchase price for all acquisitions in 2018 was \$10.5 million and US\$190.0 million.

2018 DISPOSITIONS

During 2018, Artis sold five office properties (including a 50% interest in one property held under a joint venture arrangement) and one industrial property, totalling approximately 685,000 square feet of leasable area, for aggregate sale prices of \$159.1 million and US\$19.1 million, representing a weighted-average capitalization rate of 5.07% (excluding one property that was sold to an owner-occupier and one property that was substantially vacant) and a net gain of \$13.2 million over the most recently reported IFRS value. Two of these sales were Calgary office properties, which were sold for an aggregate price of \$29.5 million.

Over the last several years, since the downturn in oil prices and the impact it has had on the Alberta economy and real estate sector, Artis has conveyed its intention to reduce the percentage of property net operating income derived from its Alberta properties by further diversifying the portfolio in a patient and diligent manner. Since the end of 2014, the percentage of property net operating income derived from Artis' Alberta properties has decreased from 39.1% to 21.0%, while the percentage of property net operating income derived from Artis' Calgary office properties has decreased from 17.7% to 7.7%. Since 2014, the REIT has sold 27 properties in Alberta totalling 2.8 million square feet of leasable area. The aggregate sale price for these assets was \$562.9 million, representing a weighted-average capitalization rate of 5.98% (excluding two properties that were sold to owner-occupiers and one property that was substantially vacant) and a net gain of \$9.9 million over the most recently reported IFRS value. Of these sales, 12 were located in Calgary, eight of which were office properties. Management has been pleased with the capitalization rate and net gain over Artis' IFRS value that was achieved on these sales, despite the market challenges, and feel this demonstrates the benefit of patience and diligence in executing this strategy. As part of Artis' new initiatives announced in November, the REIT expects to further decrease its Calgary office presence.

As part of Artis' plan to sell \$800 million to \$1 billion of non-core real estate, the portfolio will be streamlined to core, invaluable assets that are located in markets with excellent demand generators that support historically high occupancy rates. The REIT anticipates using a portion of the proceeds to continue to maximize its purchase of units through the normal course issuer bid, with the balance being used to reduce debt and to fund Artis' anticipated growth opportunities.

PROPERTY	LOCATION	ASSET CLASS	PURCHASE/ SALE PRICE
Acquisitions			
1700 Broadway & Hudson's Bay Centre ⁽¹⁾	Greater Denver Area, CO	Office	US \$70,000,000
Stapley Center	Greater Phoenix Area, AZ	Office	US \$48,500,000
Park Lucero II ⁽²⁾	Greater Phoenix Area, AZ	Industrial	US \$1,581,865
Boulder Lakes Business Park I	Twin Cities Area, MN	Office	US \$56,861,652
Dispositions			
Humana Building	Greater Phoenix Area, AZ	Office	US \$19,067,000
1810 Dublin Avenue	Winnipeg, MB	Industrial	\$ 1,850,000
630-4th Avenue SW	Calgary, AB	Office	\$9,000,000
Production Court	Greater Vancouver Area, BC	Office	\$100,500,000
Eau Claire Place II	Calgary, AB	Office	\$20,500,000
Centrepoint ⁽³⁾	Winnipeg, MB	Office	\$27,250,000

(1) Artis acquired the remaining 50% interest in these properties.

(2) Artis acquired the remaining 10% interest in this property.

(3) Artis disposed of its 50% interest in this property.

MEETING THE OBJECTIVE

DISCIPLINED GROWTH

ORGANIC GROWTH

The objective of Artis' organic growth strategy is to identify and extract the maximum value from each asset in its portfolio. The key to achieving this objective is efficient and effective management of assets, maintaining high occupancy levels, capitalizing on increases in renewal rents and realizing the gain between in-place or expiring rental rates and market rental rates through leasing activities.

During 2018, Artis' management team successfully renewed 1.7 million square feet of gross leasable area, reporting a weighted-average increase in renewal rents of 2.3%. This demonstrates a healthy rate of organic growth. In addition to the increase in renewal rents achieved, Artis reported that stabilized same property net operating income (which excludes the Calgary office portfolio and properties planned for disposition or repurposing), increased by 2.9% year-over-year, and increased 1.1% year-over-year when calculated inclusive of the Calgary office portfolio and properties planned for disposition or repurposing. Management estimates market rents are 1.3% above in-place rents across the portfolio (or 1.8% above in-place rents when calculated exclusive of the Calgary office portfolio). These metrics are indicative of potential revenue growth to be gained from future leasing activities.

VALUE CREATION

Development projects are an integral part of Artis' new initiatives announced in November and are an important component of Artis' growth strategy. With capitalization rate compression in many of Artis' target markets and, therefore, fewer compelling opportunities to acquire real estate, value creation through development and redevelopment projects present a way to achieve growth at attractive yields. New development projects also increase the overall quality and leasable area of Artis' portfolio, which correspondingly increases revenue potential and asset value. Value creation projects improve the aesthetics of Artis' assets, while simultaneously increasing the energy efficiency and revenue growth potential of its buildings.

Artis completed two new development projects in 2018: 169 Inverness Drive West I and Park Lucero IV.

169 Inverness Drive West I is an office development in the Greater Denver Area, Colorado, situated on a 10-acre parcel of land adjacent to the AT&T Building, an office building acquired by Artis in 2013. The first phase of this multi-phase project includes a Class A office building totalling approximately 118,000 square feet of leasable area. The site is located on the I-25 with immediate connectivity to the light rail transit system.

Park Lucero is a four-phase industrial development on a 48-acre parcel of land in the Greater Phoenix Area, Arizona. The first phase of this project was substantially complete in 2015 and consists of three state-of-the-art industrial buildings totalling approximately 208,000 square feet of leasable area. Construction of the second and third phases, comprising approximately 132,000 and 147,000 square feet of leasable area, respectively, were completed in 2017, while construction of the fourth phase, comprising 96,000 square feet of leasable area, was completed in 2018. All phases of the development total approximately 583,000 square feet of leasable area and are 100% leased.

Artis has numerous ongoing development and densification projects underway in the portfolio. In 2018, construction of 300 Main and 330 Main began, which are two new projects that will span nearly an entire city

block in downtown Winnipeg, Manitoba. These sites are located above the Shops of Winnipeg Square retail concourse and Winnipeg Square Parkade, and adjacent to 360 Main, a 30-storey Class A office tower, all of which is currently owned by Artis. 300 Main will be a best-in-class amenity-rich apartment building with main floor commercial space, while 330 Main will be a state-of-the-art multi-tenant retail property. 330 Main is approximately 90.0% leased pursuant to a 20-year lease with rental increases every five years. At Park 8Ninety in the Greater Houston Area, Texas, the first phase is complete and 88.5% leased, while construction of the second phase is under way and 40% pre-leased. Artis successfully negotiated a build-to-suit development for the third phase at the site with a national tenant for 33,000 square feet that is expected to be complete in mid-2019.

During 2018, Artis acquired three parcels of development land in the U.S., including Cedar Port, Tower Business Center (80% interest in the form of a joint venture arrangement), and 1630 Aspen. Cedar Port is a two-phase development expected to comprise approximately 1.0 million square feet of industrial real estate in Houston, Texas. Construction of the first phase of this project has commenced and will total 519,000 square feet, which is 100% leased for a 12.5-year term. Tower Business Center is a two-building industrial development in the Greater Denver Area, Colorado, that is expected to total approximately 420,000 square feet. Construction is underway, and there has been positive leasing interest in this development. Last, 1630 Aspen is a parcel of land adjacent to an owned office property in Madison, Wisconsin, that will be held for future development.

Value creation can also be achieved through the redevelopment of existing assets within the portfolio, by capitalizing on opportunities to realize the highest and best use for a property or by modernization to attract long-term credible tenants and remain competitive in the marketplace. Artis' management conducts ongoing strategic review of each asset in its portfolio to identify such opportunities. At the end of 2018, Artis had two properties held for redevelopment; Sierra Place, an office asset in Calgary, Alberta, and 2145-2155 Dunwin Drive, an industrial property in the Greater Toronto Area, Ontario. Sierra Place is undergoing an extensive redevelopment to be converted from an office to a residential property. Sierra Place, which is conveniently located downtown on a light rail transit line and provides access to the city's Plus 15 walkway system, will have approximately 100 suites upon completion of the redevelopment. 2145-2155 Dunwin Drive is being converted into commercial condominium units.

In addition to the above noted projects, Artis has an extensive development pipeline, which consists of commercial projects that are in the early planning stages to be developed over the next several years and projects that are being considered for future development. The REIT also has several potential multi-family development opportunities that are planned for sale once rezoning and densification entitlements are achieved.



CEDAR PORT

5151 East Grand Parkway, Houston, TX

In 2018, Artis acquired Cedar Port, two parcels of land totalling 52.5 acres in Houston, Texas, for the multi-phase development of approximately 1.0 million square feet of industrial real estate. Site work is under way for the first phase of this project, which is anticipated to total approximately 519,000 square feet and is 100% leased for a 12.5-year term with annual rent escalations of 2.5%. Artis anticipates the completion of this project in 2019.



TOWER BUSINESS CENTER

Tower Road & E 38th Avenue, Denver, CO

In 2018, Artis acquired an 80% interest in Tower Business Center (in the form of a joint venture arrangement), an industrial development in the Greater Denver Area, Colorado. This site, totalling approximately 30 acres, is located in close proximity to I-10 and is part of a large industrial/retail market. Construction is under way for this development, which is expected to comprise two buildings totalling approximately 420,000 square feet of leasable area once completed. Artis anticipates the completion of this project in 2019.



PORTFOLIO MAP

A Canadian commercial REIT with 235 properties totalling 25.1 million square feet of gross leasable area, diversified by asset class including office, retail and industrial properties and geographically in select Canadian and U.S. markets.

TOP 10 TENANTS

by percentage of gross revenue in Canadian and US dollars



MEETING THE OBJECTIVE

FINANCIAL MANAGEMENT

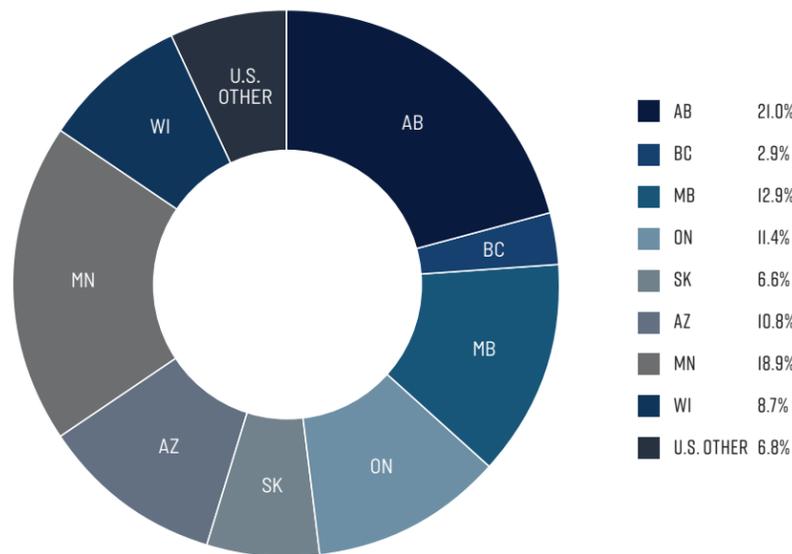
During 2018, Artis delivered a solid overall performance and made several improvements to key financial metrics. The REIT increased the borrowing capacity of its revolving term credit facilities to an aggregate amount of \$700.0 million, which can be utilized for general corporate and working capital purposes, short-term financing of investment property acquisitions and the issuance of letters of credit. At year end, Artis had a healthy balance sheet and ample liquidity, including \$70.0 million of cash on hand and unsecured term credit facilities totalling \$1.0 billion, of which \$225.3 million was available. Additionally, Artis increased its pool of unencumbered assets, totalling 91 properties and eight parcels of development land and representing a fair value of \$1.8 billion. At December 31, 2018, Artis' unencumbered assets to unsecured debt ratio was 1.6 times.

Artis' growth strategy and effective financial and operational management continues to be driven by the REIT's capital recycling initiatives. Revenue in 2018 was \$534.1 million, compared to \$542.9 million in 2017, and net operating income in 2018 was \$315.5 million, compared to \$325.6 million in 2017. The decrease was primarily driven by the dispositions completed in 2017 and 2018. In the real estate industry, other key performance indicators include funds from operations and adjusted funds from operations. In 2018, normalized funds from operations were \$200.1 million, compared to \$215.4 million year-over-year, a decrease of 7.1%. On a per unit basis, normalized funds from operations decreased to \$1.30 from \$1.43 year-over-year. Normalized adjusted funds from operations decreased to \$149.4 million from \$157.5 million year-over-year. This translates to a per unit decrease in normalized adjusted funds from operations to \$0.97 from \$1.04. The decline was primarily due to the disposition of properties in 2017 and 2018.

At December 31, 2018, Artis reported secured mortgages and loans to gross book value of 30.6%, decreased from 31.9% at December 31, 2017, and total long-term debt and credit facilities to gross book value of 50.6%, compared to 49.3% at December 31, 2017. At December 31, 2018, Artis reported an interest coverage ratio of 2.84 times for the year, compared to 3.05 times reported for 2017.

In accordance with Artis' objective to provide a tax-efficient monthly cash distribution, Artis paid its unitholders distributions of \$0.99 per unit. Effective November 2018, the REIT's distribution was reset to \$0.54 per unit annualized from \$1.08 per unit annualized. Artis' normalized funds from operations payout ratio and normalized adjusted funds from operations payout ratio, which are key financial metrics used to determine the sustainability of a real estate investment trust's distribution payments, were 76.2% and 102.1%, respectively, for the year ended December 31, 2018.

In addition to these achievements, Artis continued to maintain its investment grade credit rating from DBRS Limited of BBB (low) and Pfd-3 (low). This rating is highly respected in the real estate industry, where only select real estate investment trusts and real estate operating companies have been awarded an investment grade credit rating. Artis earned this rating as a result of its impressive financial profile and credit matrix, along with its fully diversified commercial portfolio by geography and asset class and reliable tenant mix with national and government tenants accounting for 53.6% of gross revenue. Artis' top 20 tenants account for 21.2% of total gross revenue.



PORTFOLIO BY PROPERTY
NET OPERATING INCOME (Q4-18)



PARK 8NINETY

9021 South Sam Houston Parkway West, Houston TX

Artis owns a 127 acre parcel of development land called Park 8Ninety located in the Southwest industrial submarket in the Greater Houston Area, Texas, which is expected to be developed in several phases into approximately 1,774,000 square feet of new generation industrial real estate. Construction of Park 8Ninety I was completed in 2017, comprising three buildings and totalling approximately 440,000 square feet. Site work began in 2018 for Park 8Ninety II and Park 8Ninety III. Park 8Ninety II is expected to comprise approximately 572,000 square feet, while Park 8Ninety III is expected to comprise 33,000 square feet and is 100% leased to a national tenant pursuant to a long-term lease. Both projects are expected to be complete in 2019. Artis has a 95% ownership interest in Park 8Ninety I and Park 8Ninety II (in the form of a joint venture arrangement).



OUTLOOK

Since 2004, Artis has grown from one property into a diversified REIT with a portfolio of 235 properties representing over \$5.7 billion in assets. During this period, Artis has experienced several real estate cycles, including the downturn in the Calgary office market, and has adapted its strategy in response to the changing market conditions in order to continue growing and generating returns. Given the changing market conditions, Artis believes its unitholders will be rewarded over the long-term through the REIT's reinvestment of its capital into available attractive growth opportunities and accretive initiatives.

Over the last two years, Artis has sold and recycled over \$1.5 billion of assets and, in addition to redeploying the funds into markets outside of Alberta, has paid down debt to maintain the integrity of its balance sheet. Despite improving fundamentals in the Alberta market, management believes that recovery and growth may take longer than previously anticipated. As such, Artis plans to continue reducing its Calgary office exposure to approximately 5% of the portfolio from nearly 8% currently. Artis will focus on investing capital in growth opportunities in the industrial segment with a target of industrial assets representing 40% of the total portfolio within the next three years.

Over the last decade, Artis has established a solid track record of greenfield developments in both Canada and the U.S. which provide the REIT with new generation real estate assets at relatively higher yields. Artis' current development projects consist of primarily new generation industrial developments which, upon completion, will create incremental unitholder value. Based on the REIT's experience in delivering successful developments, Artis believes a yield upward of 7% can be achieved through its development pipeline. The REIT believes that, following the execution of the new initiatives announced in November 2018, Artis will emerge with a stronger real estate portfolio, an improved growth profile, a more defensive balance sheet and the financial capacity to finance an attractive development pipeline. While the decrease to the distribution in November 2018 was necessary to enable the REIT to execute on the new initiatives, the REIT is confident that, over the long-term, the new initiatives will grow Artis' adjusted funds from operations per unit and net asset value per unit and maximize total returns to the unitholders.

In the meantime, Artis continues to focus on optimizing its portfolio by rebalancing and streamlining its diversification strategy, disposing of non-core assets and strategically pursuing new development projects. Artis will continue to maximize its unit purchases under the NCIB for the full 2019 year to the extent that the REIT's significant discount to net asset value persists and will focus on continuing to improve its balance sheet. Combined with a strong and dedicated board and management team, the new initiatives will ultimately make Artis a stronger and more resilient REIT.

All metrics are either as at December 31, 2018, or for the 12 months ended December 31, 2018, unless otherwise noted.

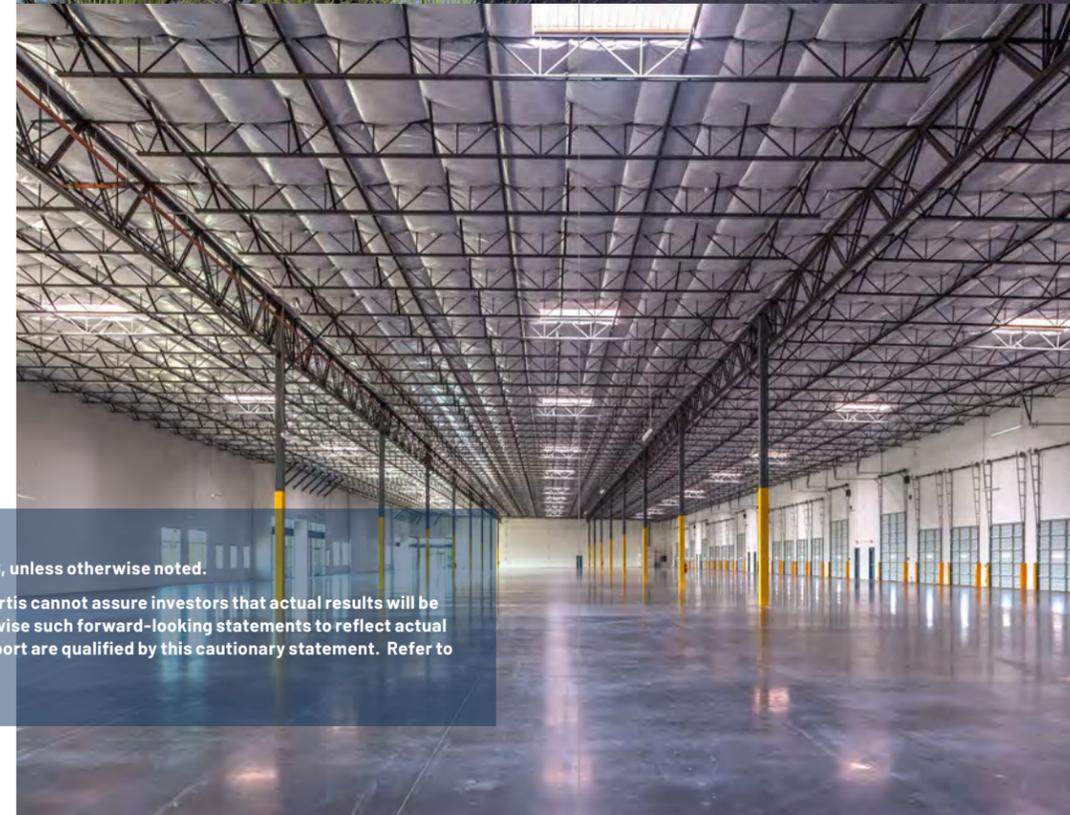
Readers are cautioned that this Annual Report may contain forward-looking statements. Artis cannot assure investors that actual results will be consistent with any forward-looking statements and assumes no obligation to update or revise such forward-looking statements to reflect actual events or new circumstances. All forward-looking statements contained in this Annual Report are qualified by this cautionary statement. Refer to Artis' management's discussion and analysis for a full forward-looking disclaimer.



PARK LUCERO I, II, III & IV

13914-13952 E Germann Road, Phoenix, AZ

Artis has completed construction of all four phases of Park Lucero, an industrial project located in the Greater Phoenix Area, Arizona. The four completed phases, which total approximately 583,000 square feet, are 100% leased. In 2018, Artis completed base-building construction of Park Lucero IV, a 96,000 square foot rear-load building, and leased the entire building to a single tenant in pursuant to a lease commencing in 2019. Tenant improvement work is under way. In 2018, Artis acquired the remaining 10% ownership interest in Park Lucero II (which was previously partially owned as a joint venture arrangement) and now owns 100% of all phases of Park Lucero.



MANAGEMENT TEAM

EXECUTIVES



ARMIN MARTENS
President and Chief Executive Officer



JIM GREEN
Chief Financial Officer

EXECUTIVE VICE-PRESIDENTS



DAVID JOHNSON
Executive Vice-President
Asset Management (Central Region)



PHILIP MARTENS
Executive Vice-President
(U.S. Region)



FRANK SHERLOCK
Executive Vice-President
Property Management



DENNIS WONG
Executive Vice-President
Asset Management

SENIOR VICE-PRESIDENTS



PATRICK DEVINE
Senior Vice-President
Leasing (U.S. Region)



MARIE DUNN
Senior Vice-President
Asset Management (U.S. Region)



BRAD GOERZEN
Senior Vice-President
Leasing (Central Region)



JACLYN KOENIG
Senior Vice-President
Accounting



AMY MELCHIOR
Senior Vice-President
Asset Management (Minnesota)



GREGORY MOORE
Senior Vice-President
Asset Management (Western Region)



KIM RILEY
Senior Vice-President
Investments & Developments



RONALD WIELER
Senior Vice-President
Construction & Development (U.S. Region)



LEON WILKOSZ
Senior Vice-President
Asset Management (Wisconsin)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

Artis is committed to minimizing its carbon footprint and promoting the use of energy efficient practices in its buildings. At Artis, energy certification is considered an asset, both with respect to our existing portfolio and when acquiring new properties. The three major sustainability certifications pursued are:



**BOMA
BEST®**

LEED LEADERSHIP IN ENERGY & ENVIRONMENTAL DESIGN

LEED or Leadership in Energy & Environmental Design is a green building tool that addresses the entire building lifecycle, recognizing best-in-class building strategies.

ENERGY STAR

Energy Star is a voluntary U.S. Environmental Protection Agency (EPA) program that certifies buildings in the U.S. for superior energy performance.

BOMA BEST BUILDING OWNERS AND MANAGERS ASSOCIATION BUILDING ENVIRONMENTAL STANDARDS

BOMA or the Building Owners and Managers Association promotes energy efficiency and sustainability for new and existing buildings by assigning certification levels based on achievement of energy targets.

ENVIRONMENTAL

Corporate sustainability is a high priority for Artis. Management is committed to improving the energy efficiency of Artis’ properties and reducing its environmental footprint. At December 31, 2018, Artis had 15 properties with a LEED certification, 18 properties with a BOMA BEST certification and 15 properties with an Energy Star certification.

For more information on Artis’ comprehensive corporate sustainability program, including Artis’ annual ESG Report, please visit www.artisreit.com.

SOCIAL PRACTICES

Artis demonstrates social responsibility through its relationships with employees, tenants and the communities in which the REIT operates. Artis is committed to fostering a diverse, inclusive and safe work environment. Employees make meaningful contributions to local charities through fundraising activities and by volunteering their time. The REIT’s social committee and health and wellness committee provide opportunities for social engagement and an array of valuable information on health and wellness. This focus on a positive culture in the workplace and strong community relationships fosters an environment that is conducive to an engaged and dedicated workforce.

GOVERNANCE PRACTICES

Artis’ Board recently conducted a comprehensive strategic review of Artis’ corporate governance practices and executive compensation to better align the REIT with industry best practices. As part of this review, the Governance and Compensation Committee conducted a widespread unitholder outreach campaign that focused on engaging in open and active dialogue with unitholders to elicit input and feedback. As a result of this review, the Board approved the following policies and initiatives:

- a diversity policy which requires that, no later than the 2020 annual general meeting, at least 20% of the Trustees are female, a target which was achieved at the 2018 Annual General Meeting;
- a board renewal policy pursuant to which one trustee did not stand for re-election at the 2018 Annual General Meeting, and three new trustees were elected;
- the introduction of performance-based compensation for executives, which will be subject to objectively measurable criteria, commencing in the 2018 fiscal year;
- the adoption of a policy that requires employment contracts for new executives joining Artis or one of its subsidiaries to contain a “double-trigger” provision in the event of a “change of control” with a maximum severance multiplier of 2.0 of base salary and bonuses; and
- the submission to unitholders of a non-binding “say on pay” vote on an annual basis, commencing no later than Artis’ 2019 annual general meeting with respect to compensation practices for the 2018 year.

The Trustees continue to discuss the vision and long-term strategic direction of Artis and the important oversight role that the Board plays, and to consider corporate governance and compensation changes to better align with industry best practices.

TRUSTEES



ARMIN MARTENS
President
Chief Executive Officer



EDWARD WARKENTIN
Chairman
Investment Committee
Governance & Compensation Committee



IDA ALBO
Investment Committee



BRUCE JACK
Audit Committee
Governance & Compensation Committee



STEVEN JOYCE
Investment Committee



CORNELIUS MARTENS



RON RIMER
Audit Committee
Investment Committee



VICTOR THIELMANN
Audit Committee
Governance & Compensation Committee



WAYNE TOWNSEND
Investment Committee
Governance & Compensation Committee



LAUREN ZUCKER
Audit Committee

CORPORATE GOVERNANCE

Artis' Trustees are proven business leaders with a significant breadth of experience in the areas of real estate, finance, securities, investments and law. They also collectively have extensive public company board experience.

Artis' Board of Trustees believes that sound governance practices are essential to the long-term interests of Artis and the enhancement of value for all of its unitholders. The Board of Trustees recognizes that proper and effective corporate governance is a top priority for investors and other stakeholders.

The Board of Trustees has three committees which, at December 31, 2018, were structured as follows: the Audit Committee (chaired by Bruce Jack, FCPA/FCA), the Governance and Compensation Committee (chaired by Bruce Jack, FCPA/FCA) and the Investment Committee (chaired by Wayne Townsend, CFP). All Committee members are independent of management. The Disclosure Committee is a subcommittee of the Governance and Compensation Committee (chaired by Bruce Jack, FCPA/FCA).

Additional information about Artis' Board, Trustees and Committees, as well as key governance documents such as the Code of Conduct, Whistleblower Policy, Board Mandate and Declaration of Trust can be downloaded from Artis' website at:

www.artisreit.com/about-us/corporate-governance/

CORPORATE INFORMATION

INVESTOR RELATIONS

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AUDITORS

Deloitte LLP

INDENTURE TRUSTEE BNY TRUST COMPANY OF CANADA

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www.bnymellon.com

LEGAL COUNSEL

MLT Aikins LLP

TORONTO STOCK EXCHANGE LISTINGS

Trust Units
AX.UN \$0.045 per unit per month

PREFERRED UNITS

AX.PR.A Series A \$0.353875 per unit per quarter
AX.PR.E Series E \$0.342 per unit per quarter
AX.PR.G Series G \$0.3125 per unit per quarter
AX.PR.I Series I \$0.3750 per unit per quarter

ANNUAL GENERAL MEETING

Thursday, June 13, 2019, at 11:00 a.m. C.T.
Del Crewson Conference Centre,
360 Main Street, Winnipeg, Manitoba

Left to right:
220 Portage Avenue, Winnipeg, MB
360 Main Street, Winnipeg, MB





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