



Management's Discussion and Analysis

Q2-20

TSX: AX.UN AX.PR.A AX.PR.E AX.PR.I
OTCQX: ARESF

Management Discussion and Analysis - Q2-20

(in thousands of Canadian dollars, unless otherwise noted)

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Artis Real Estate Investment Trust should be read in conjunction with the REIT's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2020 and 2019, the audited annual consolidated financial statements for the years ended December 31, 2019 and 2018, and the notes thereto. Unless otherwise noted, all amounts in this MD&A are based on the consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Additionally, "Artis", the "REIT", "we", "us" and "our" refers to Artis Real Estate Investment Trust and its consolidated operations. This MD&A has been prepared taking into account material transactions and events up to and including August 6, 2020. Additional information about Artis, including the REIT's most recent Annual Information Form, has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com or on our website at www.artisreit.com.

FORWARD-LOOKING DISCLAIMER

This MD&A contains forward-looking statements. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Particularly, statements regarding the REIT's future operating results, performance and achievements, including the impact of the COVID-19 pandemic and the implementation of Artis' New Initiatives, are forward-looking statements. Without limiting the foregoing, the words "expects", "anticipates", "intends", "estimates", "projects" and similar expressions are intended to identify forward-looking statements.

Artis is subject to significant risks and uncertainties which may cause the actual results, performance or achievements of the REIT to be materially different from any future results, performance or achievements expressed or implied in these forward-looking statements. Such risk factors include, but are not limited to, risks associated with the COVID-19 pandemic, implementation of Artis' New Initiatives, real property ownership, debt financing, foreign currency, credit and tenant concentration, lease rollover, tax related matters, illiquidity, reliance on key personnel, future property transactions, general uninsured losses, cyber security, environmental matters, land and air rights leases, public market risk, availability of cash flow, fluctuations in cash distributions, potential dilution, unitholder liability, potential conflicts of interest, changes in legislation and development risk. Artis cannot assure investors that actual results will be consistent with any forward-looking statements and Artis 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 MD&A are qualified by this cautionary statement.

NOTICE WITH RESPECT TO NON-GAAP MEASURES

In addition to reported IFRS measures, the following non-GAAP measures are commonly used by Canadian real estate investment trusts as an indicator of financial performance. "GAAP" means the generally accepted accounting principles described by the CPA Canada Handbook - Accounting, which are applicable as at the date on which any calculation using GAAP is to be made. Artis applies IFRS, which is the section of GAAP applicable to publicly accountable enterprises. These non-GAAP measures are not defined under IFRS and are not intended to represent operating profits for the period, or from a property, nor should any of these measures be viewed as an alternative to net income, cash flow from operations or other measures of financial performance calculated in accordance with IFRS. Readers should be further cautioned that the following measures as calculated by Artis may not be comparable to similar measures presented by other issuers.

Proportionate Share

The REIT has properties held in its investments in joint ventures, which are accounted for using the equity method in its consolidated financial statements in accordance with IFRS. Amounts presented on a Proportionate Share basis include Artis' interest in properties held in its joint ventures based on its percentage of ownership in these properties in addition to the amounts per its consolidated financial statements. Management is of the view that presentation on a Proportionate Share basis is meaningful for investors as it is representative of how Artis manages its properties as well as certain operating and financial metrics. Artis does not independently control its unconsolidated joint ventures, and the presentation of pro-rata assets, liabilities, revenue and expenses may not accurately depict the legal and economic implications of the REIT's interest in its joint ventures. Income statement and balance sheet metrics, such as those identified below, are shown on both an IFRS and a Proportionate Share basis. Artis provides a reconciliation to its consolidated financial statements in the Analysis of Operating Results and Analysis of Financial Position sections of this MD&A.

Property Net Operating Income ("Property NOI")

Artis calculates Property NOI as revenues less property operating expenses such as utilities, repairs and maintenance and realty taxes. Property NOI does not include charges for interest or other expenses not specific to the day-to-day operation of the REIT's properties. Management considers Property NOI to be a valuable measure for evaluating the operating performance of the REIT's properties. Refer to the Revenue and Property NOI section of this MD&A for further discussion and calculation of this measure.

Same Property NOI

Artis calculates Same Property NOI by including Property NOI for investment properties that were owned for a full quarterly reporting period in both the current and comparative year, and excludes properties held for (re)development and properties that are unconditionally sold. Adjustments are made to this measure to exclude certain non-cash revenue items and other non-recurring revenue amounts such as lease termination income. Management considers Same Property NOI to be a valuable measure for evaluating the operating performance of the REIT's properties due to changes in occupancy, rental rates and the recovery of property operating expenses and realty taxes. Refer to the Same Property NOI Analysis section of this MD&A for further discussion and calculation of this measure.

Funds from Operations ("FFO")

Artis calculates FFO substantially in accordance with the guidelines set out by the Real Property Association of Canada ("REALpac"), as issued in February 2019. Management considers FFO to be a valuable recurring earnings measure for evaluating the REIT's operating performance as it adjusts net income for gains or losses that are not recurring in nature such as fair value gains or losses on investment properties. Refer to the FFO and AFFO section of this MD&A for further discussion and a reconciliation of net income to this measure.

Adjusted Funds from Operations ("AFFO")

Artis calculates AFFO substantially in accordance with the guidelines set out by REALpac, as issued in February 2019. Management considers AFFO to be a valuable recurring earnings measure for evaluating the REIT's operating performance as it adjusts FFO by excluding straight-line rent adjustments, as well as costs incurred relating to leasing activities and property capital expenditures. Refer to the FFO and AFFO section of this MD&A for further discussion and a reconciliation of net income to this measure.

FFO and AFFO Payout Ratios

Artis calculates FFO and AFFO payout ratios by dividing the distributions per common unit by diluted FFO per unit and diluted AFFO per unit, respectively, over the same period. Management uses the FFO and AFFO payout ratios to measure the REIT's ability to pay distributions.

Net Asset Value ("NAV") per Unit

Artis calculates NAV per Unit as its unitholders' equity, adjusted for the outstanding face value of its preferred units, divided by its total number of dilutive units outstanding. Management considers this metric to be a valuable measure of the REIT's residual equity available to its common unitholders. Refer to the Balance Sheet Metrics section of this MD&A for a calculation of this measure.

Debt to Gross Book Value ("GBV")

Artis calculates GBV based on the total consolidated assets of the REIT, adding back the amount of accumulated depreciation of property and equipment. The REIT has adopted debt to GBV as an indebtedness ratio used to measure its leverage. Refer to the Balance Sheet Metrics section of this MD&A for a calculation of this measure.

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") Interest Coverage Ratio

Artis calculates EBITDA as net income, adjusted for interest expense, transaction costs, income taxes and all non-cash revenue and expense items, on a Proportionate Share basis. EBITDA Interest Coverage Ratio is calculated by dividing EBITDA by interest expense from operations (excluding amortization of financing costs, above- and below-market mortgage adjustments and accretion on debentures). Management considers this ratio to be a valuable measure of Artis' ability to service the interest requirements on its outstanding debt. Refer to the Debt Metrics section of this MD&A for a calculation of this measure.

Debt to EBITDA Ratio

Artis calculates debt to EBITDA based on annualizing the current quarter's EBITDA as defined above and comparing that balance to Artis' total outstanding debt, on a Proportionate Share basis. Management considers this ratio to be a valuable measure of Artis' ability to meet financial obligations. Refer to the Debt Metrics section of this MD&A for a calculation of this measure.

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OVERVIEW

Artis is one of the largest diversified commercial real estate investment trusts in Canada and 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").

Certain of the REIT's securities are listed on the Toronto Stock Exchange ("TSX"). The REIT's common units trade under the symbol AX.UN and the REIT's preferred units trade under the symbols AX.PR.A, AX.PR.E and AX.PR.I. The REIT's common units also trade in the United States ("U.S.") on the OTCQX Best Market ("OTCQX"), under the symbol ARESF. As at August 6, 2020, there were 135,701,321 common units, 12,124,470 preferred units, 821,538 restricted units and 520,472 deferred units of Artis outstanding (refer to the Outstanding Unit Data section of this MD&A for further details).

PRIMARY 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.

Since its inception, Artis has provided a steady stream of monthly cash distributions to its unitholders. The amount distributed annually is currently \$0.54 per common unit and is set by the Board of Trustees (the "Board" or "Trustees") in accordance with the Declaration of Trust.

Artis' management utilizes several key strategies to meet its primary objective, which are executed in consideration of current economic and market factors:

- **Strategic Asset Ownership.** Artis' portfolio of office, retail and industrial real estate is strategically and diversely located in select primary and secondary markets in Canada and the U.S. Artis' management conducts on-going analysis of the performance of its assets and the relevant economic fundamentals of its target markets, identifying opportunities to make accretive acquisitions, develop new generation real estate and dispose of assets that are not aligned with its long-term strategy.
- **Disciplined Growth.** Artis' management strives to extract maximum value from its portfolio through effective management of assets, including leasing initiatives that focus on maintaining strong occupancy levels and realizing the gain between in-place rental rates and market rental rates. Artis' management creates value through strategic asset redevelopment and property intensification initiatives, and through new development projects. New developments provide Artis an opportunity to build and own new generation real estate, and are considered in circumstances where the return on a development project is higher than that of acquiring an existing property.
- **Prudent Financial Management.** Artis has a long-term conservative approach to financial management, characterized by diligent management of its balance sheet, and prudent management of financial metrics, such as debt ratios, interest coverage ratios, payout ratios, and per unit metrics. Artis minimizes its risk related to interest rates by utilizing various sources of capital and staggering debt maturities. Ample access to cash is required to fulfill distribution obligations and for on-going operations, which includes re-investing in the portfolio, making accretive acquisitions and funding development projects.

IMPACT OF COVID-19

Health and Safety of Stakeholders

In response to the COVID-19 pandemic, we are working diligently to maintain a safe environment for our tenants, employees, customers and visitors to our properties.

Our first priority and intention is to keep our buildings safe and open unless ordered closed by government authority. We have made appropriate contingency plans to maintain building supplies and necessary manpower for operations.

In accordance with current recommendations, we have increased common area cleaning in all properties. We have instructed our cleaning contractors to maintain a full complement of staff. The surplus manpower is being used to intensify cleaning and sanitizing in high-traffic areas.

High-touch surfaces, such as doorknobs, handles, railings and elevator buttons are being regularly cleaned throughout the day. Building cleaners are monitoring soap dispensers to ensure continued availability of these products.

We have had no service reductions and are currently fully staffed with building operations personnel (and are over-staffed with cleaning personnel). If this needs to change, we will immediately notify all tenants. We have asked our non-building operations personnel to work remotely for additional social distancing.

In an effort to minimize risk related to COVID-19 throughout our buildings, we have also imposed protocols for our employees and contractors, as directed by local or federal government guidelines and recommendations, and are encouraging tenants to do the same, namely:

- Encouraging compliance with handwashing and other hygiene recommendations;
- Requiring individuals who have travelled between provinces, states or internationally to follow local government regulations regarding isolation periods;
- Directing individuals who experience any symptoms consistent with COVID-19 or have been exposed to someone diagnosed with COVID-19 to refrain from visiting our buildings and to self-isolate.

We will continue to closely monitor this situation and will adjust our approach as recommended by public health agencies.

Tenant Support Program and Rent Collection

As a diversified REIT, our portfolio comprises office, retail and industrial properties which, at June 30, 2020, were 90.6% leased (92.9% including commitments on vacant space) to high-quality tenants across Canada and the U.S. with a weighted-average remaining lease term of 5.5 years. We expect that the COVID-19 pandemic will continue to have the largest impact on our retail segment, which represented 17.2% of Q2-20 Proportionate Share Property NOI. At June 30, 2020, our retail portfolio was 89.7% leased (90.0% including commitments on vacant space) with a weighted-average remaining lease term of 4.2 years. Overall, we are confident that the quality of our retail properties, strong tenant base and our limited exposure to this asset class will mitigate the impact on our overall business.

Rent Collection

Rent collection has been a key focus for us and our stakeholders during this time. As at July 31, 2020, we have collected 96.8% of rent charges excluding deferred rent and 93.1% of rent charges including deferred rent for the three months ended June 30, 2020. Further detail pertaining to rent collections for the three months ended June 30, 2020, including information by asset class and geographical region, can be found on the following page.

With respect to Artis' retail portfolio, as at July 31, 2020, we have collected approximately 88.8% of rent charges, excluding deferred rent, for the three months ended June 30, 2020. We continue to work diligently with our tenants as government restrictions related to the pandemic are eased.

As at July 31, 2020, we have collected 93.3% of July rent charges, excluding deferred rent, and 91.8% of July rent charges, including deferred rent.

Rent Deferrals

Due to government-mandated closure of non-essential businesses, a number of tenants have had to limit operations or temporarily close their businesses. In an effort to support tenants through this difficult time, qualifying tenants who are in need of assistance have been given the option to defer a portion of their rent, with an agreement to repay the amount at a specified later date.

As at June 30, 2020, we have granted rent deferrals in the amount of \$4,140 to our tenants (\$4,203 on a Proportionate Share basis).

Allowance for Doubtful Accounts

We anticipate that the majority of rent deferrals and rents receivable will be collected, however, there are certain tenants that may not be able to pay their outstanding rent.

As at June 30, 2020, we have recorded an allowance for doubtful accounts in the amount of \$3,042 (\$3,053 on a Proportionate Share basis).

Summary by Asset Class ⁽¹⁾

	% of Rent Collected Excluding Deferred Rent ⁽²⁾	% Rent Collected Including Deferred Rent ⁽²⁾	Deferred Rents Receivable	Allowance for Doubtful Accounts - Deferred Rents Receivable	Rents Receivable	Allowance for Doubtful Accounts - Rents Receivable
Canada:						
Office	98.9 %	96.0 %	\$ 811	\$ (181)	\$ 2,223	\$ (93)
Retail	88.8 %	78.3 %	2,287	(512)	4,168	(1,275)
Industrial	98.7 %	96.5 %	442	(109)	1,899	(76)
	95.7 %	90.3 %	3,540	(802)	8,290	(1,444)
U.S.:						
Office	98.3 %	97.6 %	282	(9)	2,819	(569)
Industrial	98.4 %	96.4 %	381	—	1,161	(229)
	98.4 %	97.2 %	663	(9)	3,980	(798)
Total portfolio:						
Office	98.6 %	96.9 %	1,093	(190)	5,042	(662)
Retail	88.8 %	78.3 %	2,287	(512)	4,168	(1,275)
Industrial	98.6 %	96.5 %	823	(109)	3,060	(305)
Total	96.8 %	93.1 %	\$ 4,203	\$ (811)	\$ 12,270	\$ (2,242)

(1) Information presented on a Proportionate Share basis.

(2) Rent collection is based on rental charges in functional currencies for the three months ended June 30, 2020, as at July 31, 2020.

Summary by Geographical Region ⁽¹⁾

	% of Rent Collected Excluding Deferred Rent ⁽²⁾	% Rent Collected Including Deferred Rent ⁽²⁾	Deferred Rents Receivable	Allowance for Doubtful Accounts - Deferred Rents Receivable	Rents Receivable	Allowance for Doubtful Accounts - Rents Receivable
Canada:						
Alberta	92.1 %	85.7 %	\$ 1,462	\$ (310)	\$ 3,954	\$ (896)
British Columbia	96.1 %	90.8 %	238	(72)	261	(38)
Manitoba	98.1 %	95.1 %	616	(119)	1,909	(301)
Ontario	98.7 %	93.7 %	771	(185)	1,239	(38)
Saskatchewan	93.6 %	85.1 %	453	(116)	927	(171)
	95.7 %	90.3 %	3,540	(802)	8,290	(1,444)
U.S.:						
Arizona	98.0 %	97.6 %	47	—	885	(25)
Minnesota	99.5 %	97.7 %	506	—	462	(86)
Wisconsin	98.1 %	97.7 %	47	(9)	941	(248)
U.S. Other	96.2 %	94.9 %	63	—	1,692	(439)
	98.4 %	97.2 %	663	(9)	3,980	(798)
Total	96.8 %	93.1 %	\$ 4,203	\$ (811)	\$ 12,270	\$ (2,242)

(1) Information presented on a Proportionate Share basis.

(2) Rent collection is based on rental charges in functional currencies for the three months ended June 30, 2020, as at July 31, 2020.

Leasing Update

The COVID-19 pandemic and social distancing requirements have changed the landscape of the commercial leasing market. To adapt to this new environment, many of our vacancies can now be toured virtually by prospective tenants.

Despite the challenges caused by the pandemic, we continue to have an active pipeline of renewals and new leases, including the recent renewal of a 130,000 square foot tenant occupying an entire building in the Greater Phoenix Area, Arizona, for an approximately eight-year term, and securing a new 12-year lease with a 134,000 square foot tenant at Tower Business Center, a new industrial development in the Greater Denver Area, Colorado.

Subsequent to June 30, 2020, we completed construction of Park 8Ninety IV, a 100,000 square foot build-to-suit development for a multi-national tenant. This lease commenced in July 2020. We have a 95% interest in Park 8Ninety IV in the form of a joint venture arrangement.

Our portfolio occupancy at June 30, 2020, was 90.6% (92.9% including commitments) compared to 90.7% (92.7% including commitments) at March 31, 2020.

Conservative Distribution Payout Ratio

For the second quarter of 2020, our AFFO payout ratio was 51.9%, which is among the most conservative of real estate investment trusts in Canada.

Unit Purchases Under Normal Course Issuer Bid ("NCIB")

During the second quarter, we purchased 1,531,142 common units at a weighted-average price of \$8.39 and 60,782 preferred units at a weighted-average price of \$16.56 under our NCIB, which were made in accordance with the terms of an automatic purchase plan. On May 7, 2020, the REIT temporarily suspended unit purchases under the NCIB. We will continue to monitor the trading price of Artis' units as it compares to NAV, as well as our liquidity in determining whether to resume unit purchases under our NCIB.

Financial Position and Liquidity

Since November 2018, we have been focused on several new initiatives, one of which has been to strengthen our balance sheet. Our current liquidity includes cash on hand and undrawn credit facilities. There are no credit facilities or debentures maturing prior to 2021.

Our current liquidity sufficiently meets working capital requirements, obligations and capital commitments related to ongoing development projects and distribution payments to unitholders. We will continue to monitor this rapidly evolving situation closely and to prudently manage our capital resources.

Risks

Due to uncertainty with respect to the duration and severity of the COVID-19 pandemic, it is not possible to reliably estimate the future impact of the COVID-19 pandemic on financial results and operations. For more information on risks related to the COVID-19 pandemic, please refer to the Risks and Uncertainties section of this MD&A.

Overall, our first priority is to maintain a safe environment for our tenants, employees and the community. During this unprecedented and uncertain time, we are committed to minimizing the impact on our business and, as a diversified REIT, we are confident that we are well-positioned to handle the economic challenges that may lie ahead.

SECOND QUARTER OVERVIEW

At June 30, 2020, our portfolio occupancy (including commitments) was 92.9%, compared to 92.7% at March 31, 2020. During the second quarter, we completed 592,872 square feet of lease renewal transactions. The weighted-average change in renewal rents compared to the expiring rents during the quarter decreased 3.3%, primarily due to a large industrial renewal in the Greater Toronto Area, Ontario, with an expiring rent that was negotiated in consideration of leasehold improvements. The tenant exercised a fixed-rate option to renew their lease. When calculated exclusive of this renewal, the weighted-average increase in renewal rents compared to expiring rents during the quarter was 5.4%.

FFO per unit for the quarter ended June 30, 2020 was \$0.36, unchanged when compared to the quarter ended June 30, 2019, while AFFO per unit for the same period was \$0.27, unchanged when compared to the quarter ended June 30, 2019. We reported conservative FFO and AFFO payout ratios of 38.9% and 51.9%, respectively, for the quarter ended June 30, 2020. Same Property NOI period-over-period decreased 2.0%, or increased 1.2% when calculated excluding bad debt expense. At June 30, 2020, NAV per unit was \$15.40 compared to \$15.56 at December 31, 2019.

UPDATE ON NEW INITIATIVES

In November 2018, we announced several new initiatives (the "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 growth. These initiatives included revising the REIT's distribution, immediately and continually purchasing units under our NCIB, 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. We expect that the COVID-19 pandemic will continue to have an impact on the execution of the New Initiatives, as financial markets have been disrupted and the property transaction market has slowed considerably. Ongoing and future development projects may be delayed for the unknown duration of the COVID-19 pandemic.

NCIB Activity and Preferred Unit Redemption

During the second quarter of 2020, we purchased 1,531,142 common units at a weighted-average price of \$8.39 and 60,782 preferred units at a weighted-average price of \$16.56 under our NCIB. From November 1, 2018, when we announced our intention to purchase units under our NCIB until June 30, 2020, we have purchased 18,274,170 common units at a weighted-average price of \$10.50 and 387,030 preferred units at a weighted-average price of \$19.87. The total aggregate market prices of common units and preferred units purchased under the NCIB from November 1, 2018, to June 30, 2020, were \$191,876 and \$7,689, respectively. Unit purchases under the NCIB are made in accordance with the terms of an automatic purchase plan. On May 7, 2020, the REIT temporarily suspended unit purchases under the NCIB.

During 2019, we also completed the redemption of the outstanding Series G preferred units with an aggregate face value of \$78,463.

Property Dispositions

In November 2018, we announced our intention to sell between \$800,000 to \$1,000,000 of non-core assets over the following three years. In accordance with these initiatives, at June 30, 2020, we have sold the following properties:

Property	Property count	Location	Disposition date	Asset class	Owned share of GLA	Annualized Property NOI ⁽¹⁾	Capitalization rate ⁽²⁾	Sale price	Fair value ⁽³⁾
Centrepoint ⁽⁴⁾	1	Winnipeg, MB	October 31, 2018	Office	51,723	\$1,479	6.00 %	\$ 27,250	\$ 26,106
169 Inverness Drive West I & II ⁽⁵⁾	1	Greater Denver Area, CO	April 9, 2019	Office	118,518	(146)	N/A	36,113	46,590
Reenders Square	1	Winnipeg, MB	May 21, 2019	Retail	65,713	1,258	6.00 %	20,550	18,315
Britannia Building	1	Calgary, AB	May 22, 2019	Office	133,897	(269)	N/A	10,650	10,101
Nanaimo Portfolio	4	Nanaimo, BC	June 17, 2019	Office / Retail	112,327	2,079	4.60 %	37,038	36,621
1700 Broadway	1	Greater Denver Area, CO	June 27, 2019	Office	394,151	8,867	N/A	104,325	111,196
GSA Professional Office Building	1	Greater Phoenix Area, AZ	July 26, 2019	Office	210,202	7,008	5.81 %	121,825	117,958
415 Yonge Street	1	Greater Toronto Area, ON	September 27, 2019	Office	192,036	4,600	3.71 %	124,000	94,801
Estevan Retail Portfolio	2	Estevan, SK	October 30, 2019	Retail	167,114	1,153	9.52 %	13,000	12,867
495 Richmond Road	1	Ottawa, ON	November 27, 2019	Office	106,195	2,509	6.28 %	39,000	37,143
Centre 70 Building	1	Calgary, AB	December 16, 2019	Office	134,293	2,467	N/A	23,500	25,124
Minnesota Retail Portfolio ⁽⁵⁾	6	Twin Cities Area, MN	December 19, 2019	Retail	298,232	4,487	10.75 %	45,870	52,035
Centre 15 Building	1	Calgary, AB	January 21, 2020	Office	76,021	1,349	7.50 %	14,000	13,991
Calgary Office Portfolio ⁽⁵⁾	2	Calgary, AB	January 30, 2020	Office	497,635	6,727	8.75 %	77,814	78,872
800 5th Avenue	1	Calgary, AB	January 31, 2020	Office	258,445	2,418	8.00 %	26,000	25,854
1165 Kenaston Street	1	Ottawa, ON	March 31, 2020	Office	180,689	638	N/A	22,500	22,437
	26				2,997,191	\$46,624		\$743,435	\$730,011

(1) Based on the annualized Property NOI reported for the quarter prior to disposition. Property NOI for 415 Yonge Street is forward-looking and includes future lease commitments.

(2) Capitalization rates based on 12-month forward looking Property NOI, as of the date of closing.

(3) Based on the fair value reported at the quarter prior to disposition.

(4) The REIT disposed of its 50% interest in Centrepoint, a property held under a joint venture arrangement.

(5) Disposition includes a parcel of development land.

At June 30, 2020, we had three office properties, one retail property and two parcels of development land, inclusive of properties held under joint venture arrangements, representing a total Proportionate Share fair value of \$136,374.

New Developments

Since the announcement of the New Initiatives, we completed five new industrial development projects located in key target markets in the U.S. and one retail development project in Winnipeg, Manitoba, adding 1,527,000 square feet of industrial space and 27,000 square feet of retail space to our portfolio. At June 30, 2020, we had two development projects in process in Winnipeg, Manitoba, and the fourth phase of an industrial development project, Park 8Ninety IV, in process in the Greater Houston Area, Texas.

Subsequent to June 30, 2020, we completed construction of Park 8Ninety IV, a 100,000 square foot build-to-suit development for a multi-national tenant. The lease commenced in July 2020. We have a 95% interest in Park 8Ninety IV in the form of a joint venture arrangement

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") PRACTICES

Environmental Practices

Corporate sustainability is a high priority for Artis. We are committed to improving the energy efficiency of our properties and reducing our environmental footprint. To assist with this initiative, in 2015 we hired Goby Inc. as a consultant and to track consumption at all of our properties to the extent that it is possible to do so. At June 30, 2020, we had 15 properties with a Leadership in Energy and Environmental Design ("LEED") certification, 20 properties with a Building Owners and Managers Association ("BOMA") Building Environmental Standards ("BEST") certification and 17 properties with an Energy Star certification.

For more information on Artis' comprehensive corporate sustainability program, including Artis' Environmental, Social and Governance Report, please visit www.artisreit.com.

Social Practices

Artis demonstrates social responsibility through its relationships with employees, tenants and the communities in which we operate. 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 of Trustees (the "Board") believes that sound governance practices are essential with respect to the long-term interests of Artis and the enhancement of value for all of its unitholders. The Board recognizes that proper and effective corporate governance is a significant concern and priority for investors and other stakeholders. As part of the Board's mandate to the ongoing review and improvement of governance policies, during the last several years, the Board has implemented the following policies and practices:

- a diversity policy requiring 20% female representation on the Board, which the REIT continued to satisfy until the resignation of Ida Albo in March 2020;
- a policy regarding maximum term limits whereby trustees first elected or appointed after 2018 may serve on the Board for a period not to exceed 10 years;
- the submission to unitholders of a non-binding "say on pay" vote on an annual basis, which was implemented at Artis' 2019 annual general meeting, with respect to compensation practices for the 2018 year;
- the implementation of a minimum unit ownership policy for senior management.

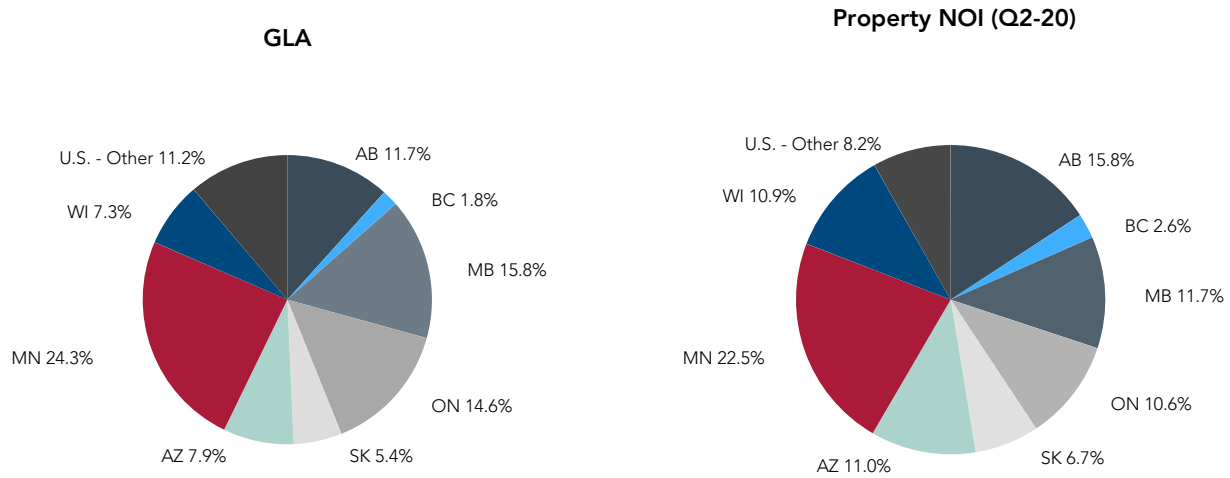
In addition to its role overseeing the vision and strategic direction of Artis, the Board continuously reviews the corporate governance of the REIT to ensure it is aligned with industry best practices.

On May 9, 2019, the Board announced the formation of a Special Committee ("Special Committee") of Independent Trustees to review and evaluate additional strategic alternatives that may arise. On May 5, 2020, the Special Committee announced that the Board has concluded the strategic review by the Special Committee. Following a thorough and rigorous process and after receiving input from its outside advisors, the Special Committee has determined that, in light of the current market conditions and global uncertainty, it is not in the best interests of the REIT to pursue a strategic transaction at this time. The Board will remain open to considering strategic opportunities for the REIT in the future.

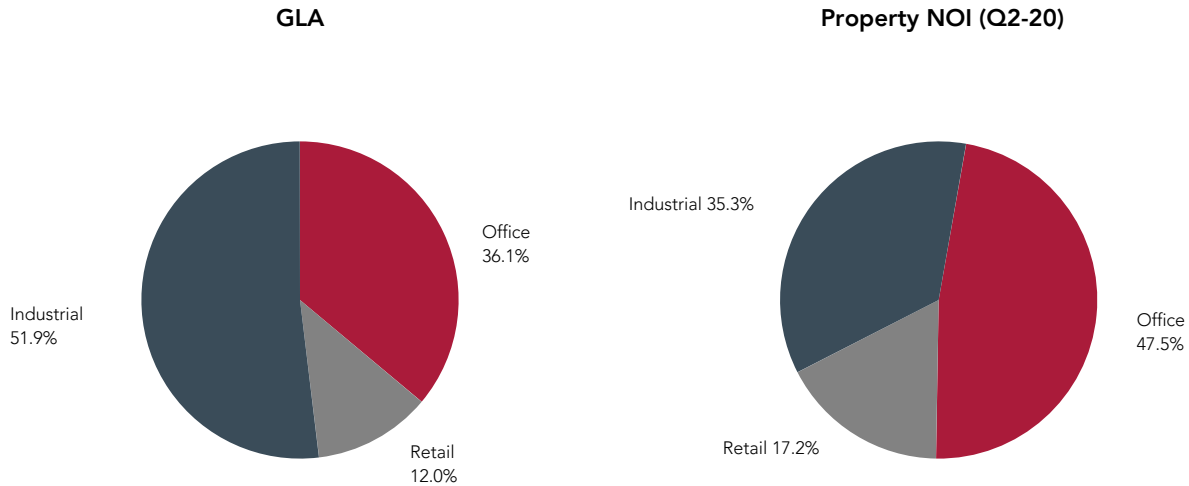
PORTFOLIO SUMMARY

At June 30, 2020, the REIT's portfolio was comprised of 216 commercial properties (inclusive of properties held in joint venture arrangements) totalling approximately 23.8 million square feet ("S.F.") of gross leasable area ("GLA").

Diversification by Geographical Region (Proportionate Share basis)

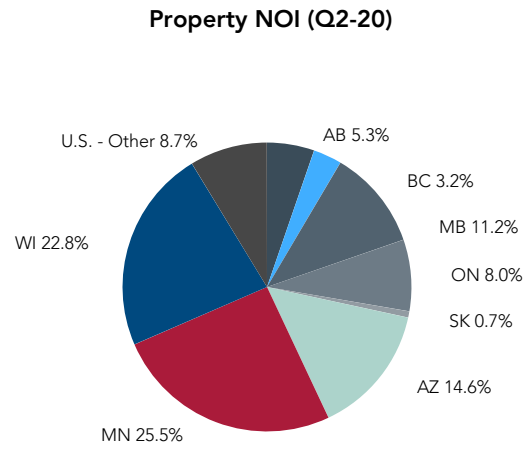
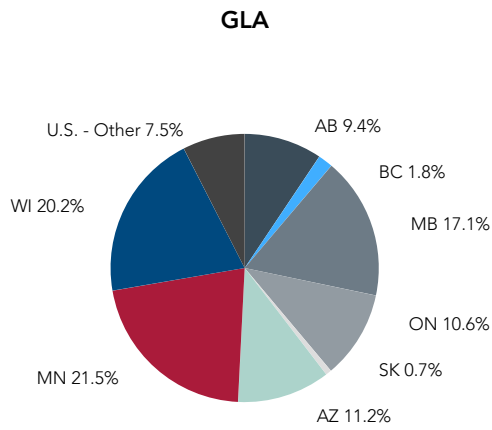


Diversification by Asset Class (Proportionate Share basis)

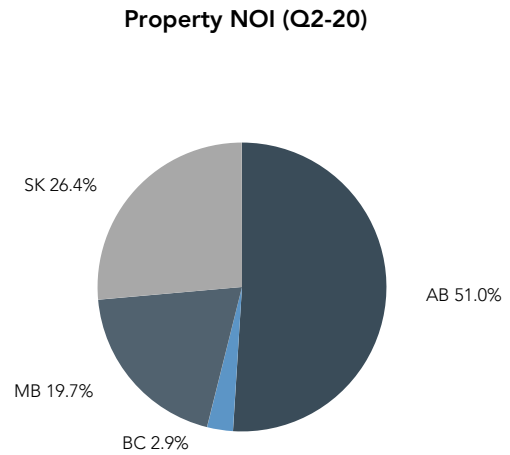
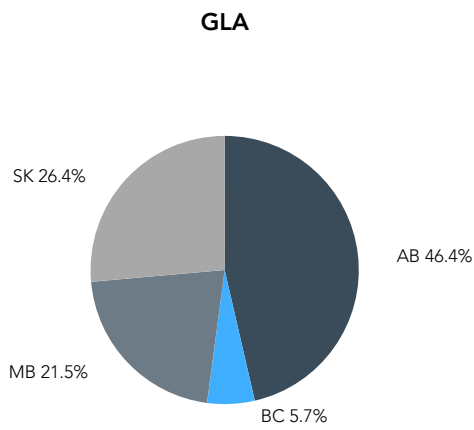


Diversification by Asset Class and Geographical Region (Proportionate Share basis)

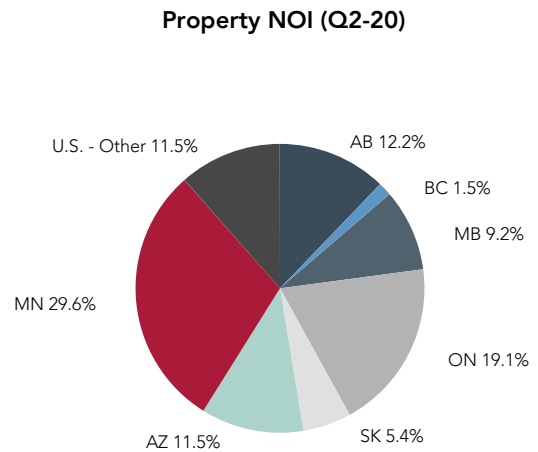
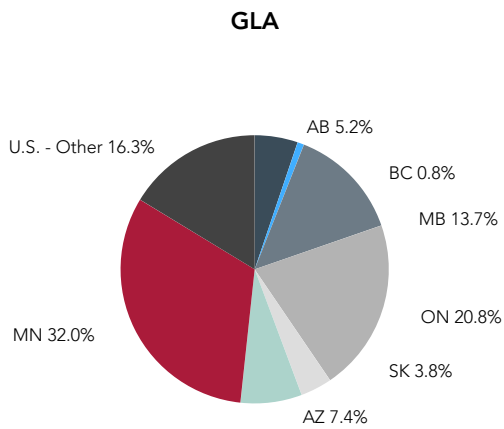
Office Portfolio



Retail Portfolio



Industrial Portfolio



Portfolio by Asset Class ⁽¹⁾

Asset class	City	Province / State	Property count	Owned share of GLA (000's S.F.)	% of portfolio GLA	% Occupied	% Committed ⁽²⁾
Canadian portfolio:							
Office	Calgary	AB	6	665	2.8 %	73.1 %	73.8 %
	Greater Edmonton Area	AB	1	48	0.2 %	100.0 %	100.0 %
	Greater Toronto Area	ON	6	911	3.8 %	84.7 %	85.8 %
	Greater Vancouver Area	BC	2	157	0.7 %	89.6 %	89.6 %
	Saskatoon	SK	1	64	0.3 %	100.0 %	100.0 %
	Winnipeg	MB	9	1,461	6.1 %	79.4 %	87.2 %
Office total			25	3,306	13.9 %	80.8 %	84.7 %
Retail	Calgary	AB	5	345	1.4 %	86.5 %	86.5 %
	Fort McMurray	AB	8	195	0.8 %	88.6 %	88.6 %
	Grande Prairie	AB	5	355	1.5 %	67.2 %	67.2 %
	Greater Edmonton Area	AB	5	440	1.8 %	98.5 %	98.9 %
	Greater Vancouver Area	BC	1	165	0.7 %	90.0 %	90.5 %
	Regina	SK	8	541	2.3 %	91.4 %	91.7 %
	Saskatoon	SK	3	219	0.9 %	97.9 %	99.6 %
	Winnipeg	MB	7	617	2.6 %	94.0 %	94.0 %
Retail total			42	2,877	12.0 %	89.7 %	90.0 %
Industrial	Calgary	AB	6	362	1.5 %	100.0 %	100.0 %
	Greater Edmonton Area	AB	3	156	0.7 %	100.0 %	100.0 %
	Greater Toronto Area	ON	28	2,527	10.6 %	99.1 %	99.4 %
	Greater Vancouver Area	BC	2	98	0.4 %	100.0 %	100.0 %
	Red Deer	AB	1	126	0.5 %	63.1 %	63.1 %
	Regina	SK	2	143	0.6 %	100.0 %	100.0 %
	Saskatoon	SK	5	327	1.4 %	100.0 %	100.0 %
	Winnipeg	MB	28	1,690	7.1 %	91.3 %	94.7 %
Industrial total			75	5,429	22.8 %	96.0 %	97.2 %
Total Canadian portfolio			142	11,612	48.7 %	90.1 %	91.9 %
U.S. portfolio:							
Office	Greater Denver Area	CO	3	525	2.2 %	92.4 %	94.5 %
	Greater Phoenix Area	AZ	5	963	4.0 %	91.7 %	92.3 %
	Madison	WI	16	1,737	7.3 %	89.4 %	89.6 %
	New Hartford	NY	1	123	0.5 %	100.0 %	100.0 %
	Twin Cities Area	MN	8	1,853	7.8 %	90.2 %	91.2 %
Office total			33	5,201	21.8 %	90.7 %	91.4 %
Industrial	Greater Denver Area	CO	2	476	2.0 %	77.5 %	100.0 %
	Greater Phoenix Area	AZ	7	921	3.9 %	98.3 %	98.3 %
	Twin Cities Area	MN	26	3,952	16.6 %	95.3 %	97.0 %
	Greater Houston Area	TX	4	1,535	6.4 %	81.9 %	90.3 %
Industrial total			39	6,884	28.9 %	91.5 %	95.9 %
Total U.S. portfolio			72	12,085	50.7 %	91.1 %	94.0 %
Total Canadian and U.S. portfolio			214	23,697	99.4 %	90.6 %	92.9 %

(1) Information is as at June 30, 2020, and excludes properties listed in the Properties Held for Redevelopment table and the New Developments in Process table on the following page, and includes properties held in joint venture arrangements.

(2) Percentage committed is based on occupancy at June 30, 2020, plus commitments on vacant space.

Properties Held for Redevelopment

Asset class	City	Province / State	Property count	Owned share of GLA (000's of S.F.)	% of portfolio GLA	Property	% Committed ⁽¹⁾
Office	Calgary	AB	1	92	0.4%	Sierra Place	0.0 %
Industrial	Greater Toronto Area	ON	1	53	0.2%	2145-2155 Dunwin Drive	72.2 %
Total properties held for redevelopment			2	145	0.6%		26.4 %

(1) Percentage committed is based on occupancy at June 30, 2020, plus commitments on vacant space.

Redevelopment plans were underway to convert Sierra Place, located in Calgary, Alberta, from an office property to a multi-residential property. The building, which is conveniently located downtown on a light rail transit line and provides access to the Plus 15 walkway system, would have approximately 100 suites upon completion. Redevelopment work is on hold as the REIT is pursuing opportunities to sell this property.

Artis has implemented a plan to convert an industrial property into commercial condominium units at 2145-2155 Dunwin Drive, located in the Greater Toronto Area, Ontario. 2145-2155 Dunwin Drive is a 52,969 square foot two-storey complex that is located just minutes from Queen Elizabeth Way and Highway 403. The completion of the conversion is expected in 2020. The REIT is currently in the process of condominium registration, which could face delays due to the COVID-19 pandemic. At June 30, 2020, commercial condominium units representing 85.8% of the total square footage of the converted complex were under conditional sale agreements.

New Developments in Process ⁽¹⁾

Asset class	City	Province / State	Property count	Owned share of GLA (000's of S.F.)	Property	% Completed	% Committed ⁽²⁾
Residential / Multi-Family	Winnipeg	MB	1	580	300 Main	45.0 %	0.0 %
Industrial	Greater Houston Area	TX	1	95	Park 8Ninety IV	98.0 %	100.0 %
Retail	Winnipeg	MB	—	17	Linden Ridge Shopping Centre II	98.0 %	100.0 %
Total new developments in process ⁽³⁾			2	692			

(1) Information is at June 30, 2020, and includes properties held in joint venture arrangements.

(2) Percentage committed is based on occupancy at June 30, 2020, plus commitments on vacant space.

(3) Property count and owned share of GLA for new developments in process (properties that are not 100% completed) are not included in portfolio property count and GLA totals. GLA numbers are estimates.

In Q2-20, Artis completed construction of 330 Main, one of two development projects located at the iconic intersection, Portage and Main, in downtown Winnipeg, Manitoba. The two new projects will span nearly one city block when complete. The 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 are owned by Artis. 300 Main will be a best-in-class amenity-rich apartment building with main floor commercial space, while 330 Main is a state-of-the-art multi-tenant retail property. 330 Main is approximately 90% leased pursuant to a 20-year lease to a national tenant with rental increases every five years.

In Q4-19, Artis commenced construction of Park 8Ninety IV, a 100,000 square foot build-to-suit development for a multi-national tenant. Artis has a 95% interest in Park 8Ninety IV in the form of a joint venture arrangement. Subsequent to June 30, 2020, Artis completed construction of Park 8Ninety IV and the lease commenced in July 2020.

Artis owns Linden Ridge Shopping Centre II, a 12 acre parcel of land in Winnipeg, Manitoba, which is located adjacent to Linden Ridge Shopping Centre, a retail property also owned by Artis. In 2017, Artis completed a build-to-suit building at Linden Ridge Shopping Centre II for a land lease with Lowe's on nine acres at the site. In Q4-19, Artis began construction of an additional 17,000 square foot building on the site, which is 100% pre-leased to two national tenants.

Future Development Program

Asset class	City	Province / State	Estimated owned share of GLA (000's of S.F.)	Property
Industrial	Greater Houston Area	TX	1,270	Cedar Port - Future Phases
Industrial	Greater Houston Area	TX	613	Park 8Ninety - Future Phases
Office	Madison	WI	43	1630 Aspen
Office	Madison	WI	50	Heartland Trail Land

Additional information about these developments will be released as progress is made and key milestones are achieved.

Rezoning and Densification Initiatives

Artis is exploring opportunities for a densification project at Concorde Corporate Centre in the Greater Toronto Area, Ontario. The site provides direct access to Don Valley Parkway and convenient access to other major thoroughfares in the Greater Toronto Area. Preliminary plans are underway to build approximately 500 apartment units on the site.

Artis is exploring opportunities for a densification project at Poco Place in Port Coquitlam, British Columbia. The site provides access to major transportation routes and frontage on four streets, including Lougheed Highway, an east-west arterial corridor. Preliminary plans to build 600 to 900 apartment units are underway.

These projects will be planned for sale once rezoning and densification entitlements are achieved. Additional information about these projects will be released as progress is made.

2020 - SECOND QUARTER HIGHLIGHTS

PORTFOLIO ACTIVITY

During Q2-20, Artis completed one new development project.

	Office		Retail		Industrial		Total	
	Property count	S.F. (000's) ⁽¹⁾	Property count	S.F. (000's) ⁽¹⁾	Property count	S.F. (000's) ⁽¹⁾	Property count	S.F. (000's) ⁽¹⁾
Portfolio properties, March 31, 2020	59	8,599	41	2,850	115	12,366	215	23,815
New development	—	—	1	27	—	—	1	27
Portfolio properties, June 30, 2020	59	8,599	42	2,877	115	12,366	216	23,842

(1) Based on owned share of GLA, and includes properties held in joint venture arrangements.

FINANCING AND EQUITY ACTIVITIES

Unsecured Non-Revolving Term Credit Facility Swap

On May 28, 2020, the REIT entered into interest rate swap agreements for the non-revolving term credit facility maturing February 4, 2022, in the aggregate amount of \$200,000, effectively fixing the interest rate at 2.22%.

Unsecured Revolving Term Credit Facilities

During Q2-20, Artis repaid a net balance of \$32,500 on its revolving credit facilities.

Mortgage Debt Financing and Repayment Activity

During Q2-20, the REIT repaid one maturing mortgage in the amount of \$19,711, one mortgage related to the disposition of 1165 Kenaston in the amount of \$8,636 and received upward financing upon renewal of two maturing mortgages, net of financing costs, in the amount of \$49,172.

Normal Course Issuer Bid

In Q2-20, Artis utilized the NCIB to purchase 1,531,142 common units for an aggregate market price of \$12,842 and 16,000 Series A, 20,362 Series E and 24,420 Series I preferred units for an aggregate market price of \$1,006.

Short Form Base Shelf Prospectus

On August 23, 2018, the REIT issued a short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of \$1,000,000 (i) common units of the REIT; (ii) preferred units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. As at June 30, 2020, the REIT had issued senior unsecured debentures under one offering in the amount of \$250,000 under this short form base shelf prospectus.

DISTRIBUTIONS

Artis declared distributions of \$22,682 to unitholders in Q2-20, which included distributions to preferred unitholders in the amount of \$4,344.

SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	Three months ended				Six months ended			
	June 30,		Change	% Change	June 30,		Change	% Change
2020	2019	2020			2019			
Revenue	\$114,038	\$133,928	\$ (19,890)	(14.9)%	\$232,579	\$267,475	\$ (34,896)	(13.0)%
Net operating income	67,139	80,533	(13,394)	(16.6)%	136,291	159,011	(22,720)	(14.3)%
Net income (loss)	54,750	19,872	34,878	175.5 %	(56,580)	45,228	(101,808)	(225.1)%
Total comprehensive (loss) income	(3,242)	(10,758)	7,516	(69.9)%	10,955	(15,266)	26,221	(171.8)%
Basic income (loss) per common unit	0.37	0.10	0.27	270.0 %	(0.48)	0.24	(0.72)	(300.0)%
Diluted income (loss) per common unit	0.36	0.10	0.26	260.0 %	(0.50)	0.24	(0.74)	(308.3)%
Distributions per unit:								
Common units	\$ 0.14	\$ 0.14	\$ —	—%	\$ 0.27	\$ 0.27	\$ —	—%
Preferred units - Series A	0.35	0.35	—	—%	0.71	0.71	—	—%
Preferred units - Series E	0.34	0.34	—	—%	0.68	0.68	—	—%
Preferred units - Series G	—	0.31	(0.31)	(100.0)%	—	0.63	(0.63)	(100.0)%
Preferred units - Series I	0.38	0.38	—	—%	0.75	0.75	—	—%
FFO ⁽¹⁾	\$ 49,358	\$ 51,909	\$ (2,551)	(4.9)%	\$ 95,799	\$102,193	\$ (6,394)	(6.3)%
FFO per unit ⁽¹⁾	0.36	0.36	—	—%	0.69	0.70	(0.01)	(1.4)%
FFO payout ratio ⁽¹⁾	38.9 %	38.9 %	—	—%	39.1 %	38.6 %	—	0.5 %
AFFO ⁽¹⁾	\$ 36,499	\$ 39,370	\$ (2,871)	(7.3)%	\$ 70,160	\$ 76,977	\$ (6,817)	(8.9)%
AFFO per unit ⁽¹⁾	0.27	0.27	—	—%	0.51	0.53	(0.02)	(3.8)%
AFFO payout ratio ⁽¹⁾	51.9 %	51.9 %	—	—%	52.9 %	50.9 %	—	2.0 %
Same Property NOI growth % ⁽¹⁾	(2.0)%	4.6 %	—	(6.6)%	(0.2)%	4.9 %	—	(5.1)%
Same Property NOI growth %, excluding bad debt expense ⁽¹⁾	1.2 %	4.4 %	—	(3.2)%	1.3 %	4.8 %	—	(3.5)%
EBITDA interest coverage ratio ⁽¹⁾	3.48	3.00	0.48	16.0 %	3.27	2.98	0.29	9.7 %

(1) Represents a non-GAAP measure. Refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

Revenue, net operating income, FFO and AFFO decreased period-over-period, primarily due to the impact of dispositions as the REIT disposed of 13 office and 12 retail properties in 2019 and 2020.

The overall decrease is partially offset by completed new developments and acquisitions. In 2019, Artis completed the development of three fully leased industrial properties located in the U.S. and acquired Boulder Lakes Business Park II, a 100% leased office property in the Twin Cities Area, Minnesota and a surface parking lot adjacent to an office property in Winnipeg, Manitoba.

During Q2-20, the REIT recorded bad debt provision of \$2,806 compared to \$190 in Q2-19. The increase is primarily due to bad debt provisions related to the collectability of rents receivable from certain tenants affected by the COVID-19 pandemic.

Primarily due to the bad debt provisions recorded in Q2-20, the REIT reported a decline in period-over-period Same Property NOI of 2.0%. Excluding bad debt expense, Same Property NOI increased 1.2% period-over-period.

Net income (loss) and total comprehensive (loss) income were also positively impacted by a decrease in interest expense (\$21,065 in Q2-20, compared to \$27,916 in Q2-19), the fair value gain on investment properties (gain of \$8,283 in Q2-20 compared to loss of \$24,508 in Q2-19) and by the loss on derivative instruments and other transactions (loss of \$3,961 in Q2-20 compared to a loss of \$7,195 in Q2-19). Also contributing positively to the change is income from investments in joint venture (income of \$5,615 in Q2-20, compared to loss of \$691 in Q2-19) primarily due to the completion of development projects and the fair value gain on investment properties.

Foreign exchange also continues to positively impact Artis' financial results, due to a higher US dollar to Canadian dollar average exchange rate of 1.3859 in Q2-20, compared to 1.3375 in Q2-19.

The REIT reported conservative FFO and AFFO payout ratios of 38.9% and 51.9%, respectively, for Q2-20.

FFO per unit and AFFO per unit were also impacted by the units acquired and cancelled under the NCIB in accordance with Artis' New Initiatives.

BALANCE SHEET METRICS

000's, except per unit amounts	June 30, 2020	December 31, 2019	% Change
NAV per unit ⁽¹⁾	\$ 15.40	\$ 15.56	(1.0)%
<u>IFRS</u>			
Secured mortgages and loans to GBV ⁽¹⁾	27.0 %	26.3 %	0.7 %
Total long-term debt and credit facilities to GBV ⁽¹⁾	51.3 %	51.3 %	— %
Fair value of unencumbered assets	\$ 1,919,171	\$ 1,926,661	(0.4)%
Total assets	5,236,565	5,330,019	(1.8)%
Total non-current financial liabilities	1,912,566	2,142,090	(10.7)%
<u>Proportionate Share</u>			
Total long-term debt and credit facilities to EBITDA ⁽¹⁾	9.5	8.8	8.0 %
Secured mortgages and loans to GBV ⁽¹⁾	28.8 %	27.9 %	0.9 %
Total long-term debt and credit facilities to GBV ⁽¹⁾	52.5 %	52.3 %	0.2 %
Fair value of unencumbered assets	\$ 1,962,935	\$ 1,968,369	(0.3)%
Total assets	5,390,468	5,460,034	(1.3)%
Total non-current financial liabilities	2,022,145	2,236,067	(9.6)%

(1) Represents a non-GAAP measure. Refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

Artis reported NAV per unit of \$15.40 at June 30, 2020, compared to \$15.56 at December 31, 2019. The change is primarily due to the year-to-date fair value loss on investment properties and derivative instruments and distributions to unitholders, partially offset by net operating income, the foreign currency translation gain and the impact of units purchased under the NCIB.

The REIT's debt metrics have been impacted by Artis' New Initiatives due to the timing of the NCIB purchases and disposition of investment properties. The REIT expects the New Initiatives to continue to be impacted due to the COVID-19 pandemic as financial markets have been disrupted and the property transaction market has slowed considerably. On May 7, 2020, the REIT temporarily suspended unit purchases under the NCIB. The REIT will continue to monitor the trading price of Artis' units as it compares to our NAV as well as our liquidity in determining whether to resume unit purchases under our NCIB.

Refer to the individual sections of this MD&A for additional information and discussion of the REIT's key financial metrics.

ANALYSIS OF OPERATING RESULTS

The following provides a reconciliation of the consolidated statements of operations as prepared in accordance with IFRS in the REIT's consolidated financial statements to its Proportionate Share:

	Three months ended June 30,					
	2020			2019		
	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share
Revenue	\$ 114,038	\$ 5,593	\$ 119,631	\$ 133,928	\$ 4,315	\$ 138,243
Expenses:						
Property operating	27,877	1,357	29,234	31,655	1,192	32,847
Realty taxes	19,022	1,190	20,212	21,740	961	22,701
Total operating expenses	46,899	2,547	49,446	53,395	2,153	55,548
Net operating income	67,139	3,046	70,185	80,533	2,162	82,695
Other income (expenses):						
Corporate expenses	(2,663)	—	(2,663)	(4,113)	—	(4,113)
Interest expense	(21,065)	(1,202)	(22,267)	(27,916)	(977)	(28,893)
Interest income	1,371	1	1,372	510	1	511
Net income (loss) from investments in joint ventures	5,615	(5,615)	—	(691)	691	—
Fair value gain (loss) on investment properties	8,283	3,770	12,053	(24,508)	(1,877)	(26,385)
Foreign currency translation gain	190	—	190	3,435	—	3,435
Transaction costs	—	—	—	(137)	—	(137)
Fair value loss on derivative instruments and other transactions	(3,961)	—	(3,961)	(7,195)	—	(7,195)
Income before income taxes	54,909	—	54,909	19,918	—	19,918
Income tax expense	(159)	—	(159)	(46)	—	(46)
Net income	54,750	—	54,750	19,872	—	19,872
Other comprehensive loss:						
Unrealized foreign currency translation loss	(51,929)	(6,063)	(57,992)	(28,648)	(2,251)	(30,899)
Unrealized foreign currency translation loss on joint ventures	(6,063)	6,063	—	(2,251)	2,251	—
Unrealized gain from remeasurements of net pension obligation	—	—	—	269	—	269
	(57,992)	—	(57,992)	(30,630)	—	(30,630)
Total comprehensive loss	\$ (3,242)	\$ —	\$ (3,242)	\$ (10,758)	\$ —	\$ (10,758)

(1) Adjustment to reflect investments in joint ventures on a Proportionate Share basis.

	Six months ended June 30,					
	2020			2019		
	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share
Revenue	\$ 232,579	\$ 10,879	\$ 243,458	\$ 267,475	\$ 9,357	\$ 276,832
Expenses:						
Property operating	57,436	2,738	60,174	66,135	2,503	68,638
Realty taxes	38,852	2,354	41,206	42,329	2,038	44,367
Total operating expenses	96,288	5,092	101,380	108,464	4,541	113,005
Net operating income	136,291	5,787	142,078	159,011	4,816	163,827
Other income (expenses):						
Corporate expenses	(3,476)	—	(3,476)	(8,230)	—	(8,230)
Interest expense	(45,624)	(2,550)	(48,174)	(55,168)	(2,170)	(57,338)
Interest income	2,867	4	2,871	951	3	954
Net income from investments in joint ventures	6,598	(6,598)	—	1,966	(1,966)	—
Fair value (loss) gain on investment properties	(133,152)	3,357	(129,795)	(43,035)	(683)	(43,718)
Foreign currency translation (loss) gain	(912)	—	(912)	10,148	—	10,148
Transaction costs	—	—	—	(137)	—	(137)
Fair value loss on derivative instruments and other transactions	(18,782)	—	(18,782)	(19,540)	—	(19,540)
(Loss) income before income taxes	(56,190)	—	(56,190)	45,966	—	45,966
Income tax expense	(390)	—	(390)	(738)	—	(738)
Net (loss) income	(56,580)	—	(56,580)	45,228	—	45,228
Other comprehensive income (loss):						
Unrealized foreign currency translation gain (loss)	60,525	7,010	67,535	(56,436)	(4,729)	(61,165)
Unrealized foreign currency translation gain (loss) on joint ventures	7,010	(7,010)	—	(4,729)	4,729	—
Unrealized gain from remeasurements of net pension obligation	—	—	—	671	—	671
	67,535	—	67,535	(60,494)	—	(60,494)
Total comprehensive income (loss)	\$ 10,955	\$ —	\$ 10,955	\$ (15,266)	\$ —	\$ (15,266)

(1) Adjustment to reflect investments in joint ventures on a Proportionate Share basis.

REVENUE AND PROPERTY NOI

	Three months ended June 30,					
	2020			2019		
	IFRS	Adjustment ⁽¹⁾	Total Proportionate Share	IFRS	Adjustment ⁽¹⁾	Total Proportionate Share
Revenue:						
Rental income	\$ 119,129	\$ 5,534	\$ 124,663	\$ 137,513	\$ 4,300	\$ 141,813
Tenant inducements amortized to revenue	(6,282)	(333)	(6,615)	(5,831)	(198)	(6,029)
Straight-line rent adjustments	1,052	352	1,404	1,411	213	1,624
Lease termination income	139	40	179	835	—	835
	114,038	5,593	119,631	133,928	4,315	138,243
Property operating and realty tax expenses	46,899	2,547	49,446	53,395	2,153	55,548
Property NOI	\$ 67,139	\$ 3,046	\$ 70,185	\$ 80,533	\$ 2,162	\$ 82,695

	Six months ended June 30,					
	2020			2019		
	IFRS	Adjustment ⁽¹⁾	Total Proportionate Share	IFRS	Adjustment ⁽¹⁾	Total Proportionate Share
Revenue:						
Rental income	\$ 242,116	\$ 10,711	\$ 252,827	\$ 274,964	\$ 9,315	\$ 284,279
Tenant inducements amortized to revenue	(12,040)	(555)	(12,595)	(11,296)	(422)	(11,718)
Straight-line rent adjustments	2,293	683	2,976	2,924	464	3,388
Lease termination income	210	40	250	883	—	883
	232,579	10,879	243,458	267,475	9,357	276,832
Property operating and realty tax expenses	96,288	5,092	101,380	108,464	4,541	113,005
Property NOI	\$ 136,291	\$ 5,787	\$ 142,078	\$ 159,011	\$ 4,816	\$ 163,827

(1) Adjustment to reflect investments in joint ventures on a Proportionate Share basis.

Rental income is revenue earned from tenants primarily related to lease agreements.

Tenant inducement costs are amortized over the term of the tenant's lease.

Rent steps and lease termination income (if it is likely the tenant will exercise the lease termination option) are accounted for by straight-lining the incremental increases and lease termination payments over the entire non-cancelable lease term, including the tenant fixturing period.

Lease termination income relates to payments received from tenants where the REIT and the tenant agreed to terminate a lease prior to the contractual expiry date. Lease termination income is common in the real estate industry, however, it is unpredictable and period-over-period changes are not indicative of trends.

Property operating expenses include costs related to interior and exterior maintenance, insurance, utilities and property management expenses.

Also included in property operating expenses is bad debt expense of \$2,806 (YTD - \$2,952) in Q2-20 compared to \$190 (YTD - \$348). The bad debt provisions are primarily related to the collectability of rents receivable from certain tenants affected by the COVID-19 pandemic.

SAME PROPERTY NOI ANALYSIS ⁽¹⁾

Same Property NOI includes investment properties that were owned for a full quarterly reporting period in both the current and comparative year and excludes properties held for (re)development.

	Three months ended				Six months ended			
	2020	June 30, 2019	Change	% Change	2020	June 30, 2019	Change	% Change
Property NOI	\$ 70,185	\$ 82,695			\$ 142,078	\$ 163,827		
Add (deduct) Property NOI from:								
Acquisitions	(1,098)	(20)			(2,178)	(20)		
Dispositions	(45)	(11,031)			(78)	(22,473)		
(Re)development properties	(1,884)	(521)			(3,809)	(384)		
Other ⁽²⁾	(272)	(936)			399	(923)		
	(3,299)	(12,508)			(5,666)	(23,800)		
Straight-line rent adjustments	(954)	(1,370)			(2,018)	(2,966)		
Tenant inducements amortized to revenue	6,407	4,997			12,132	9,809		
Same Property NOI	\$ 72,339	\$ 73,814	\$ (1,475)	(2.0)%	\$ 146,526	\$ 146,870	\$ (344)	(0.2)%

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

(2) Primarily includes lease termination income adjustments.

Lease termination income related to significant tenants has been excluded, other than the portion that covers lost revenue due to vacancy, for purposes of the Same Property NOI calculation.

Same Property NOI by Asset Class

	Three months ended				Six months ended			
	2020	June 30, 2019	Change	% Change	2020	June 30, 2019	Change	% Change
Canada:								
Office	\$ 11,528	\$ 13,349	\$ (1,821)	(13.6)%	\$ 24,252	\$ 26,810	\$ (2,558)	(9.5)%
Retail	12,630	14,584	(1,954)	(13.4)%	26,612	29,032	(2,420)	(8.3)%
Industrial	12,146	11,602	544	4.7 %	24,419	23,148	1,271	5.5 %
Total Canada	36,304	39,535	(3,231)	(8.2)%	75,283	78,990	(3,707)	(4.7)%
U.S.:								
Office	17,808	17,548	260	1.5 %	35,835	34,930	905	2.6 %
Industrial	8,188	8,084	104	1.3 %	16,358	15,982	376	2.4 %
Total U.S.	25,996	25,632	364	1.4 %	52,193	50,912	1,281	2.5 %
Total in functional currency	62,300	65,167	(2,867)	(4.4)%	127,476	129,902	(2,426)	(1.9)%
Foreign exchange	10,039	8,647	1,392	16.1 %	19,050	16,968	2,082	12.3 %
Same Property NOI	\$ 72,339	\$ 73,814	\$ (1,475)	(2.0)%	\$ 146,526	\$ 146,870	\$ (344)	(0.2)%

	Three months ended				Six months ended			
	2020	June 30, 2019	Change	% Change	2020	June 30, 2019	Change	% Change
Office	\$ 36,212	\$ 36,818	\$ (606)	(1.6)%	\$ 73,161	\$ 73,382	\$ (221)	(0.3)%
Retail	12,630	14,584	(1,954)	(13.4)%	26,612	29,032	(2,420)	(8.3)%
Industrial	23,497	22,412	1,085	4.8 %	46,753	44,456	2,297	5.2 %
Same Property NOI	\$ 72,339	\$ 73,814	\$ (1,475)	(2.0)%	\$ 146,526	\$ 146,870	\$ (344)	(0.2)%

Same Property NOI by Geographical Region

	Three months ended				Six months ended			
	June 30,		Change	% Change	June 30,		Change	% Change
2020	2019	2020			2019			
Alberta	\$ 11,743	\$ 12,944	\$ (1,201)	(9.3)%	\$ 24,233	\$ 26,368	\$ (2,135)	(8.1)%
British Columbia	1,917	2,049	(132)	(6.4)%	3,883	4,083	(200)	(4.9)%
Manitoba	9,749	11,683	(1,934)	(16.6)%	20,990	23,094	(2,104)	(9.1)%
Ontario	7,925	7,866	59	0.8 %	16,183	15,520	663	4.3 %
Saskatchewan	4,970	4,993	(23)	(0.5)%	9,994	9,925	69	0.7 %
Arizona	5,553	5,301	252	4.8 %	11,009	10,741	268	2.5 %
Minnesota	11,492	11,762	(270)	(2.3)%	23,128	23,406	(278)	(1.2)%
Wisconsin	5,754	5,575	179	3.2 %	11,579	10,884	695	6.4 %
U.S. - Other	3,197	2,994	203	6.8 %	6,477	5,881	596	10.1 %
Total in functional currency	62,300	65,167	(2,867)	(4.4)%	127,476	129,902	(2,426)	(1.9)%
Foreign exchange	10,039	8,647	1,392	16.1 %	19,050	16,968	2,082	12.3 %
Same Property NOI	\$ 72,339	\$ 73,814	\$ (1,475)	(2.0)%	\$ 146,526	\$ 146,870	\$ (344)	(0.2)%

Same Property Occupancy Report

Geographical Region	As at June 30,		Asset Class	As at June 30,	
	2020	2019		2020	2019
Alberta	83.0%	84.8%	Office	86.6%	87.4%
British Columbia	92.2%	99.2%	Retail	89.7%	93.5%
Manitoba	91.0%	95.0%	Industrial	96.6%	96.6%
Ontario	95.3%	93.9%			
Saskatchewan	95.7%	96.7%	Total	91.9%	92.7%
Arizona	94.7%	91.9%			
Minnesota	93.5%	96.1%			
Wisconsin	89.4%	89.4%			
U.S. - Other	96.7%	88.3%			
Total	91.9%	92.7%			

Same Property NOI - Excluding Bad Debt Expense

Artis no longer presents Same Property NOI stabilized for the Calgary office segment and properties planned for disposition. Due to the New Initiatives, Artis has reduced its exposure in the Calgary office segment. The property transaction market has slowed considerably due to the COVID-19 pandemic, reducing the number of properties planned for disposition. As the COVID-19 pandemic has resulted in bad debt provisions related to the collectability of rents receivable from certain tenants, Artis has calculated Same Property NOI excluding bad debt expense.

Same Property NOI by Asset Class - Excluding Bad Debt Expense

	Three months ended				Six months ended			
	2020	June 30, 2019	Change	% Change	2020	June 30, 2019	Change	% Change
Canada:								
Office	\$ 11,792	\$ 13,344	\$ (1,552)	(11.6)%	\$ 24,516	\$ 26,805	\$ (2,289)	(8.5)%
Retail	14,146	14,775	(629)	(4.3)%	28,239	29,306	(1,067)	(3.6)%
Industrial	12,309	11,605	704	6.1 %	24,582	23,151	1,431	6.2 %
Total Canada	38,247	39,724	(1,477)	(3.7)%	77,337	79,262	(1,925)	(2.4)%
U.S.:								
Office	18,074	17,551	523	3.0 %	36,121	34,981	1,140	3.3 %
Industrial	8,353	8,085	268	3.3 %	16,523	15,983	540	3.4 %
Total U.S.	26,427	25,636	791	3.1 %	52,644	50,964	1,680	3.3 %
Total in functional currency	64,674	65,360	(686)	(1.0)%	129,981	130,226	(245)	(0.2)%
Foreign exchange	10,195	8,648	1,547	17.9 %	19,216	16,987	2,229	13.1 %
Same Property NOI, excluding bad debt expense	\$ 74,869	\$ 74,008	\$ 861	1.2 %	\$ 149,197	\$ 147,213	\$ 1,984	1.3 %

Same Property NOI by Geographical Region - Excluding Bad Debt Expense

	Three months ended				Six months ended			
	2020	June 30, 2019	Change	% Change	2020	June 30, 2019	Change	% Change
Alberta	\$ 12,724	\$ 13,114	\$ (390)	(3.0)%	\$ 25,330	\$ 26,576	\$ (1,246)	(4.7)%
British Columbia	2,027	2,044	(17)	(0.8)%	3,993	4,078	(85)	(2.1)%
Manitoba	10,184	11,687	(1,503)	(12.9)%	21,425	23,098	(1,673)	(7.2)%
Ontario	8,125	7,867	258	3.3 %	16,383	15,521	862	5.6 %
Saskatchewan	5,187	5,012	175	3.5 %	10,206	9,989	217	2.2 %
Arizona	5,576	5,301	275	5.2 %	11,032	10,741	291	2.7 %
Minnesota	11,506	11,744	(238)	(2.0)%	23,160	23,416	(256)	(1.1)%
Wisconsin	5,941	5,581	360	6.5 %	11,768	10,904	864	7.9 %
U.S. - Other	3,404	3,010	394	13.1 %	6,684	5,903	781	13.2 %
Total in functional currency	64,674	65,360	(686)	(1.0)%	129,981	130,226	(245)	(0.2)%
Foreign exchange	10,195	8,648	1,547	17.9 %	19,216	16,987	2,229	13.1 %
Same Property NOI, excluding bad debt expense	\$ 74,869	\$ 74,008	\$ 861	1.2 %	\$ 149,197	\$ 147,213	\$ 1,984	1.3 %

Same Property NOI in Manitoba decreased \$684 due to a decline in parking revenues as a result of government mandated closures and social distancing guidelines recommended by public health agencies in relation to the COVID-19 pandemic.

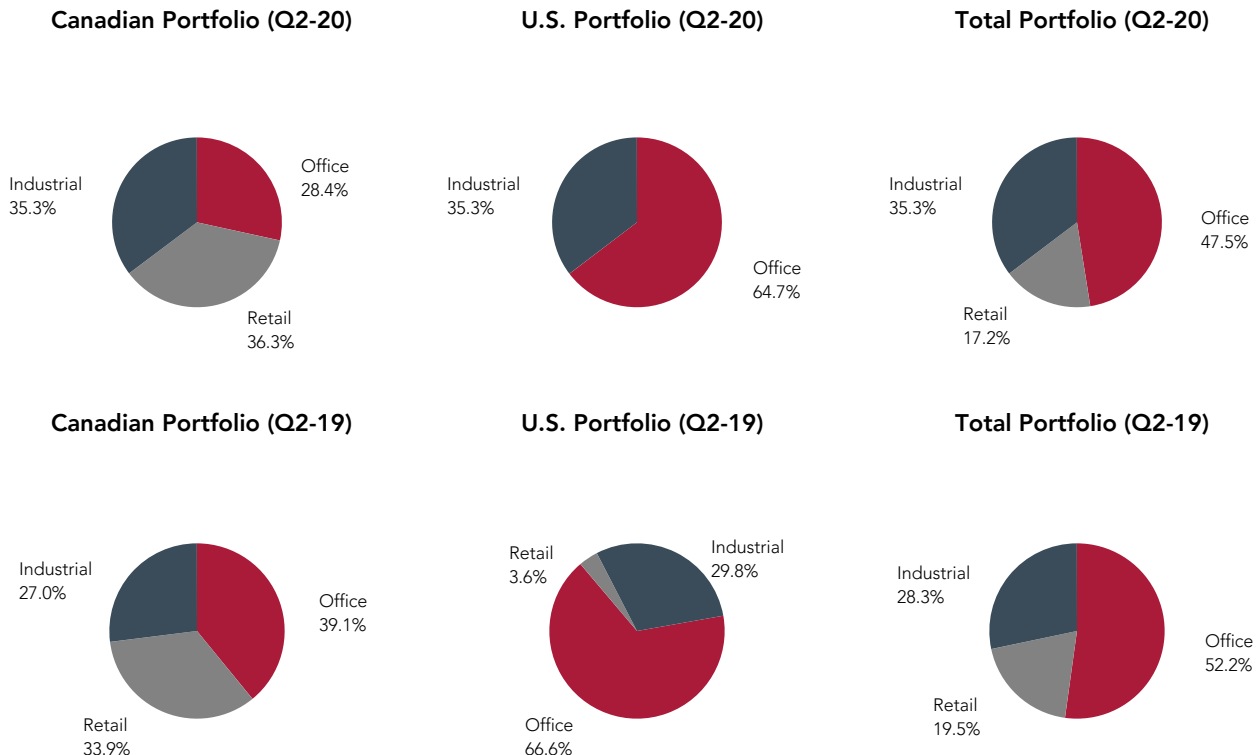
PROPERTY NOI BY ASSET CLASS

	IFRS			IFRS			Proportionate Share			Proportionate Share		
	Q2-20	Q2-19	Change	YTD-20	YTD-19	Change	Q2-20	Q2-19	Change	YTD-20	YTD-19	Change
Canada:												
Office	\$9,452	\$16,979	\$(7,527)	\$ 20,133	\$33,680	\$(13,547)	\$ 9,452	\$ 16,945	\$(7,493)	\$20,133	\$ 33,642	\$(13,509)
Retail	12,056	14,696	(2,640)	25,479	29,935	(4,456)	12,056	14,696	(2,640)	25,479	29,935	(4,456)
Industrial	10,359	10,342	17	21,105	20,615	490	11,713	11,697	16	23,814	23,322	492
	31,867	42,017	(10,150)	66,717	84,230	(17,513)	33,221	43,338	(10,117)	69,426	86,899	(17,473)
U.S.:												
Office	22,820	25,696	(2,876)	45,230	51,201	(5,971)	23,857	26,210	(2,353)	46,849	52,276	(5,427)
Retail	—	1,408	(1,408)	—	2,743	(2,743)	—	1,408	(1,408)	—	2,743	(2,743)
Industrial	12,387	11,379	1,008	24,252	20,765	3,487	13,042	11,706	1,336	25,711	21,837	3,874
	35,207	38,483	(3,276)	69,482	74,709	(5,227)	36,899	39,324	(2,425)	72,560	76,856	(4,296)
Total portfolio:												
Office	32,272	42,675	(10,403)	65,363	84,881	(19,518)	33,309	43,155	(9,846)	66,982	85,918	(18,936)
Retail	12,056	16,104	(4,048)	25,479	32,678	(7,199)	12,056	16,104	(4,048)	25,479	32,678	(7,199)
Industrial	22,746	21,721	1,025	45,357	41,380	3,977	24,755	23,403	1,352	49,525	45,159	4,366
	67,074	80,500	(13,426)	136,199	158,939	(22,740)	70,120	82,662	(12,542)	141,986	163,755	(21,769)
REIT	65	33	32	92	72	20	65	33	32	92	72	20
Property NOI	\$67,139	\$80,533	\$(13,394)	\$136,291	\$159,011	\$(22,720)	\$ 70,185	\$ 82,695	\$(12,510)	\$142,078	\$163,827	\$(21,749)

In Q2-20, the Canadian office segment decreased due to dispositions in 2019 and 2020 and a decline in parking revenues in Manitoba. The Canadian retail segment decreased due to dispositions in 2019. In Q2-20, the Canadian office, retail and industrial segments decreased \$387, \$1,516 and \$170, respectively, primarily due to bad debt provisions as a result of the COVID-19 pandemic.

In Q2-20, the U.S. office and retail segments decreased due to dispositions in 2019. The U.S. office segment decrease was partially offset by an acquisition in 2019. The U.S. industrial segment increased due to the completion of the Cedar Port I, Park 8Ninety II, Park 8Ninety III and Tower Business Center developments in 2019. In Q2-20, the U.S. office and industrial segments decreased \$508 and \$235, respectively, primarily due to bad debt provisions as a result of the COVID-19 pandemic. The U.S. portfolio was also impacted by the effect of foreign exchange.

The information below is based on Proportionate Share Property NOI:



PROPERTY NOI BY GEOGRAPHICAL REGION

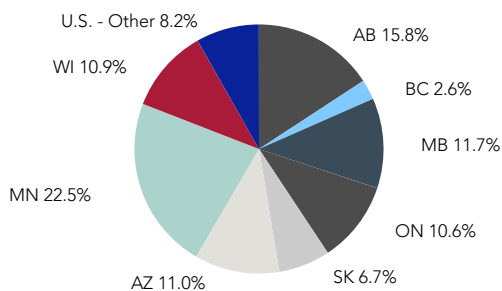
	IFRS			IFRS			Proportionate Share			Proportionate Share		
	Q2-20	Q2-19	Change	YTD-20	YTD-19	Change	Q2-20	Q2-19	Change	YTD-20	YTD-19	Change
Canada:												
Alberta	\$10,230	\$14,764	\$ (4,534)	\$21,209	\$29,595	\$ (8,386)	\$11,078	\$15,611	\$ (4,533)	\$ 22,905	\$ 31,289	\$ (8,384)
British Columbia	1,718	2,265	(547)	3,504	4,800	(1,296)	1,846	2,393	(547)	3,761	5,057	(1,296)
Manitoba	8,197	10,704	(2,507)	18,027	21,395	(3,368)	8,197	10,670	(2,473)	18,027	21,357	(3,330)
Ontario	7,398	9,413	(2,015)	15,181	18,817	(3,636)	7,398	9,413	(2,015)	15,181	18,817	(3,636)
Saskatchewan	4,324	4,871	(547)	8,796	9,623	(827)	4,702	5,251	(549)	9,552	10,379	(827)
	31,867	42,017	(10,150)	66,717	84,230	(17,513)	33,221	43,338	(10,117)	69,426	86,899	(17,473)
U.S.:												
Arizona	7,720	9,358	(1,638)	14,918	18,358	(3,440)	7,720	9,358	(1,638)	14,918	18,358	(3,440)
Minnesota	15,148	16,078	(930)	30,308	31,737	(1,429)	15,809	16,411	(602)	31,280	32,376	(1,096)
Wisconsin	7,620	7,285	335	14,572	14,206	366	7,620	7,285	335	14,572	14,206	366
U.S. - Other	4,719	5,762	(1,043)	9,684	10,408	(724)	5,750	6,270	(520)	11,790	11,916	(126)
	35,207	38,483	(3,276)	69,482	74,709	(5,227)	36,899	39,324	(2,425)	72,560	76,856	(4,296)
Total portfolio	67,074	80,500	(13,426)	136,199	158,939	(22,740)	70,120	82,662	(12,542)	141,986	163,755	(21,769)
REIT	65	33	32	92	72	20	65	33	32	92	72	20
Property NOI	\$67,139	\$80,533	\$(13,394)	\$136,291	\$159,011	\$(22,720)	\$70,185	\$82,695	\$(12,510)	\$142,078	\$163,827	\$(21,749)

In Q2-20, Proportionate Share Property NOI decreased in all regions except Wisconsin due to dispositions completed in accordance with our New Initiatives. Alberta was impacted by increased vacancy and a decline in parking revenues contributed to the decrease in Manitoba. The decrease is partially offset in Minnesota due to an acquisition in 2019, and in U.S. – Other due to the completion of Cedar Port I, Park 8Ninety II, Park 8Ninety III and Tower Business Center developments. In Q2-20, Proportionate Share Property NOI decreased \$1,102 in Alberta, \$110 in British Columbia, \$435 in Manitoba, \$209 in Ontario, \$217 in Saskatchewan, \$33 in Arizona, \$19 in Minnesota, \$255 in Wisconsin, and \$436 in U.S. – Other due to bad debt provisions as a result of the COVID-19 pandemic. The U.S. portfolio was also impacted by the effect of foreign exchange.

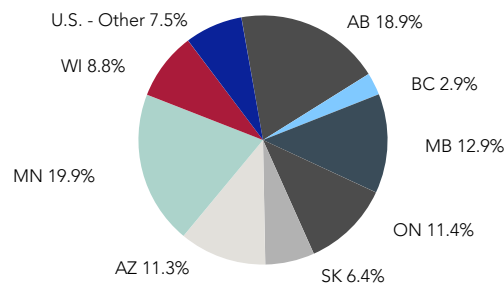
As part of the New Initiatives, the REIT has sold six Calgary office properties totalling 1,100,291 square feet of leasable area. As a result, in Q2-20, the Calgary office segment represented less than 2.0% of Proportionate Share Property NOI. Alberta represented 15.8% of Q2-20 Proportionate Share Property NOI. The Q2-20 Proportionate Share Property NOI by asset class for Alberta was 16.1% office, 56.1% retail and 27.8% industrial.

The information below is based on Proportionate Share Property NOI:

Total Portfolio (Q2-20)



Total Portfolio (Q2-19)



CORPORATE EXPENSES

	Three months ended				Six months ended			
	2020	June 30, 2019	Change	% Change	2020	June 30, 2019	Change	% Change
Accounting, legal and consulting	\$ 1,057	\$ 1,306	\$ (249)	(19.1)%	\$ 2,478	\$ 2,224	\$ 254	11.4 %
Public company costs	216	396	(180)	(45.5)%	565	872	(307)	(35.2)%
Unit-based compensation	340	1,031	(691)	(67.0)%	(1,824)	2,305	(4,129)	(179.1)%
Salaries and benefits	499	784	(285)	(36.4)%	934	1,555	(621)	(39.9)%
Depreciation of property and equipment	343	288	55	19.1 %	681	558	123	22.0 %
General and administrative	208	308	(100)	(32.5)%	642	716	(74)	(10.3)%
Total corporate expenses	\$ 2,663	\$ 4,113	\$ (1,450)	(35.3)%	\$ 3,476	\$ 8,230	\$ (4,754)	(57.8)%

Corporate expenses in Q2-20 were \$2,663 (YTD - \$3,476), or 2.3% (YTD - 1.5%) of total revenues compared to \$4,113 (YTD - \$8,230), or 3.1% (YTD - 3.1%) of total revenues in Q2-19.

Accounting, legal and consulting in Q2-20 includes \$384 (YTD - \$1,115), compared to \$nil (YTD - \$nil) in Q2-19 related to the Special Committee's' strategic review.

Unit-based compensation was impacted by fluctuations in Artis' unit price during the period.

INTEREST EXPENSE

	Three months ended				Six months ended			
	2020	June 30, 2019	Change	% Change	2020	June 30, 2019	Change	% Change
Mortgages and other loans ⁽¹⁾	\$ 9,771	\$ 14,323	\$ (4,552)		\$ 20,942	\$ 28,540	\$ (7,598)	
Debentures	2,433	4,160	(1,727)		5,589	8,761	(3,172)	
Credit facilities ⁽¹⁾	6,758	6,655	103		14,860	12,460	2,400	
Preferred shares ⁽¹⁾	33	34	(1)		67	67	—	
	18,995	25,172	(6,177)	(24.5)%	41,458	49,828	(8,370)	(16.8)%
Foreign exchange	2,070	2,744	(674)		4,166	5,340	(1,174)	
Total interest expense	\$ 21,065	\$ 27,916	\$ (6,851)	(24.5)%	\$ 45,624	\$ 55,168	\$ (9,544)	(17.3)%
Mortgages and other loans included in investments in joint ventures ⁽¹⁾	948	806	142		2,026	1,778	248	
Foreign exchange included in investments in joint ventures	254	171	83		524	392	132	
Total Proportionate Share interest expense	\$ 22,267	\$ 28,893	\$ (6,626)	(22.9)%	\$ 48,174	\$ 57,338	\$ (9,164)	(16.0)%

(1) Amounts shown are in Canadian and US dollars.

During Q2-20, interest expense on mortgages and other loans primarily decreased \$711 and US\$1,256 due to the repayment of mortgages upon disposition of investment properties, \$634 and US\$115 due to the repayment of maturing mortgages and US\$1,482 due to decreased monthly payments for mortgages with variable interest rates, partially offset by US\$101 related to mortgages upon acquisition of investment properties. Interest expense on debentures has decreased primarily due to the repayment of the Series B debentures in Q1-20. Financing costs on mortgages and other loans, debentures and the credit facilities are netted against the related debt and amortized on an effective interest basis over the expected term of the debt.

The REIT's weighted-average effective rate at June 30, 2020, on mortgages and other loans secured by properties, inclusive of properties held in joint venture arrangements, was 3.29%, compared to 3.98% at December 31, 2019. The weighted-average nominal interest rate on mortgages and other loans secured by properties, inclusive of properties held in joint venture arrangements, at June 30, 2020, was 3.07%, compared to 3.79% at December 31, 2019.

FAIR VALUE GAIN (LOSS) ON INVESTMENT PROPERTIES

The changes in fair value on investment properties, period-over-period, are recognized as fair value gains and losses in the consolidated statement of operations. Fair values of the investment properties are determined through either the discounted cash flow method or the overall capitalization method. External valuations are performed for a selection of properties representing various geographical regions and asset classes across the REIT's portfolio. Fair value changes in individual properties result from changes in the projected income and cash flow projections of those properties, as well as from changes in capitalization rates and discount rates applied. In Q2-20, the Proportionate Share fair value gain on investment properties was \$12,053 (YTD - loss of \$129,795), compared to a loss of \$26,385 (YTD - loss of \$43,718) in Q2-19. The fair value gain in Q2-20 was primarily due to capitalization rate compression and higher expected market rents in the industrial portfolio, partially offset by lower expected market rents for select retail properties in Alberta and Saskatchewan.

FOREIGN CURRENCY TRANSLATION GAIN (LOSS)

In Q2-20, Artis held cash, deposits and a portion of its revolving term credit facilities in US dollars. These assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. This translation resulted in a foreign currency translation gain of \$190 (YTD - loss of \$912) in Q2-20, compared to a gain of \$3,435 (YTD - gain of \$10,148) in Q2-19.

FAIR VALUE LOSS ON DERIVATIVE INSTRUMENTS AND OTHER TRANSACTIONS

Artis has entered into a number of interest rate swap contracts to effectively lock the interest rate on a portion of variable rate debt. The REIT recorded an unrealized loss on the fair value adjustment of the interest rate swaps outstanding of \$3,186 (YTD - loss of \$21,355) in Q2-20, compared to an unrealized loss of \$6,754 (YTD - loss of \$15,239) in Q2-19. The REIT anticipates holding the mortgages, non-revolving term credit facilities and related interest rate swap contracts until maturity.

Artis also recorded an unrealized loss of \$338 (YTD - gain of \$3,010) in Q2-20 on the fair value of outstanding foreign currency contracts, compared to an unrealized loss of \$1,547 (YTD - loss of \$5,792) in Q2-19.

INCOME TAX

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

The REIT's 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.

OTHER COMPREHENSIVE (LOSS) INCOME

Other comprehensive (loss) income includes the unrealized foreign currency translation losses of \$57,992 (YTD - gains of \$67,535) in Q2-20, compared to losses of \$30,899 (YTD - losses of \$61,165) in Q2-19. Foreign currency translation gains and losses relate to the REIT's net investments in its U.S. subsidiaries.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Artis calculates FFO and AFFO substantially in accordance with the guidelines set out by REALpac, as issued in February 2019.

Reconciliation of Net Income to FFO and AFFO

000's, except per unit amounts	Three months ended				Six months ended			
	2020	June 30, 2019	Change	% Change	2020	June 30, 2019	Change	% Change
Net income (loss)	\$ 54,750	\$ 19,872			\$ (56,580)	\$ 45,228		
Add (deduct):								
Fair value (gain) loss on investment properties ⁽¹⁾	(12,053)	26,385			129,795	43,718		
Tenant inducements amortized to revenue ⁽¹⁾	6,615	6,029			12,595	11,718		
Transaction costs on acquisitions	—	137			—	137		
Strategic review costs	384	—			1,115	—		
Foreign currency translation (gain) loss	(190)	(3,435)			912	(10,148)		
Fair value loss on derivative instruments and other transactions	3,961	7,195			18,782	19,540		
Deferred income tax expense	54	—			25	—		
Remeasurement component of unit-based compensation	(634)	204			(3,831)	735		
Distributions on preferred shares treated as interest expense	46	45			91	89		
Incremental leasing costs	769	882			1,618	2,015		
Preferred unit distributions	(4,344)	(5,405)			(8,723)	(10,839)		
FFO	\$ 49,358	\$ 51,909	\$ (2,551)	(4.9)%	\$ 95,799	\$ 102,193	\$ (6,394)	(6.3)%
Add (deduct):								
Amortization of recoverable capital expenditures ⁽¹⁾	\$ (2,505)	\$ (2,405)			\$ (4,913)	\$ (4,808)		
Non-recoverable property maintenance reserve ⁽¹⁾	(1,100)	(950)			(2,200)	(1,900)		
Leasing costs reserve ⁽¹⁾	(7,850)	(7,560)			(15,550)	(15,120)		
Straight-line rent adjustments ⁽¹⁾	(1,404)	(1,624)			(2,976)	(3,388)		
AFFO	\$ 36,499	\$ 39,370	\$ (2,871)	(7.3)%	\$ 70,160	\$ 76,977	\$ (6,817)	(8.9)%
FFO per unit:								
Basic	\$ 0.36	\$ 0.36	\$ —	0.0%	\$ 0.70	\$ 0.70	\$ —	0.0%
Diluted	0.36	0.36	—	0.0%	0.69	0.70	(0.01)	(1.4)%
AFFO per unit:								
Basic	\$ 0.27	\$ 0.28	\$ (0.01)	(3.6)%	\$ 0.51	\$ 0.53	\$ (0.02)	(3.8)%
Diluted	0.27	0.27	—	0.0%	0.51	0.53	(0.02)	(3.8)%

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

The REIT adjusted FFO and AFFO for \$384 (YTD - \$1,115) in Q2-20 relating to the Special Committee's strategic review. Although the add-back of strategic review costs to arrive at FFO and AFFO is not in accordance with the guidelines set out by REALpac as issued in February 2019, management believes it provides a better representation of recurring FFO and AFFO.

FFO and AFFO in Q2-20 were primarily impacted by dispositions completed in 2019 and 2020 and bad debt provisions related to the COVID-19 pandemic, partially offset by acquisitions and new developments completed in 2019 and 2020, a decrease in period-over-period interest expense, and a higher US dollar to Canadian dollar average exchange rate in Q2-20 compared to Q2-19. Also contributing to the per unit results is the decrease in the weighted-average number of units outstanding, primarily due to units acquired under the NCIB.

Actual capital expenditures are by nature variable and unpredictable. Recoverable capital expenditures are building improvement or property maintenance expenditures recovered from tenants over time. Management has deducted from AFFO the actual amortization of recoverable capital expenditures included in property operating expenses charged to tenants for the period. Approximately 78.9% (YTD - 79.3%) is recoverable from tenants in Q2-20, compared to 79.9% (YTD - 80.4%) in Q2-19. The non-recoverable property maintenance reserve reflects management's estimate of a normalized expenditure using the 2016, 2017, 2018 and 2019 actual expenditures and the 2020 annual budgeted expenditures. Refer to the capital expenditures disclosure under the Assets section of this MD&A for further discussion of actual expenditures for the period.

Actual leasing costs include tenant improvements that are not capital in nature, tenant allowances and commission which are variable in nature. Leasing costs will fluctuate depending on the square footage of leases rolling over, in-place rates at expiry, tenant retention and local market conditions in a given year. Management calculates the leasing cost reserve to reflect the amortization of leasing costs over the related lease term.

The following reconciles the weighted-average number of basic common units to diluted common units:

(000's)	Three months ended		(000's)	Six months ended	
	2020	June 30, 2019		2020	June 30, 2019
Basic units	136,343	142,981	Basic units	136,870	145,757
Add:			Add:		
Restricted units	725	509	Restricted units	713	500
Deferred units	502	103	Deferred units	491	90
Diluted units	137,570	143,593	Diluted units	138,074	146,347

FFO per Unit by Asset Class

The following table summarizes FFO per unit by asset class, allocated based on Proportionate Share Property NOI.

	Three months ended		Six months ended	
	2020	June 30, 2019	2020	June 30, 2019
Canadian portfolio:				
Office	\$ 0.05	\$ 0.08	\$ 0.10	\$ 0.14
Retail	0.06	0.06	0.12	0.13
Industrial	0.06	0.05	0.12	0.10
	0.17	0.19	0.34	0.37
U.S. portfolio:				
Office	0.12	0.11	0.23	0.23
Retail	—	0.01	—	0.01
Industrial	0.07	0.05	0.12	0.09
	0.19	0.17	0.35	0.33
Total portfolio:				
Office	0.17	0.19	0.33	0.37
Retail	0.06	0.07	0.12	0.14
Industrial	0.13	0.10	0.24	0.19
Total portfolio	\$ 0.36	\$ 0.36	\$ 0.69	\$ 0.70

AFFO per Unit by Asset Class

The following table summarizes AFFO per unit by asset class, allocated based on Proportionate Share Property NOI.

	Three months ended		Six months ended	
	2020	June 30, 2019	2020	June 30, 2019
Canadian portfolio:				
Office	\$ 0.04	\$ 0.05	\$ 0.07	\$ 0.11
Retail	0.05	0.05	0.09	0.10
Industrial	0.04	0.04	0.09	0.07
	0.13	0.14	0.25	0.28
U.S. portfolio:				
Office	0.09	0.09	0.17	0.17
Retail	—	—	—	0.01
Industrial	0.05	0.04	0.09	0.07
	0.14	0.13	0.26	0.25
Total portfolio:				
Office	0.13	0.14	0.24	0.28
Retail	0.05	0.05	0.09	0.11
Industrial	0.09	0.08	0.18	0.14
Total portfolio	\$ 0.27	\$ 0.27	\$ 0.51	\$ 0.53

PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at June 30, 2020, and the previous four periods, were as follows:

Occupancy Report by Asset Class ⁽¹⁾

	Q2-20 % Committed ⁽²⁾	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19
Office	88.8%	86.8%	86.4%	86.2%	87.1%	88.0%
Retail	90.0%	89.7%	90.8%	91.1%	93.4%	93.1%
Industrial	96.5%	93.5%	93.7%	95.8%	98.5%	96.8%
Total portfolio	92.9%	90.6%	90.7%	91.5%	93.3%	92.7%

Occupancy Report by Geographical Region ⁽¹⁾

	Q2-20% Committed ⁽²⁾	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19
Canada:						
Alberta	84.7 %	84.5 %	85.4 %	84.7 %	87.7 %	87.7 %
British Columbia	92.4 %	92.2 %	92.5 %	92.6 %	93.6 %	99.2 %
Manitoba	91.7 %	87.1 %	87.5 %	91.1 %	90.8 %	91.0 %
Ontario	95.8 %	95.3 %	96.4 %	93.0 %	96.0 %	93.9 %
Saskatchewan	96.4 %	96.1 %	96.3 %	96.3 %	95.6 %	96.2 %
U.S.:						
Arizona	95.2 %	94.9 %	95.3 %	95.9 %	93.6 %	93.1 %
Minnesota	95.1 %	93.7 %	93.0 %	95.0 %	96.7 %	95.9 %
Wisconsin	89.6 %	89.4 %	88.7 %	90.7 %	90.5 %	89.4 %
Other	93.3 %	84.0 %	83.5 %	85.8 %	93.8 %	91.9 %
Total portfolio	92.9 %	90.6 %	90.7 %	91.5 %	93.3 %	92.7 %

(1) Based on properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) Percentage committed is based on occupancy at June 30, 2020, plus commitments on vacant space.

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary ⁽¹⁾

	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18
Leasable area renewed (in S.F.)	592,872	338,394	558,544	362,669	353,870	332,258	537,165	249,051
(Decrease) increase in weighted-average rental rate	(3.3)%	4.5 %	8.1 %	8.7 %	4.0 %	(1.9)%	0.0 %	5.9 %

(1) Based on owned share of GLA of properties included in the Portfolio Summary - Portfolio by Asset Class table.

In Q2-20, 592,872 square feet were renewed at a decrease in the weighted-average rental rate of 3.3%, compared to 353,870 square feet renewed at an increase in the weighted-average rental rate of 4.0% in Q2-19. The decrease in Q2-20 is primarily due to a large industrial renewal in the Greater Toronto Area, Ontario, with an expiring rent that was negotiated in consideration of leasehold improvements. The tenant exercised a fixed-rate option to renew their lease. When calculated exclusive of this renewal, the weighted-average increase in renewal rents compared to expiring rents during the quarter was 5.4%.

The percentage change on renewal activity is calculated by comparing the rental rate in place at the end of the expiring term to the rental rate in place at the commencement of the new term. In many cases, leases are negotiated or renewed such that there are contractual rent escalations over the course of the new lease term. In these cases, the average rent over the new term will be higher than the rate at commencement, which is not reflected in the above table results.

Lease Expiries by Asset Class (in S.F.) ⁽¹⁾

	Current vacancy	Monthly tenants ⁽²⁾	2020	2021	2022	2023	2024 & later	Total
Office - uncommitted	954,264	24,742	372,535	919,469	436,674	646,921	3,753,475	7,108,080
Office - committed	166,233	—	814,277	358,121	6,905	9,243	44,342	1,399,121
Total office	1,120,497	24,742	1,186,812	1,277,590	443,579	656,164	3,797,817	8,507,201
Retail - uncommitted	288,406	7,201	86,680	381,266	396,906	486,798	1,063,080	2,710,337
Retail - committed	7,352	—	121,896	14,345	—	—	22,715	166,308
Total retail	295,758	7,201	208,576	395,611	396,906	486,798	1,085,795	2,876,645
Industrial - uncommitted	434,471	—	376,382	1,464,555	1,690,046	948,136	6,571,208	11,484,798
Industrial - committed	367,540	—	267,802	97,149	80,344	15,045	—	827,880
Total industrial	802,011	—	644,184	1,561,704	1,770,390	963,181	6,571,208	12,312,678
Total - uncommitted	1,677,141	31,943	835,597	2,765,290	2,523,626	2,081,855	11,387,763	21,303,215
Total - committed	541,125	—	1,203,975	469,615	87,249	24,288	67,057	2,393,309
Total portfolio	2,218,266	31,943	2,039,572	3,234,905	2,610,875	2,106,143	11,454,820	23,696,524

(1) Based on owned share of GLA of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) Includes holdovers and renewals where term has not been negotiated.

In-Place Rents

In-place rents reflect the weighted-average net annual rental rate per square foot as at June 30, 2020, for the leasable area expiring in the year indicated. In-place rents do not reflect either the average rate over the term of the lease or the rate in place in the year of expiry.

Market Rents

Market rents are estimates and are shown as a net annual rate per square foot. Artis reviews market rents across the portfolio on an on-going basis. These estimates are based on management's best estimate for each leasable space and may take into consideration the property manager's revenue budget, recent leasing activity, current prospects, future commitments or publicly available market information. Rates applied in future expiry years do not allow for the impact of inflation, nor do they attempt to factor in anticipated higher (or lower) than normal periods of demand or market rent inflation due to specific market conditions. Refer to the Risks section of this MD&A for further information.

Market Rents by Asset Class ⁽¹⁾

Canadian Portfolio:

	2020	2021	2022	2023	2024 & later	Total
Office:						
In-place rents	\$ 15.75	\$ 17.55	\$ 15.52	\$ 15.55	\$ 16.40	\$ 16.49
Market rents	16.17	14.35	16.63	15.68	16.74	15.94
Change	2.7 %	(18.2)%	7.2 %	0.8 %	2.1 %	(3.3)%
Revenue impact ⁽²⁾	\$ 150	\$ (2,161)	\$ 67	\$ 38	\$ 444	\$ (1,462)
Retail:						
In-place rents	\$ 24.12	\$ 25.16	\$ 21.58	\$ 25.15	\$ 22.54	\$ 23.42
Market rents	24.47	26.40	21.72	25.27	22.45	23.64
Change	1.5 %	4.9 %	0.6 %	0.5 %	(0.4)%	0.9 %
Revenue impact ⁽²⁾	\$ 73	\$ 492	\$ 52	\$ 59	\$ (98)	\$ 578
Industrial:						
In-place rents	\$ 7.43	\$ 7.83	\$ 7.48	\$ 7.90	\$ 9.99	\$ 8.90
Market rents	8.75	8.70	7.96	8.55	9.79	9.13
Change	17.8 %	11.1 %	6.4 %	8.2 %	(2.0)%	2.6 %
Revenue impact ⁽²⁾	\$ 470	\$ 499	\$ 509	\$ 275	\$ (557)	\$ 1,196
Total Canadian portfolio:						
In-place rents	\$ 14.44	\$ 15.98	\$ 11.50	\$ 16.75	\$ 14.21	\$ 14.41
Market rents	15.19	15.27	11.91	17.06	14.17	14.44
Change	5.2 %	(4.4)%	3.6 %	1.9 %	(0.3)%	0.2 %
Revenue impact ⁽²⁾	\$ 693	\$ (1,170)	\$ 628	\$ 372	\$ (211)	\$ 312

U.S. Portfolio:

	2020	2021	2022	2023	2024 & later	Total
Office:						
In-place rents	\$ 18.80	\$ 17.35	\$ 15.75	\$ 20.42	\$ 17.38	\$ 17.73
Market rents	19.23	17.48	18.84	19.88	17.87	18.30
Change	2.3 %	0.7 %	19.6 %	(2.6)%	2.8 %	3.2 %
Revenue impact ⁽²⁾	\$ 354	\$ 79	\$ 1,183	\$ (196)	\$ 1,258	\$ 2,678
Industrial:						
In-place rents	\$ 5.52	\$ 5.64	\$ 6.03	\$ 5.92	\$ 6.21	\$ 6.05
Market rents	5.43	5.63	5.66	5.71	6.13	5.93
Change	(1.6)%	(0.2)%	(6.1)%	(3.5)%	(1.3)%	(2.0)%
Revenue impact ⁽²⁾	\$ (26)	\$ (10)	\$ (269)	\$ (113)	\$ (312)	\$ (730)
Total U.S. portfolio:						
In-place rents	\$ 15.37	\$ 10.09	\$ 9.43	\$ 11.74	\$ 10.69	\$ 11.04
Market rents	15.66	10.13	10.26	11.40	10.84	11.22
Change	1.9 %	0.4 %	8.8 %	(2.9)%	1.4 %	1.6 %
Revenue impact ⁽²⁾	\$ 328	\$ 69	\$ 914	\$ (309)	\$ 946	\$ 1,948

(1) Based on owned share of GLA of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) This impact is based on the difference between the in-place rents and the market rents for the period in Canadian and US dollars. This excludes the impact of any straight-line rent adjustments on revenues.

Total Canadian and U.S. Portfolio ⁽¹⁾:

	2020	2021	2022	2023	2024 & later	Total
Office:						
In-place rents	\$ 17.89	\$ 17.46	\$ 15.72	\$ 18.24	\$ 17.05	\$ 17.28
Market rents	18.31	15.83	18.54	18.00	17.49	17.44
Change	2.3 %	(9.3)%	17.9 %	(1.3)%	2.6 %	0.9 %
Revenue impact ⁽²⁾	\$ 504	\$ (2,082)	\$ 1,250	\$ (158)	\$ 1,702	\$ 1,216
Retail:						
In-place rents	\$ 24.12	\$ 25.16	\$ 21.58	\$ 25.15	\$ 22.54	\$ 23.42
Market rents	24.47	26.40	21.72	25.27	22.45	23.64
Change	1.5 %	4.9 %	0.6 %	0.5 %	(0.4)%	0.9 %
Revenue impact ⁽²⁾	\$ 73	\$ 492	\$ 52	\$ 59	\$ (98)	\$ 578
Industrial:						
In-place rents	\$ 6.57	\$ 6.45	\$ 6.90	\$ 6.79	\$ 7.82	\$ 7.34
Market rents	7.26	6.76	7.03	6.96	7.69	7.38
Change	10.5 %	4.8 %	1.9 %	2.5 %	(1.7)%	0.5 %
Revenue impact ⁽²⁾	\$ 444	\$ 489	\$ 240	\$ 162	\$ (869)	\$ 466
Total Canadian and U.S. portfolio:						
In-place rents	\$ 14.95	\$ 13.08	\$ 10.63	\$ 14.60	\$ 12.28	\$ 12.68
Market rents	15.45	12.74	11.22	14.63	12.34	12.79
Change	3.3 %	(2.6)%	5.6 %	0.2 %	0.5 %	0.9 %
Revenue impact ⁽²⁾	\$ 1,021	\$ (1,101)	\$ 1,542	\$ 63	\$ 735	\$ 2,260

(1) Based on owned share of GLA of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) This impact is based on the difference between the in-place rents and the market rents for the period in Canadian and US dollars. This excludes the impact of any straight-line rent adjustments on revenues.

Market rents at June 30, 2020, were estimated to be 0.9% above in-place rents across the portfolio, compared to 0.6% above in-place rents at March 31, 2020. Today's market rents for the 2020 and 2021 lease expiries are estimated to be 3.3% above and 2.6% below in-place rents, respectively.

Lease Expiries by Geographical Region (in S.F.) ⁽¹⁾

	Current vacancy	Monthly tenants ⁽²⁾	2020	2021	2022	2023	2024 & later	Total
AB - uncommitted	410,744	6,240	56,901	528,403	230,098	315,072	1,039,214	2,586,672
AB - committed	5,765	—	80,737	10,667	—	800	6,480	104,449
Total Alberta	416,509	6,240	137,638	539,070	230,098	315,872	1,045,694	2,691,121
BC - uncommitted	31,972	—	5,945	36,641	23,376	67,231	238,170	403,335
BC - committed	907	—	11,497	5,271	—	—	—	17,675
Total British Columbia	32,879	—	17,442	41,912	23,376	67,231	238,170	421,010
MB - uncommitted	314,305	7,530	126,839	385,788	342,152	356,041	1,565,819	3,098,474
MB - committed	170,555	—	210,830	246,528	10,345	2,095	29,121	669,474
Total Manitoba	484,860	7,530	337,669	632,316	352,497	358,136	1,594,940	3,767,948
ON - uncommitted	143,281	1,011	167,336	324,325	584,701	349,416	1,637,813	3,207,883
ON - committed	18,021	—	201,129	—	7,649	3,014	—	229,813
Total Ontario	161,302	1,011	368,465	324,325	592,350	352,430	1,637,813	3,437,696
SK - uncommitted	45,954	3,296	36,765	102,319	315,803	109,216	629,460	1,242,813
SK - committed	5,115	—	21,286	5,787	—	—	18,838	51,026
Total Saskatchewan	51,069	3,296	58,051	108,106	315,803	109,216	648,298	1,293,839
AZ - uncommitted	89,944	3,562	64,320	241,557	129,234	145,760	978,566	1,652,943
AZ - committed	5,674	—	206,347	18,641	—	—	—	230,662
Total Arizona	95,618	3,562	270,667	260,198	129,234	145,760	978,566	1,883,605
MN - uncommitted	281,734	—	207,860	968,475	624,941	519,448	2,678,626	5,281,084
MN - committed	84,520	—	201,533	144,593	62,350	18,379	12,618	523,993
Total Minnesota	366,254	—	409,393	1,113,068	687,291	537,827	2,691,244	5,805,077
WI - uncommitted	181,338	4,403	133,266	85,945	83,284	54,794	889,175	1,432,205
WI - committed	3,104	—	269,189	25,548	6,905	—	—	304,746
Total Wisconsin	184,442	4,403	402,455	111,493	90,189	54,794	889,175	1,736,951
U.S. - Other - uncommitted	177,869	5,901	36,365	91,837	190,037	164,877	1,730,920	2,397,806
U.S. - Other - committed	247,464	—	1,427	12,580	—	—	—	261,471
Total U.S. - Other	425,333	5,901	37,792	104,417	190,037	164,877	1,730,920	2,659,277
Total - uncommitted	1,677,141	31,943	835,597	2,765,290	2,523,626	2,081,855	11,387,763	21,303,215
Total - committed	541,125	—	1,203,975	469,615	87,249	24,288	67,057	2,393,309
Total portfolio	2,218,266	31,943	2,039,572	3,234,905	2,610,875	2,106,143	11,454,820	23,696,524

(1) Based on owned share of GLA of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) Includes holdovers and renewals where term has not been negotiated.

Market Rents by Geographical Region ⁽¹⁾

	2020	2021	2022	2023	2024 & later	Total
Alberta:						
In-place rents	\$ 23.01	\$ 22.00	\$ 24.83	\$ 22.86	\$ 20.18	\$ 21.63
Market rents	22.67	18.57	25.27	22.75	19.83	20.66
Change	(1.5)%	(15.6)%	1.8 %	(0.5)%	(1.7)%	(4.5)%
Revenue impact ⁽²⁾	\$ (47)	\$ (1,850)	\$ 102	\$ (33)	\$ (365)	\$ (2,193)
British Columbia:						
In-place rents	\$ 23.65	\$ 19.89	\$ 24.59	\$ 25.46	\$ 16.91	\$ 19.48
Market rents	28.57	26.24	28.02	28.27	15.92	20.47
Change	20.8 %	31.9 %	13.9 %	11.0 %	(5.9)%	5.1 %
Revenue impact ⁽²⁾	\$ 86	\$ 266	\$ 80	\$ 189	\$ (235)	\$ 386
Manitoba:						
In-place rents	\$ 15.21	\$ 13.30	\$ 8.67	\$ 11.80	\$ 13.02	\$ 12.70
Market rents	15.02	12.83	8.21	11.74	12.99	12.52
Change	(1.2)%	(3.5)%	(5.3)%	(0.5)%	(0.2)%	(1.4)%
Revenue impact ⁽²⁾	\$ (63)	\$ (298)	\$ (163)	\$ (20)	\$ (45)	\$ (589)
Ontario:						
In-place rents	\$ 9.20	\$ 8.35	\$ 6.89	\$ 13.11	\$ 10.41	\$ 9.72
Market rents	10.55	10.29	8.23	13.56	10.80	10.55
Change	14.7 %	23.2 %	19.4 %	3.4 %	3.7 %	8.5 %
Revenue impact ⁽²⁾	\$ 497	\$ 629	\$ 792	\$ 159	\$ 647	\$ 2,724
Saskatchewan:						
In-place rents	\$ 20.12	\$ 23.00	\$ 12.60	\$ 21.71	\$ 16.14	\$ 16.51
Market rents	23.91	23.77	12.02	22.41	15.81	16.50
Change	18.8 %	3.3 %	(4.6)%	3.2 %	(2.0)%	(0.1)%
Revenue impact ⁽²⁾	\$ 220	\$ 83	\$ (183)	\$ 77	\$ (213)	\$ (16)
Arizona:						
In-place rents	\$ 24.65	\$ 16.35	\$ 18.23	\$ 22.32	\$ 13.29	\$ 16.56
Market rents	25.61	17.08	18.05	21.65	12.99	16.57
Change	3.9 %	4.5 %	(1.0)%	(3.0)%	(2.3)%	0.1 %
Revenue impact ⁽²⁾	\$ 259	\$ 190	\$ (24)	\$ (98)	\$ (299)	\$ 28
Minnesota:						
In-place rents	\$ 8.96	\$ 7.86	\$ 6.72	\$ 7.34	\$ 9.95	\$ 8.78
Market rents	9.76	7.72	8.22	7.20	9.86	8.94
Change	8.9 %	(1.8)%	22.3 %	(1.9)%	(0.9)%	1.8 %
Revenue impact ⁽²⁾	\$ 329	\$ (151)	\$ 1,029	\$ (76)	\$ (247)	\$ 884
Wisconsin:						
In-place rents	\$ 15.56	\$ 15.43	\$ 16.97	\$ 15.35	\$ 13.94	\$ 14.70
Market rents	14.99	15.99	16.54	15.41	15.42	15.41
Change	(3.7)%	3.6 %	(2.5)%	0.4 %	10.6 %	4.8 %
Revenue impact ⁽²⁾	\$ (233)	\$ 62	\$ (39)	\$ 4	\$ 1,313	\$ 1,107
U.S. - Other:						
In-place rents	\$ 16.33	\$ 12.56	\$ 9.66	\$ 15.53	\$ 8.69	\$ 9.59
Market rents	15.61	12.25	9.39	14.68	8.80	9.56
Change	(4.4)%	(2.5)%	(2.8)%	(5.5)%	1.3 %	(0.3)%
Revenue impact ⁽²⁾	\$ (27)	\$ (32)	\$ (52)	\$ (139)	\$ 179	\$ (71)
Total portfolio:						
In-place rents	\$ 14.95	\$ 13.08	\$ 10.63	\$ 14.60	\$ 12.28	\$ 12.68
Market rents	15.45	12.74	11.22	14.63	12.34	12.79
Change	3.3 %	(2.6)%	5.6 %	0.2 %	0.5 %	0.9 %
Revenue impact ⁽²⁾	\$ 1,021	\$ (1,101)	\$ 1,542	\$ 63	\$ 735	\$ 2,260

(1) Based on owned share of GLA of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) This impact is based on the difference between the in-place rents and the market rents for the period in Canadian and US dollars. This excludes the impact of any straight-line rent adjustments on revenues.

LARGEST SEGMENTS BY PROPERTY NOI

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the office, retail and industrial asset classes. For the three months ended June 30, 2020, the five largest segments of the REIT's portfolio (by Proportionate Share Property NOI) were Twin Cities Area office, Madison office, Twin Cities Area industrial, Greater Phoenix Area office and Greater Toronto Area industrial.

Twin Cities Area Office Segment

The Twin Cities Area office segment represents 12.1% of the Q2-20 Proportionate Share Property NOI and 7.8% of the overall portfolio by GLA. Direct vacancy in the Twin Cities Area office market, as reported by CBRE, decreased to 18.5% at June 30, 2020, from 18.7% at March 31, 2020. At June 30, 2020, the Twin Cities Area office segment of Artis' portfolio was 90.2% occupied, increased from 88.5% at March 31, 2020. During the remainder of 2020, 171,358 square feet comes up for renewal, which represents 0.7% of the total portfolio GLA; 35.6% was renewed or committed to new leases at June 30, 2020. Of the total Twin Cities Area office GLA, 53.3% expires in 2024 or later.

Madison Office Segment

The Madison office segment represents 10.9% of the Q2-20 Proportionate Share Property NOI and 7.3% of the overall portfolio by GLA. At June 30, 2020, the Madison office segment of Artis' portfolio was 89.4% occupied, increased from 88.7% at March 31, 2020. During the remainder of 2020, 402,455 square feet comes up for renewal, which represents 1.7% of the total portfolio GLA; 66.9% was renewed or committed to new leases at June 30, 2020. Of the total Madison office GLA, 51.2% expires in 2024 or later.

Twin Cities Area Industrial Segment

The Twin Cities Area industrial segment represents 10.4% of the Q2-20 Proportionate Share Property NOI and 16.6% of the overall portfolio by GLA. Direct vacancy in the Twin Cities Area industrial market, as reported by CBRE, was 4.6% at June 30, 2020, compared to 4.4% at March 31, 2020. The average asking market lease rate was \$6.62 per square foot at June 30, 2020, increased from \$6.55 at March 31, 2020. Occupancy in this segment of the portfolio was 95.3% at June 30, 2020, increased from 95.2% reported at March 31, 2020. During the remainder of 2020, 238,035 square feet comes up for renewal, which represents 1.0% of the total portfolio GLA; 59.0% was renewed or committed to new leases at June 30, 2020. Of Artis' total Twin Cities Area industrial GLA, 43.1% expires in 2024 or later.

Greater Phoenix Area Office Segment

The Greater Phoenix Area office segment represents 6.9% of the Q2-20 Proportionate Share Property NOI and 4.0% of the overall portfolio by GLA. Overall direct vacancy in the Greater Phoenix Area office, as reported by Colliers, was 13.1% at June 30, 2020, compared to 12.8% at March 31, 2020. At June 30, 2020, the Greater Phoenix Area office segment of Artis' portfolio was 91.7% occupied, compared to 92.4% at March 31, 2020. During the remainder of 2020, 234,091 square feet comes up for renewal, which represents 1.0% of the total portfolio GLA; 85.9% was renewed or committed to new leases at June 30, 2020. Of Artis' Greater Phoenix Area office GLA, 28.3% expires in 2024 or later.

Greater Toronto Area Industrial Segment

The Greater Toronto Area industrial segment represents 6.7% of the Q2-20 Proportionate Share Property NOI and 10.6% of the overall portfolio by GLA. Overall direct vacancy in the Greater Toronto Area industrial market, as reported by CBRE, was 1.0% at June 30, 2020 compared to 0.6% at March 31, 2020. At June 30, 2020, the Greater Toronto Area industrial segment of Artis' portfolio was 99.1% occupied, compared to 99.8% at March 31, 2020. During the remainder of 2020, 239,563 square feet comes up for renewal, which represents 1.0% of the total portfolio GLA; 33.0% was renewed or committed to new leases at June 30, 2020. Of Artis' Greater Toronto Area industrial GLA, 48.8% expires in 2024 or later.

ANALYSIS OF FINANCIAL POSITION

The following provides a reconciliation of the consolidated balance sheets as prepared in accordance with IFRS in the REIT's consolidated financial statements to its Proportionate Share.

	June 30, 2020			December 31, 2019		
	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share
ASSETS						
Non-current assets:						
Investment properties	\$ 4,646,665	\$ 272,133	\$ 4,918,798	\$ 4,618,719	\$ 306,051	\$ 4,924,770
Investment properties under development	120,493	13,650	134,143	102,590	—	102,590
Investments in joint ventures	200,246	(200,246)	—	186,610	(186,610)	—
Property and equipment	8,256	—	8,256	7,786	—	7,786
Notes receivable	97,258	—	97,258	93,832	—	93,832
Deferred rents receivable	1,337	—	1,337	—	—	—
	5,074,255	85,537	5,159,792	5,009,537	119,441	5,128,978
Current assets:						
Investment properties held for sale	80,551	55,823	136,374	221,915	—	221,915
Inventory properties	14,769	—	14,769	14,632	—	14,632
Deposits on investment properties	1,322	—	1,322	—	—	—
Prepaid expenses and other assets	7,228	148	7,376	10,533	86	10,619
Notes receivable	1,622	—	1,622	3,996	—	3,996
Accounts receivable and other receivables	18,854	445	19,299	21,013	1,281	22,294
Cash held in trust	9,207	—	9,207	5,938	—	5,938
Cash	28,757	11,950	40,707	42,455	9,207	51,662
	162,310	68,366	230,676	320,482	10,574	331,056
Total assets	\$ 5,236,565	\$ 153,903	\$ 5,390,468	\$ 5,330,019	\$ 130,015	\$ 5,460,034
LIABILITIES AND UNITHOLDERS' EQUITY						
Non-current liabilities:						
Mortgages and loans payable	\$ 884,151	\$ 109,579	\$ 993,730	\$ 1,005,196	\$ 93,977	\$ 1,099,173
Senior unsecured debentures	—	—	—	249,372	—	249,372
Credit facilities	1,026,473	—	1,026,473	886,522	—	886,522
Other long-term liabilities	1,942	—	1,942	1,000	—	1,000
	1,912,566	109,579	2,022,145	2,142,090	93,977	2,236,067
Current liabilities:						
Mortgages and loans payable	529,865	33,147	563,012	396,152	27,598	423,750
Senior unsecured debentures	249,643	—	249,643	199,959	—	199,959
Security deposits and prepaid rent	34,740	4,373	39,113	32,834	3,483	36,317
Accounts payable and other liabilities	95,897	6,804	102,701	88,231	4,957	93,188
	910,145	44,324	954,469	717,176	36,038	753,214
Total liabilities	2,822,711	153,903	2,976,614	2,859,266	130,015	2,989,281
Unitholders' equity	2,413,854	—	2,413,854	2,470,753	—	2,470,753
Total liabilities and unitholders' equity	\$ 5,236,565	\$ 153,903	\$ 5,390,468	\$ 5,330,019	\$ 130,015	\$ 5,460,034

(1) Adjustment to reflect investments in joint ventures on a Proportionate Share basis.

BALANCE SHEET METRICS**NAV per Unit**

000's, except unit and per unit amounts	June 30, 2020	December 31, 2019	Change
Unitholders' equity	\$ 2,413,854	\$ 2,470,753	\$ (56,899)
Less value of preferred equity ⁽¹⁾	(303,112)	(305,530)	2,418
NAV attributable to common unitholders	\$ 2,110,742	\$ 2,165,223	\$ (54,481)
Total number of dilutive units outstanding:			
Common units	135,699,976	137,956,523	(2,256,547)
Restricted units	828,012	694,034	133,978
Deferred units	502,061	472,451	29,610
	137,030,049	139,123,008	(2,092,959)
NAV per unit	\$ 15.40	\$ 15.56	\$ (0.16)

(1) The value of preferred equity is calculated using the outstanding face value of preferred units at the end of the period.

Unitholders' equity decreased primarily due to net loss, distributions made to unitholders and units purchased under the NCIB, partially offset by foreign exchange gains recorded in other comprehensive income. The net loss was primarily due to the fair value loss on investment properties which reflects an increase in the estimated vacancy allowance across the Canadian retail portfolio, as well as the Calgary office portfolio, due to the economic impacts of the COVID-19 pandemic and collapse in global oil demand.

The total number of dilutive units outstanding has decreased primarily due to units purchased under the NCIB.

Secured Mortgages and Loans to GBV and Total Long-term Debt and Credit Facilities to GBV Ratios

	IFRS		Proportionate Share	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
GBV	\$ 5,243,780	\$ 5,336,529	\$ 5,397,683	\$ 5,466,544
Secured mortgages and loans	1,414,016	1,401,348	1,556,742	1,522,923
Secured mortgages and loans to GBV	27.0 %	26.3 %	28.8 %	27.9 %
Preferred shares liability	\$ 653	\$ 622	\$ 653	\$ 622
Carrying value of debentures	249,643	449,331	249,643	449,331
Credit facilities	1,026,473	886,522	1,026,473	886,522
Total long-term debt and credit facilities	\$ 2,690,785	\$ 2,737,823	\$ 2,833,511	\$ 2,859,398
Total long-term debt and credit facilities to GBV	51.3 %	51.3 %	52.5 %	52.3 %

Under the terms of the REIT's Declaration of Trust, the total indebtedness of the REIT is limited to 70% of GBV.

Unencumbered Assets to Unsecured Debt Ratios

	IFRS		Proportionate Share	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Unencumbered assets	\$ 1,919,171	\$ 1,926,661	\$ 1,962,935	\$ 1,968,369
Senior unsecured debentures	249,643	449,331	249,643	449,331
Unsecured credit facilities	1,026,473	886,522	1,026,473	886,522
Total unsecured debt	\$ 1,276,116	\$ 1,335,853	\$ 1,276,116	\$ 1,335,853
Unencumbered assets to unsecured debt	1.50	1.44	1.54	1.47

ASSETS

Investment Properties, Investment Properties Under Development and Investment Properties Held for Sale

The change in total investment properties is a result of the following:

	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share
Balance, December 31, 2019	\$ 4,943,224	\$ 306,051	\$ 5,249,275
Additions:			
Capital expenditures:			
Investment properties	5,581	16	5,597
Investment properties under development	18,004	6,109	24,113
Capitalized interest ⁽²⁾	854	37	891
Leasing commissions	3,773	646	4,419
Straight-line rent adjustments	1,241	331	1,572
Tenant inducement additions, net of amortization	8,385	1,559	9,944
Contributions to investments in joint ventures ⁽³⁾	(2,529)	2,529	—
Dispositions	(130,880)	—	(130,880)
Foreign currency translation gain	193,493	21,518	215,011
Fair value loss	(141,435)	(413)	(141,848)
Balance, March 31, 2020	4,899,711	338,383	5,238,094
Additions:			
Capital expenditures:			
Investment properties	8,054	—	8,054
Investment properties under development	14,688	5,875	20,563
Capitalized interest ⁽²⁾	658	62	720
Leasing commissions	1,482	976	2,458
Straight-line rent adjustments	1,052	352	1,404
Tenant inducement additions, net of amortization	3,840	2,487	6,327
Dispositions	(88)	—	(88)
Foreign currency translation loss	(89,971)	(10,299)	(100,270)
Fair value gain	8,283	3,770	12,053
Balance, June 30, 2020	\$ 4,847,709	\$ 341,606	\$ 5,189,315

(1) Adjustment to reflect investments in joint ventures on a Proportionate Share basis.

(2) During Q1-20 and Q2-20, interest was capitalized to investment properties under development at a weighted-average effective interest rate of 3.70% and 2.37%, respectively.

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

Capital expenditures ⁽¹⁾:

Building improvements are capital expenditures that increase the long-term value or revenue generating potential of the property. These expenditures include costs to modernize or upgrade existing properties. Property maintenance costs are capital expenditures to repair or replace components of existing properties such as roofs, HVAC units and parking lots.

	Three months ended				Six months ended			
	2020	June 30, 2019	Change	% Change	2020	June 30, 2019	Change	% Change
New and (re)development expenditures	\$ 20,563	\$ 38,640	\$ (18,077)		\$ 44,676	\$ 88,251	\$ (43,575)	
Building improvements expenditures:								
Recoverable from tenants	903	1,823	(920)		1,577	2,991	(1,414)	
Non-recoverable	3,452	8,114	(4,662)		5,962	9,447	(3,485)	
Property maintenance expenditures:								
Recoverable from tenants	801	3,076	(2,275)		2,459	4,476	(2,017)	
Non-recoverable	2,898	1,592	1,306		3,653	2,138	1,515	
Total capital expenditures	\$ 28,617	\$ 53,245	\$ (24,628)	(46.3)%	\$ 58,327	\$ 107,303	\$ (48,976)	(45.6)%

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

In Q2-20, new and (re)development expenditures included \$12,304 for 300 Main and 330 Main, \$3,571 for Park 8Ninety IV and \$1,354 for Linden Ridge Shopping Centre II.

In Q2-19, new and (re)development expenditures included \$13,781 for 300 Main and 330 Main, \$9,649 for Park 8Ninety II, \$4,273 for Park 8Ninety I, \$3,647 for Tower Business Center, and \$3,617 for Cedar Port I.

Leasing costs ⁽¹⁾:

Tenant inducements consist of costs incurred to improve the space that primarily benefit the tenant, as well as allowances paid to tenants. Leasing commissions are fees primarily paid to brokers.

	Three months ended				Six months ended			
	2020	June 30, 2019	Change	% Change	2020	June 30, 2019	Change	% Change
Investment property leasing costs:								
Tenant inducements	\$ 9,804	\$ 9,881	\$ (77)		\$ 23,135	\$ 19,072	\$ 4,063	
Leasing commissions	1,483	4,610	(3,127)		5,339	7,256	(1,917)	
Investment property (re)development related leasing costs:								
Tenant inducements	3,138	6,234	(3,096)		5,731	6,381	(650)	
Leasing commissions	975	260	715		1,538	651	887	
Total leasing costs	\$ 15,400	\$ 20,985	\$ (5,585)	(26.6)%	\$ 35,743	\$ 33,360	\$ 2,383	7.1 %

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

In Q2-20, tenant inducements related to new and (re)developments included \$2,686 for two office tenants in the Twin Cities Area, Minnesota.

Foreign currency translation loss on investment properties:

In Q2-20, the Proportionate Share foreign currency translation loss on investment properties was \$100,270 due to the change in the period end US dollar to Canadian dollar exchange rate from 1.4187 at March 31, 2020 to 1.3628 at June 30, 2020.

Investment properties held for sale:

At June 30, 2020, the REIT had one office property, one retail property and one parcel of development land located in Canada and two office properties and one parcel of development land located in the U.S., with an aggregate Proportionate Share fair value of \$136,374, classified as held for sale. These properties were listed for sale with external brokers or under conditional sale agreements at June 30, 2020.

Completed new development property:

In Q2-20, Artis completed the development of 330 Main, a retail property located in Winnipeg, Manitoba as discussed in the Portfolio Summary section of this MD&A.

Fair value gain on investment properties:

During Q2-20, the REIT recorded a gain on the Proportionate Share fair value of investment properties of \$12,053 (YTD - loss of \$129,795, compared to a loss of \$26,385 in Q2-19 (YTD - loss of \$43,718). The fair value gain in Q2-20 was primarily due to capitalization rate compression and higher expected market rents in the industrial portfolio, partially offset by lower expected market rents for select retail properties in Alberta and Saskatchewan.

Artis determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method. Capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one income is stabilized and capitalized at a rate deemed appropriate for each investment property. Individual properties were valued using capitalization rates in the range of 3.75% to 9.00%. Additional information on the average capitalization rates and ranges used for the portfolio properties, assuming all properties were valued using an overall capitalization method, are set out in the following table.

	June 30, 2020			December 31, 2019		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
Alberta	9.00 %	6.50 %	8.32 %	9.00 %	6.50 %	8.38 %
British Columbia	5.50 %	4.75 %	4.92 %	5.50 %	4.75 %	4.94 %
Manitoba	7.75 %	5.00 %	6.11 %	7.75 %	5.00 %	6.12 %
Ontario	7.00 %	5.50 %	6.45 %	7.00 %	5.50 %	6.47 %
Saskatchewan	7.50 %	7.50 %	7.50 %	7.00 %	7.00 %	7.00 %
Total Canadian office portfolio	9.00 %	4.75 %	6.30 %	9.00 %	4.75 %	6.58 %
Arizona	8.00 %	6.00 %	6.67 %	8.00 %	6.00 %	6.67 %
Minnesota	7.50 %	6.00 %	6.88 %	7.75 %	6.00 %	6.92 %
Wisconsin	8.00 %	7.00 %	7.57 %	8.00 %	7.00 %	7.57 %
U.S. - Other	7.75 %	6.00 %	6.25 %	7.75 %	6.00 %	6.27 %
Total U.S. office portfolio	8.00 %	6.00 %	6.94 %	8.00 %	6.00 %	6.96 %
Total office portfolio	9.00 %	4.75 %	6.66 %	9.00 %	4.75 %	6.77 %
Retail:						
Alberta	8.75 %	5.75 %	6.69 %	8.75 %	5.50 %	6.64 %
British Columbia	5.25 %	5.25 %	5.25 %	5.25 %	5.25 %	5.25 %
Manitoba	6.25 %	5.50 %	6.12 %	6.25 %	5.50 %	6.13 %
Saskatchewan	9.00 %	6.25 %	7.10 %	8.25 %	6.00 %	6.85 %
Total Canadian retail portfolio	9.00 %	5.25 %	6.60 %	8.75 %	5.25 %	6.53 %
Total retail portfolio	9.00 %	5.25 %	6.60 %	8.75 %	5.25 %	6.53 %
Industrial:						
Alberta	7.50 %	5.50 %	6.42 %	7.50 %	5.50 %	6.46 %
British Columbia	4.00 %	3.75 %	3.84 %	4.00 %	3.75 %	3.84 %
Manitoba	7.50 %	6.00 %	6.63 %	7.50 %	6.00 %	6.58 %
Ontario	5.25 %	3.75 %	4.56 %	5.25 %	3.75 %	4.61 %
Saskatchewan	7.50 %	6.25 %	6.81 %	7.50 %	6.25 %	6.82 %
Total Canadian industrial portfolio	7.50 %	3.75 %	5.48 %	7.50 %	3.75 %	5.52 %
Arizona	6.25 %	5.25 %	5.64 %	6.25 %	5.75 %	6.01 %
Minnesota	7.75 %	5.50 %	6.55 %	7.75 %	5.50 %	6.53 %
U.S. - Other	7.00 %	4.75 %	5.47 %	7.00 %	4.75 %	5.46 %
Total U.S. industrial portfolio	7.75 %	4.75 %	6.01 %	7.75 %	4.75 %	6.09 %
Total industrial portfolio	7.75 %	3.75 %	5.71 %	7.75 %	3.75 %	5.76 %
Total:						
Canadian portfolio	9.00 %	3.75 %	6.11 %	9.00 %	3.75 %	6.23 %
U.S. portfolio	8.00 %	4.75 %	6.59 %	8.00 %	4.75 %	6.63 %
Total portfolio	9.00 %	3.75 %	6.30 %	9.00 %	3.75 %	6.38 %

Inventory Properties

At June 30, 2020, inventory properties included one industrial property. The REIT is undergoing the conversion of this property into commercial condominium units.

Notes Receivable

On September 27, 2019, the REIT disposed of 415 Yonge Street and received as partial consideration a note receivable in the amount of \$79,000. The REIT will receive monthly interest-only payments at a rate of 5.05% per annum. The note receivable is secured by the office property and matures in July 2022.

On January 31, 2020, the REIT disposed of 800 5th Avenue and received as partial consideration a note receivable in the amount of \$10,000. The REIT will receive monthly interest-only payments at a rate of 5.00% per annum. The note receivable is secured by the office property and matures in January 2024.

On January 30, 2020, the REIT disposed of TransAlta Place and sold the outstanding note receivable in the amount of \$8,372 as part of the disposition.

The balance outstanding on all notes receivable at June 30, 2020 was \$98,880, compared to \$97,828 at December 31, 2019.

Accounts Receivable and Other Receivables

Due to government-mandated closure of non-essential businesses as a result of the COVID-19 pandemic, a number of tenants, primarily retail tenants, have had to limit operations or close their businesses temporarily. The REIT granted deferred rent for certain qualifying tenants for the months of April to June 2020 with an agreement to repay at a specified later date.

Additional information regarding rents receivable, deferred rents receivable and the allowance for doubtful accounts for the portfolio of properties is set out in the following tables.

Rents Receivable by Asset Class

	IFRS		Proportionate Share	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Canadian portfolio:				
Office	\$ 2,223	\$ 3,533	\$ 2,223	\$ 3,533
Retail	4,168	743	4,168	743
Industrial	1,899	972	1,899	972
	8,290	5,248	8,290	5,248
U.S. portfolio:				
Office	2,727	1,948	2,819	1,959
Industrial	953	912	1,161	1,486
	3,680	2,860	3,980	3,445
Total portfolio:				
Office	4,950	5,481	5,042	5,492
Retail	4,168	743	4,168	743
Industrial	2,852	1,884	3,060	2,458
Total portfolio	\$ 11,970	\$ 8,108	\$ 12,270	\$ 8,693

Deferred Rents Receivable by Asset Class

	IFRS		Proportionate Share	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Canadian portfolio:				
Office	\$ 811	\$ —	\$ 811	\$ —
Retail	2,287	—	2,287	—
Industrial	442	—	442	—
	3,540	—	3,540	—
U.S. portfolio:				
Office	219	—	282	—
Industrial	381	—	381	—
	600	—	663	—
Total portfolio:				
Office	1,030	—	1,093	—
Retail	2,287	—	2,287	—
Industrial	823	—	823	—
Total portfolio	\$ 4,140	\$ —	\$ 4,203	\$ —

Allowance for Doubtful Accounts by Asset Class

	IFRS		Proportionate Share	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Canadian portfolio:				
Office	\$ (274)	\$ —	\$ (274)	\$ —
Retail	(1,787)	(295)	(1,787)	(295)
Industrial	(185)	(15)	(185)	(15)
	(2,246)	(310)	(2,246)	(310)
U.S. portfolio:				
Office	(578)	(96)	(578)	(96)
Industrial	(218)	—	(229)	—
	(796)	(96)	(807)	(96)
Total portfolio:				
Office	(852)	(96)	(852)	(96)
Retail	(1,787)	(295)	(1,787)	(295)
Industrial	(403)	(15)	(414)	(15)
Total portfolio	\$ (3,042)	\$ (406)	\$ (3,053)	\$ (406)

Cash

At June 30, 2020, the REIT had \$28,757 of cash on hand, compared to \$42,455 at December 31, 2019. The balance is anticipated to be invested in investment properties in subsequent periods, used for working capital purposes, for debt repayment or for unit purchases under the NCIB. All of the REIT's cash is held in current accounts.

LIABILITIES

Mortgages and Loans Payable

Artis finances acquisitions and development projects in part through the arrangement or assumption of mortgage financing and consequently, certain of the REIT's investment properties are pledged as security under mortgages and other loans. The weighted-average term to maturity on all mortgages and loans payable, on a Proportionate Share basis, at June 30, 2020 was 2.4 years, unchanged from 2.4 years at December 31, 2019.

At June 30, 2020, Artis had mortgages and loans payable outstanding, as follows:

Canadian Portfolio:

	IFRS		Proportionate Share	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Fixed rate mortgages	\$ 381,068	\$ 376,010	\$ 413,235	\$ 408,718
Variable rate mortgages:				
Hedged	106,844	108,927	106,844	108,927
Unhedged	16,904	72,300	16,904	72,300
Net above- and below-market mortgage adjustments	(36)	(43)	(36)	(43)
Financing costs	(1,367)	(1,491)	(1,434)	(1,563)
	\$ 503,413	\$ 555,703	\$ 535,513	\$ 588,339

U.S. Portfolio:

	IFRS		Proportionate Share	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Fixed rate mortgages	\$ 76,747	\$ 73,855	\$ 88,571	\$ 85,269
Variable rate mortgages:				
Hedged	377,810	271,802	377,810	271,802
Unhedged	456,856	500,507	556,221	578,660
Net above- and below-market mortgage adjustments	2,982	3,213	2,982	3,213
Financing costs	(3,792)	(3,732)	(4,355)	(4,360)
	\$ 910,603	\$ 845,645	\$ 1,021,229	\$ 934,584

Total Canadian and U.S. Portfolio:

	IFRS		Proportionate Share	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Fixed rate mortgages	\$ 457,815	\$ 449,865	\$ 501,806	\$ 493,987
Variable rate mortgages:				
Hedged	484,654	380,729	484,654	380,729
Unhedged	473,760	572,807	573,125	650,960
Net above- and below-market mortgage adjustments	2,946	3,170	2,946	3,170
Financing costs	(5,159)	(5,223)	(5,789)	(5,923)
	\$ 1,414,016	\$ 1,401,348	\$ 1,556,742	\$ 1,522,923
% of unhedged variable rate mortgage debt of total debt, including credit facilities and debentures	17.6 %	20.9 %	20.2 %	22.7 %

Management believes that holding a percentage of variable rate debt is prudent in managing a portfolio of debt and provides the benefit of lower interest rates, while keeping the overall risk at a moderate level. All of the REIT's variable rate mortgage debt is term debt and cannot be called on demand. The REIT has the ability to refinance, or use interest rate swaps, at any given point without incurring penalties.

The change in total mortgages and loans payable is a result of the following:

	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share
Balance, December 31, 2019	\$ 1,403,401	\$ 122,275	\$ 1,525,676
Add (deduct):			
Draws on variable rate construction loans	—	10,643	10,643
Repayment of variable rate mortgage related to sale of investment property	(30,475)	—	(30,475)
Principal repayments	(9,930)	(344)	(10,274)
Foreign currency translation loss	77,860	8,854	86,714
Balance, March 31, 2020	1,440,856	141,428	1,582,284
Add (deduct):			
Uplift upon renewal of maturing mortgages	49,939	—	49,939
Draws on variable rate construction loans	—	6,683	6,683
Repayment of fixed rate mortgage related to sale of investment property	(8,636)	—	(8,636)
Repayment of maturing fixed rate mortgage	(19,711)	—	(19,711)
Principal repayments	(9,514)	(350)	(9,864)
Foreign currency translation gain	(36,705)	(4,405)	(41,110)
Balance, June 30, 2020	\$ 1,416,229	\$ 143,356	\$ 1,559,585

(1) Adjustment to reflect investments in joint ventures on a Proportionate Share basis.

Senior Unsecured Debentures

Artis has one series of senior unsecured debentures outstanding, as follows:

	Issued	Maturity	Interest rate	June 30, 2020		December 31, 2019	
				Carrying value	Face value	Carrying value	Face value
Series B	February 7, 2018	February 7, 2020	3.354 %	—	—	199,959	200,000
Series C	February 22, 2019	February 22, 2021	3.674 %	249,643	250,000	249,372	250,000
				\$ 249,643	\$ 250,000	\$ 449,331	\$ 450,000

At June 30, 2020, the carrying value of the senior unsecured debentures decreased \$199,688 compared to December 31, 2019. The change is primarily due to the repayment of the Series B senior unsecured debentures on February 7, 2020.

Credit Facilities

Revolving Credit Facilities

The REIT has unsecured revolving credit facilities in the aggregate amount of \$700,000. The first tranche of the revolving credit facilities in the amount of \$400,000 matures on December 14, 2021. The second tranche of the revolving credit facilities in the amount of \$300,000 matures on April 29, 2023. The REIT can draw on the revolving credit facilities in Canadian or US dollars. Amounts drawn on the revolving credit facilities in Canadian dollars bear interest at the bankers' acceptance rate plus 1.70% or at prime plus 0.70%. Amounts drawn on the revolving credit facilities in US dollars bear interest at LIBOR plus 1.70% or at the U.S. base rate plus 0.70%. At June 30, 2020, there was \$528,032 drawn on these facilities (December 31, 2019, \$588,111).

Non-Revolving Credit Facilities

On February 6, 2020, the REIT entered into a new unsecured non-revolving term credit facility agreement in the amount of \$200,000, which matures February 4, 2022. Amounts drawn on this non-revolving credit facility bear interest at 2.22%. The REIT drew the full balance on the credit facility and used the proceeds for the repayment of the Series B debentures.

Additionally, the REIT has two unsecured non-revolving credit facilities in the aggregate amount of \$300,000. The first non-revolving credit facility of \$150,000 matures on July 6, 2022 and the second non-revolving credit facility of \$150,000 matures on July 18, 2022. Amounts drawn on the non-revolving credit facilities bear interest at 3.57% and 3.50%, respectively.

At June 30, 2020, there was \$500,000 drawn on the non-revolving credit facilities (December 31, 2019, \$300,000).

Other Current Liabilities

Included in other current liabilities were accounts payable and other liabilities and security deposits and prepaid rent. Included in accounts payable and other liabilities was accrued distributions payable to unitholders of \$7,351, which was paid subsequent to the end of the period.

UNITHOLDERS' EQUITY

Unitholders' equity decreased overall by \$56,899 between December 31, 2019 and June 30, 2020. The decrease was primarily due to net loss of \$56,580, distributions made to unitholders of \$47,924 and to common units of \$30,176 and preferred units of \$2,331 purchased through the NCIB, partially offset by the related contributed surplus of \$12,058. The decrease was partially offset by other comprehensive income of \$67,535 and the issuance of common units for \$519.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations represents the primary source of funds for distributions to unitholders and principal repayments on mortgages and loans.

DISTRIBUTIONS

The Trustees determine the level of cash distributions based on the level of cash flow from operations before working capital changes, less actual and planned capital expenditures. During the period, distributions are based on estimates of full year cash flow and capital spending; thus, distributions may be adjusted as these estimates change. It is expected that normal seasonal fluctuations in working capital will be funded from cash resources.

	Three months ended June 30, 2020	Six months ended June 30, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Cash flow from operations	\$ 50,448	\$ 96,458	\$ 203,850	\$ 213,727
Net income (loss)	54,750	(56,580)	122,737	158,636
Distributions declared	22,682	45,657	96,332	173,408
Excess of cash flow from operations over distributions declared	27,766	50,801	107,518	40,319
Excess (shortfall) of net income over distributions declared	32,068	(102,237)	26,405	(14,772)

Artis' primary objective is to provide tax-efficient monthly cash distributions. The shortfall of net income over distributions declared for the six months ended June 30, 2020 was primarily due to the non-cash impact of the fair value loss on investment properties during the period.

CAPITAL RESOURCES

At June 30, 2020, Artis had \$28,757 of cash on hand. Management anticipates that the cash on hand may be invested in the REIT's portfolio of investment properties in subsequent periods, used for working capital purposes and for debt repayment or for unit purchases under the NCIB.

The REIT has two 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. At June 30, 2020, the REIT had \$171,968 available on its revolving term credit facilities.

At June 30, 2020, the REIT had 101 unencumbered properties and five unencumbered parcels of development land, inclusive of properties held in joint venture arrangements, representing a Proportionate Share fair value of \$1,962,935.

Artis is not in default or arrears on any of its obligations, including distributions to unitholders, interest or principal payments on debt at June 30, 2020.

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.

The REIT's management expects to meet all of its short-term obligations and capital commitments with respect to investment properties and new developments in process through funds generated from operations, from the proceeds of mortgage financing, drawing on unsecured credit facilities, from the issuance of new debentures or units and from cash on hand.

The financial impact and duration of the COVID-19 pandemic is currently unknown. The REIT is committed to prudently manage capital resources during this unprecedented and uncertain time. Refer to Risks section of this MD&A for discussion of risks related to the COVID-19 pandemic and how they may impact capital resources.

DEBT METRICS

EBITDA Interest Coverage Ratio ⁽¹⁾

	Three months ended		Six months ended	
	2020	June 30, 2019	2020	June 30, 2019
Net income (loss)	\$ 54,750	\$ 19,872	\$ (56,580)	\$ 45,228
Add (deduct):				
Tenant inducements amortized to revenue	6,615	6,029	12,595	11,718
Straight-line rent adjustments	(1,404)	(1,624)	(2,976)	(3,388)
Interest expense	22,267	28,893	48,174	57,338
Fair value (gain) loss on investment properties	(12,053)	26,385	129,795	43,718
Foreign currency translation (gain) loss	(190)	(3,435)	912	(10,148)
Transaction costs	—	137	—	137
Fair value loss on derivative instruments and other transactions	3,961	7,195	18,782	19,540
Depreciation of property and equipment	343	288	681	558
Income tax expense	159	46	390	738
EBITDA	74,448	83,786	151,773	165,439
Interest expense	22,267	28,893	48,174	57,338
Add (deduct):				
Amortization of financing costs	(1,073)	(1,010)	(2,093)	(1,995)
Amortization of above- and below-market mortgages, net	194	35	382	64
Accretion on liability component of debentures	—	—	—	51
Adjusted interest expense	\$ 21,388	\$ 27,918	\$ 46,463	\$ 55,458
EBITDA interest coverage ratio	3.48	3.00	3.27	2.98

Debt to EBITDA Ratio ⁽¹⁾

	June 30, 2020	December 31, 2019
Secured mortgages and loans	\$ 1,556,742	\$ 1,522,923
Preferred shares liability	653	622
Carrying value of debentures	249,643	449,331
Credit facilities	1,026,473	886,522
Total long-term debt and credit facilities	2,833,511	2,859,398
EBITDA ⁽²⁾	297,792	324,188
Total long-term debt and credit facilities to EBITDA	9.5	8.8

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

(2) EBITDA, as calculated for the quarter under EBITDA Interest Coverage Ratio, has been annualized for purposes of the Debt to EBITDA ratio calculation.

CONTRACTUAL OBLIGATIONS ⁽¹⁾

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and other liabilities	\$ 102,701	102,701	\$ —	\$ —	\$ —
Credit facilities	1,028,032	—	1,028,032	—	—
Senior unsecured debentures	250,000	250,000	—	—	—
Mortgages and loans payable	1,559,585	564,591	426,704	493,360	74,930
Total contractual obligations	\$ 2,940,318	\$ 917,292	\$ 1,454,736	\$ 493,360	\$ 74,930

The REIT's schedule of mortgage maturities is as follows:

Year ended December 31,	Debt maturities	% of total principal	Scheduled principal repayments on non-matured debt	Total annual principal repayments	Weighted- average nominal interest rate on balance due at maturity
2020	\$ 239,336	16.4 %	\$ 18,273	\$ 257,609	2.78 %
2021	404,777	27.7 %	26,403	431,180	2.74 %
2022	178,709	12.2 %	20,948	199,657	3.54 %
2023	402,410	27.6 %	13,817	416,227	3.40 %
2024	88,695	6.1 %	7,085	95,780	2.31 %
2025 & later	145,279	10.0 %	13,853	159,132	3.24 %
Total	\$ 1,459,206	100.0 %	\$ 100,379	\$ 1,559,585	3.05 %

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18
Revenue	\$114,038	\$118,541	\$127,180	\$127,005	\$133,928	\$133,547	\$132,864	\$128,097
Net operating income	67,139	69,152	75,121	75,724	80,533	78,478	77,259	76,211
Net income (loss)	54,750	(111,330)	32,877	44,632	19,872	25,356	7,220	25,719
Total comprehensive (loss) income	(3,242)	14,197	4,097	62,238	(10,758)	(4,508)	83,904	2,017
Basic income (loss) per common unit	\$ 0.37	\$ (0.84)	\$ 0.21	\$ 0.28	\$ 0.10	\$ 0.13	\$ 0.01	\$ 0.13
Diluted income (loss) per common unit	0.36	(0.85)	0.20	0.28	0.10	0.13	0.01	0.13
FFO ⁽¹⁾	\$ 49,358	\$ 46,441	\$ 51,602	\$ 48,603	\$ 51,909	\$ 50,284	\$ 50,107	\$ 50,461
FFO per unit ⁽¹⁾	0.36	0.33	0.37	0.34	0.36	0.34	0.33	0.33
FFO payout ratio ⁽¹⁾	38.9 %	42.4 %	37.8 %	41.2 %	38.9 %	41.2 %	54.5 %	81.8 %
AFFO ⁽¹⁾	\$ 36,499	\$ 33,661	\$ 37,772	\$ 35,769	\$ 39,370	\$ 37,607	\$ 37,544	\$ 37,583
AFFO per unit ⁽¹⁾	0.27	0.24	0.27	0.25	0.27	0.25	0.24	0.24
AFFO payout ratio ⁽¹⁾	51.9 %	58.3 %	51.9 %	56.0 %	51.9 %	56.0 %	75.0 %	112.5 %
Same Property NOI change ^{(1) (2)}	(2.0)%	1.5 %	3.3 %	2.0 %	4.6 %	5.1 %	2.7 %	3.9 %
EBITDA interest coverage ratio ^{(1) (2)}	3.48	3.08	3.05	2.85	3.00	2.96	3.04	3.14
Leasable area renewed (in square feet) ⁽³⁾	592,872	338,394	558,544	362,669	353,870	332,258	537,165	249,051
(Decrease) increase in weighted-average rental rate ⁽³⁾	(3.3)%	4.5 %	8.1 %	8.7 %	4.0 %	(1.9)%	0.0 %	5.9 %
	2020	2020	2019	2019	2019	2019	2018	2018
	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30
Number of properties ⁽²⁾	216	215	220	228	229	235	235	234
GLA (000's of square feet) ⁽²⁾	23,842	23,817	24,841	25,034	24,892	25,100	25,082	24,803
Occupancy ⁽³⁾	90.6 %	90.7 %	91.5 %	93.3 %	92.7 %	92.0 %	92.1 %	91.2 %
NAV per Unit ⁽¹⁾	\$ 15.40	\$ 15.52	\$ 15.56	\$ 15.72	\$ 15.37	\$ 15.55	\$ 15.55	\$ 15.11
Total long-term debt and credit facilities to EBITDA ^{(1) (2)}	9.5	9.3	8.8	9.3	8.8	9.2	9.0	8.4
Secured mortgages and loans to GBV ⁽¹⁾	27.0 %	26.9 %	26.3 %	26.9 %	28.3 %	28.8 %	29.4 %	29.4 %
Total long-term debt and credit facilities to GBV ⁽¹⁾	51.3 %	51.4 %	51.3 %	51.8 %	51.2 %	50.9 %	49.9 %	47.5 %
Fair value unencumbered assets	\$1,919,171	\$1,845,983	\$1,926,661	\$1,877,339	\$1,829,594	\$1,867,277	\$1,805,382	\$1,714,863
Total assets	\$5,236,565	\$5,337,483	\$5,330,019	\$5,431,426	\$5,540,373	\$5,676,308	\$5,717,177	\$5,435,895
Total non-current financial liabilities	1,912,566	2,003,195	2,142,090	2,127,476	2,177,391	2,244,999	2,252,874	2,145,517

(1) Represents a non-GAAP measure. Refer to Notice with Respect to non-GAAP Measures section of this MD&A.

(2) Information presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

(3) Based on properties included in the Portfolio Summary - Portfolio by Asset Class table.

The quarterly financial results have been impacted by acquisition, disposition and (re)development activity, the impact of foreign exchange, lease termination income, bad debt expense, transaction costs, and the fair value gains and losses on investment properties and derivative instruments and other transactions. Per unit results are also impacted by units purchased under the NCIB.

OUTSTANDING UNIT DATA

As of August 6, 2020, the balance of common units outstanding is as follows:

	Total
Units outstanding at June 30, 2020	135,699,976
Units issued on redemption of restricted units	1,345
Units outstanding at August 6, 2020	135,701,321

As of August 6, 2020, the balance of Series A, Series E and Series I preferred units outstanding are 3,361,200, 3,797,730 and 4,965,540, respectively.

The balance of restricted units outstanding as of August 6, 2020 is 821,538, none of which have vested.

The balance of deferred units outstanding as of August 6, 2020 is 520,472. All of these deferred units have vested, 20,215 are redeemable.

OUTLOOK

In light of the COVID-19 pandemic, economic forecasts have been revised in recent months. The Global Economics report issued by Scotiabank on June 5, 2020, highlights that the efforts being made by many countries to slow the spread of the virus have been paying off. Where the curve has been flattened, economies are gradually opening non-essential businesses and reducing limitations on social distancing. Despite this progress, we are still facing a historic decline in economic activity in 2020, given the massive disruption that occurred in the first half of the year. As such, real GDP expectations for 2020 have been revised from growth of 1.5% in Canada and 1.7% in the U.S. in the Scotiabank Global Economics report dated January 13, 2020, to a decline of 7.3% in Canada and 4.5% in the U.S. in the report dated June 5, 2020.

Due to the uncertainty surrounding both the duration and severity of the COVID-19 pandemic, it is not possible to reliably predict how long the economic downturn will last and to what extent. While governments and central banks worldwide have provided economic stimulus to mitigate the disruption caused by the COVID-19 pandemic, we do not know what the full impact will be on financial results and operations at this time. We expect that some property dispositions as well as new development projects will be on hold until there is more visibility and signs of economic recovery.

Notwithstanding the foregoing, we remain confident in our strategy and are unwavering in our commitment to our New Initiatives. Our goal remains to strengthen our balance sheet to ensure the REIT is best positioned for long-term and sustainable growth, optimize our portfolio by narrowing our focus to key assets in fewer markets and pursue high-yield, accretive development projects in our target markets. We will continue to make progress towards these goals wherever possible and when prudent to do so, and are confident that upon execution, 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.

SUBSEQUENT EVENTS

As at June 30, 2020, Artis had \$28,757 of cash on hand and \$171,968 available on its revolving term credit facilities. Subsequent to June 30, 2020, the following transactions took place:

- The REIT renewed three maturing mortgages in the aggregate amount of US\$58,480 for a weighted-average term of 2.8 years at a weighted-average variable rate of 2.05%.
- The REIT drew \$12,500 and repaid US\$300 on its revolving term credit facilities.
- The REIT declared a monthly cash distribution of \$0.045 per common unit for the month of July 2020.
- The REIT declared a quarterly cash distribution of \$0.3750 per Series I preferred unit for the three months ended July 31, 2020.

RISKS AND UNCERTAINTIES

A summary of all risks applicable to the REIT are set forth in Artis' 2019 Annual Information Form. The REIT discusses specific risk factors below.

During 2020, the COVID-19 pandemic have become a new risk factor for the REIT, which is further described below.

COVID-19 RISK

The COVID-19 pandemic has resulted in governments enacting emergency measures, including travel restrictions, physical distancing and the temporary closure of non-essential businesses. These changes have caused a disruption to businesses where the REIT operates in both Canada and the U.S. and an overall global economic slowdown.

Governments are reacting with significant interventions designed to stabilize economic conditions, however, the efficacy of these interventions remains unknown at this time.

As the situation is continually evolving, the duration and impact of the COVID-19 pandemic is unknown. Any estimate of the length and potential severity of the risks associated with the COVID-19 pandemic is subject to significant uncertainty. The extent to which the COVID-19 pandemic may adversely affect the REIT's operations, financial results and capital resources in future periods is also subject to significant uncertainty. The REIT is faced with numerous risks related to the COVID-19 pandemic which include, but are not limited to the following uncertainties:

- estimates of the amount and timing of future cash flows generated from investment properties in the determination of fair value;
- the REIT's ability to satisfy ongoing debt covenants due to changes in the REIT's liquidity and financial condition;
- the collection of rents receivable due to economic challenges faced by tenants subject to temporary closures of non-essential businesses, particularly in the retail segment;
- the impact of additional government regulation in response to the COVID-19 pandemic;
- delays, costs and availability of resources required to complete capital projects and ongoing developments in process and potential restrictions regarding the commencement of new development projects;
- market volatility and the associated challenges related to the ability to access capital;
- the REIT's ability to refinance maturing mortgages;
- fair values of investment properties for disposed properties exceeding the mortgages payable for which the REIT has provided guarantees.

Any of these risks and uncertainties could have a material adverse effect on our operations, financial results and capital resources. Management seeks to mitigate risks associated with the COVID-19 pandemic in a variety of ways:

- management is working diligently with tenants to ensure the ongoing operation of their businesses and has provided rent deferrals to certain qualifying tenants;
- management has implemented a plan to reduce expenses to conserve capital resources, including the delay of certain capital expenditures and is addressing the potential to defer commencement of new development projects;
- to help mitigate the spread of the virus, the REIT has increased cleaning and sanitization at all properties and has implemented a remote work from home policy for employees, where appropriate to do so;
- management is actively monitoring the availability of government relief programs in both Canada and the U.S. that may be applicable to either the REIT or its tenants;
- management continues to assess recommendations by the public health authorities and continues to closely monitor operations and will take further action, if necessary, that are in the best interest of employees, tenants and investors.

REAL ESTATE OWNERSHIP RISK

All real property investments are subject to elements of risk. General economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors affect such investments. The REIT's properties are located in five Canadian provinces and six U.S. states, with the largest geographical segments, measured by Proportionate Share Property NOI, located in the province of Alberta and in the state of Minnesota. As a result, our investment properties are impacted by factors specifically affecting their respective real estate markets. These factors may differ from those affecting the real estate markets in other regions of Canada and the U.S.

INTEREST RATE AND DEBT FINANCING RISK

Artis will be subject to the risks associated with debt financing. There can be no assurance that Artis will be able to refinance its existing indebtedness on terms that are as or more favourable to Artis as the terms of existing indebtedness. The inability to replace financing of debt on maturity would have an adverse impact on the financial condition and results of Artis.

Management seeks to mitigate this risk in a variety of ways. First, management considers structuring the timing of the renewal of significant tenant leases on properties in relation to the time at which mortgage indebtedness on such property becomes due for refinancing. Second, management seeks to secure financing from a variety of lenders on a property by property basis. Third, mortgage terms are, where practical, structured such that the exposure in any one year to financing risks is balanced.

Artis is also subject to interest rate risk associated with the REIT's credit facilities, mortgages and debentures payable due to the expected requirement to refinance such debts in the year of maturity. The REIT minimizes the risk by restricting debt to 70% of gross book value and by carefully monitoring the amount of variable rate debt. At June 30, 2020, 32.3% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 34.2% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At June 30, 2020, the REIT is a party to \$1,986,446 of variable rate debt, including credit facilities (December 31, 2019, \$2,041,647). At June 30, 2020, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$984,654 of variable rate debt, including credit facilities and debentures, (December 31, 2019, \$880,729). The REIT has the ability to place interest rate swaps on top of variable rate debt at any time in order to effectively fix the interest rate.

At June 30, 2020, the REIT's ratio of secured mortgages and loans to GBV was 27.0%, compared to 26.3% at December 31, 2019. At June 30, 2020, the REIT's ratio of total long-term debt and credit facilities to GBV was 51.3%, compared to 51.3% at December 31, 2019. Approximately 15.7% of Artis' maturing mortgage debt comes up for renewal during the remainder of 2020, and 26.1% in 2021. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2020 mortgage maturities.

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 a portion of this risk, the REIT's debt on U.S. properties is held in US dollars to act as a natural hedge.

CREDIT RISK AND TENANT CONCENTRATION RISK

Artis is exposed to risks relating to tenants that may be unable to pay their contracted rents. Management mitigates this risk by acquiring and owning properties across several asset classes and geographical regions. As well, management seeks to acquire properties with strong tenant covenants in place. Artis' portfolio includes 1,685 tenant leases with a weighted-average term to maturity of 5.5 years. Approximately 52.7% of the REIT's gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is Bell MTS Inc., which is one of Canada's leading national communication companies providing voice services, internet and data services, and television. The second largest tenant by gross revenue is Graham Group Ltd., which provides construction management, general contracting, design build, and public-private partnership services to industrial, commercial, and infrastructure sectors.

Top 20 Tenants by Gross Revenue ⁽¹⁾

Tenant	% of total gross revenue ⁽²⁾	Owned share of GLA (000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Bell MTS Inc.	2.5 %	322	1.4 %	4.8
Graham Group Ltd.	2.0 %	243	1.0 %	14.1
AT&T	1.7 %	257	1.1 %	5.0
WorleyParsons Canada Services Ltd.	1.7 %	164	0.7 %	1.3
Bell Canada	1.6 %	115	0.5 %	9.3
Home Depot	1.4 %	158	0.7 %	8.9
The Toronto Dominion Bank	1.2 %	133	0.6 %	6.0
TDS Telecommunications Corporation	1.2 %	174	0.7 %	4.5
Shoppers Drug Mart Inc.	1.1 %	136	0.6 %	5.7
CB Richard Ellis, Inc.	1.1 %	108	0.5 %	6.5
Fairview Health Services	1.0 %	179	0.8 %	3.2
Catalent Pharma Solutions, LLC	0.9 %	198	0.8 %	16.1
Prime Therapeutics LLC	0.9 %	386	1.6 %	14.3
PBP Inc.	0.8 %	519	2.2 %	11.4
Choice Hotels International Services Corp.	0.8 %	114	0.5 %	10.4
3M Canada Company	0.8 %	319	1.3 %	4.8
UCare Minnesota	0.8 %	124	0.5 %	1.9
Silent Aire USA, Inc.	0.7 %	289	1.2 %	6.7
Telephone and Data Systems Inc.	0.7 %	107	0.5 %	4.4
Co-Operators Financial Services Ltd.	0.7 %	79	0.3 %	2.9
Total	23.6 %	4,124	17.5 %	8.0

Government Tenants by Gross Revenue ⁽¹⁾

Tenant	% of total gross revenue ⁽²⁾	Owned share of GLA (000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Federal Government	1.3 %	189	0.8 %	5.8
Provincial Government	0.6 %	73	0.3 %	7.1
Civic or Municipal Government	0.5 %	95	0.4 %	12.0
Total	2.4 %	357	1.5 %	7.7

Weighted-average term to maturity (entire portfolio)	5.5
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(1) Based on owned share of GLA of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) Total gross revenue is in Canadian and US dollars.

LEASE ROLLOVER RISK

The value of investment properties and the stability of cash flows derived from those properties is dependent upon the level of occupancy and lease rates in those properties. Upon expiry of any lease, there is no assurance that a lease will be renewed on favourable terms, or at all; nor is there any assurance that a tenant can be replaced. A contraction in the Canadian or U.S. economy would negatively impact demand for space in office, retail and industrial properties, consequently increasing the risk that leases expiring in the near term will not be renewed.

Details of the portfolio's expiry schedule is as follows:

Expiry Year	Canada					U.S.				Total
	AB	BC	MB	SK	ON	AZ	MN	WI	Other	
2020	0.6 %	0.1 %	1.4 %	0.2 %	1.5 %	1.2 %	1.7 %	1.7 %	0.2 %	8.6 %
2021	2.3 %	0.2 %	2.6 %	0.5 %	1.4 %	1.1 %	4.6 %	0.5 %	0.4 %	13.6 %
2022	1.0 %	0.1 %	1.5 %	1.3 %	2.5 %	0.5 %	2.9 %	0.4 %	0.8 %	11.0 %
2023	1.3 %	0.3 %	1.5 %	0.5 %	1.4 %	0.6 %	2.3 %	0.2 %	0.7 %	8.8 %
2024	0.8 %	0.1 %	1.6 %	0.3 %	1.4 %	0.5 %	2.8 %	1.6 %	0.4 %	9.5 %
2025	0.6 %	0.1 %	1.0 %	0.6 %	2.3 %	1.0 %	1.1 %	0.3 %	1.4 %	8.4 %
2026 & later	3.0 %	0.8 %	4.1 %	1.8 %	3.2 %	2.6 %	7.4 %	1.8 %	5.4 %	30.1 %
Month-to-month	— %	— %	0.1 %	— %	— %	— %	— %	— %	— %	0.1 %
Vacant	1.7 %	0.1 %	2.0 %	0.2 %	0.7 %	0.4 %	1.5 %	0.8 %	1.9 %	9.3 %
New development/ redevelopment	0.4 %	— %	— %	— %	0.2 %	— %	— %	— %	— %	0.6 %
Total	11.7 %	1.8 %	15.8 %	5.4 %	14.6 %	7.9 %	24.3 %	7.3 %	11.2 %	100.0 %

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the office, retail and industrial asset classes. By city and asset class, the five largest segments of the REIT's portfolio (by Q2-20 Proportionate Share Property NOI) are Twin Cities Area office, Madison office, Twin Cities Area industrial, Greater Phoenix Area office and Greater Toronto Area industrial.

TAX RISK

The Income Tax Act (Canada) contains legislation affecting the tax treatment of a specified investment flow-through ("SIFT") trust or partnership ("the SIFT Rules"), which are applicable to publicly traded income trusts unless the trust satisfies the REIT Exception. The REIT Exception to the SIFT Rules is comprised of a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of the taxation year. Management believes that the REIT has met the requirements of the REIT Exception in each taxation year since 2009 and that it has met the REIT Exception throughout the six months ended June 30, 2020 and the year ended December 31, 2019. There can be no assurances, however, that the REIT will continue to be able to satisfy the REIT Exception in the future such that the REIT will not be subject to the tax imposed by the SIFT Rules.

The Tax Act also contains restrictions relating to the activities and the investments permitted by a mutual fund trust. Closed-end trusts must also comply with a number of technical tests relating to its investments and income. No assurance can be given that the REIT will be able to continue to comply with these restrictions at all times.

The REIT operates in the United States through U.S. REITs, which are capitalized by the REIT by way of equity, debt in the form of notes owed to the REIT and preferred shares. If the Internal Revenue Service or a court were to determine that the notes and related interest should be treated differently for tax purposes, this may adversely affect the REIT's ability to flow income from the U.S. to Canada.

CYBER SECURITY RISK

Cyber security has become an increasingly problematic issue for issuers and businesses in Canada and around the world, including for Artis and the real estate industry. Cyber attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the organization's information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information.

As Artis' reliance on technology has increased, so have the risks posed to its system. Artis' primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to its business relationships with its tenants, disclosure of confidential information regarding its tenants, employees and third parties with who Artis interacts, and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny and litigation. These developments may subject Artis' operations to increased risks, as well as increased costs, and, depending on their magnitude, could have a material adverse effect on Artis' financial position and results of operations.

The Board and management are responsible for overseeing Artis' cyber security risks. To remain resilient to these risks, Artis has implemented processes, procedures and controls to help mitigate these risks, including installing firewalls and antivirus programs on its networks, servers and computers, and staff training. However, these measures, as well as its increased awareness of a risk of a cyber incident, do not provide assurance that its efforts will be effective or that attempted security breaches or disruptions will not be successful or damaging.

DEVELOPMENT RISK

Artis is exposed to risks relating to completed developments not being leased or not leased at anticipated rates and the costs of development exceeding original estimates. At June 30, 2020, investment properties under development account for 2.5% of Artis' total investment properties (December 31, 2019, 2.1%).

CRITICAL ACCOUNTING ESTIMATES

The policies that the REIT's management believes are the most subject to estimation and judgment are set out in the REIT's Management Discussion and Analysis for the year ended December 31, 2019.

CHANGES IN ACCOUNTING STANDARDS

Revised Accounting Standard Adopted During the Period

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

CONTROLS AND PROCEDURES

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The REIT's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal controls over financial reporting.

All control systems have inherent limitations, and evaluation of a control system cannot provide absolute assurance that all control issues have been detected, including risks of misstatement due to error or fraud. As a growing enterprise, management anticipates that the REIT will be continually evolving and enhancing its systems of controls and procedures.

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") evaluated, or caused to be evaluated, the design of the REIT's internal controls over financial reporting (as defined in NI 52-109). Based on this evaluation, the CEO and CFO have concluded that, as at June 30, 2020, the design of our internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. No changes were made in the REIT's design of internal controls over financial reporting during the three months ended June 30, 2020, that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES

The REIT's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the REIT is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosure.

As of June 30, 2020, an evaluation was carried out, under the supervision of and with the participation of management, including the CEO and CFO, of the effectiveness of the REIT's disclosure controls and procedures (as defined in NI 52-109). Based on the evaluation, the CEO and CFO have concluded that the REIT's disclosure controls and procedures were effective for the six months ended June 30, 2020.