



FOR IMMEDIATE RELEASE

OCTOBER 8, 2020

**ARTIS REAL ESTATE INVESTMENT TRUST SETS DATE  
FOR REQUISITIONED UNITHOLDER MEETING**

*Artis committed to unlocking unitholder value through  
strategic debt reduction initiative and spin-off of its Canadian retail portfolio*

Artis Real Estate Investment Trust ("Artis" or the "REIT") (TSX: AX.UN) announces it will hold a special meeting of unitholders (the "Meeting") on February 23, 2021 to elect trustees of the REIT.

The Meeting is being called in response to the requisition for a special meeting of unitholders received from Sandpiper Group ("Sandpiper") on September 30, 2020, notwithstanding the fact that Artis just recently held its annual meeting on September 24, 2020 where all trustees received overwhelming support amid strong unitholder turnout. As Artis' board of trustees (the "Board") believes in constructive engagement with and accountability to all unitholders, it has made the decision to announce and proceed with the Meeting, despite the fact Sandpiper's form of requisition contains certain legal issues and errors. The Board will work with Sandpiper to correct these issues and ensure the Meeting is run fairly and with integrity. Over the next few months, Artis will continue to focus on its ongoing Board renewal initiatives announced to unitholders at the recent annual meeting. Sandpiper has filed a motion to attempt to expedite the timing of a unitholder meeting which Artis believes is without merit.

Sandpiper's recent statements contain a number of mistruths and inaccurate statements about unidentified transactions (specifically with regard to allegations related to Marwest Group). Artis will demonstrate these statements to be false in due course. At this time, the Board wishes to assure unitholders it remains focused on unlocking unitholder value despite Sandpiper's actions.

In 2018, Artis began executing on a number of initiatives aimed at improving the REIT's growth profile, strengthening the balance sheet and ensuring the REIT is positioned for long-term sustainability. A key component of these initiatives was the commitment to embark on a disposition program with a target of \$800 million to \$1 billion of non-core assets. The net proceeds from the disposition of non-core assets to date have been used to repurchase common and preferred units.

Unitholders will receive detailed information about the matters presented at the Meeting, a substantive critique of Sandpiper's agenda, and information about how to vote in a management information circular in advance of February 23, 2021. Unitholders should read the information carefully before deciding how to vote. In the meantime, there is no need for unitholders to take any voting action.

**Background on Artis' Value Creating Initiatives**

In May 2019, Artis commenced the formal strategic review process ("Strategic Review") which was conducted by a special committee of independent trustees ("Special Committee") with independent advice from leading global advisors, including Citigroup Global Markets Inc. and Scotiabank as financial advisors, and Goodmans LLP as legal counsel. As part of the Strategic Review, the Special Committee

and its advisors evaluated a comprehensive set of alternatives to maximize unitholder value. The alternatives reviewed included:

- Maintaining the status quo
- A sale of the REIT or discrete portfolios
- An initial public offering of certain assets
- The spin-off of certain assets
- A merger with other publicly listed REITs
- A strategic investment from cornerstone investors

After careful consideration of each of the alternatives with its advisors, the Special Committee concluded that a sale of the REIT would maximize unitholder value and pursued meaningful discussions with potential investors accordingly. The sale process, which commenced in the fall of 2019, involved a broad outreach program in which approximately 110 potential investors were contacted globally. Investors were given the opportunity to bid en-bloc for the REIT, in addition to bidding for specific geographies and asset classes. This strategy was selected to maximize unitholder value and gain a clear understanding of private market demand for each of the segments of the business.

As the sale process progressed, the opportunity attracted interest from a number of qualified potential investors looking to buy the REIT as a whole, in addition to a separate group of investors that expressed strong interest in both the institutional quality office and industrial portfolios. However, given the market uncertainty resulting from COVID-19, the potential investors involved in the sale process communicated that the market conditions made it challenging to complete their underwriting and diligence. On May 5, 2020, the Special Committee concluded the Strategic Review.

Following completion of the REIT's Strategic Review, Artis considered other viable alternatives for unlocking unitholder value. Taking into account current market conditions, on September 8, 2020, Artis announced a comprehensive plan to create unitholder value, which includes a spin-off of Canadian retail properties into a new REIT ("Retail Spin-Off") and a strategic debt reduction initiative.

Artis' Board has demonstrated its commitment to unlocking unitholder value through proactively pursuing the following initiatives:

- 1. Successful disposition program at a premium to IFRS fair value.** This program was announced on November 1, 2018 and set a target of \$800 million to \$1 billion of non-core assets over a three-year time-frame and was supported by Sandpiper. Since that announcement, Artis has successfully completed approximately \$800 million of asset sales, ahead of schedule, and at an aggregate value that implies an approximate 2% premium to their IFRS fair value. These strategic non-core asset dispositions have also significantly enhanced overall portfolio quality.
- 2. Repurchase of common and preferred units using the net proceeds from the disposition of non-core assets.** Since November 1, 2018, Artis has completed \$194 million of common unit repurchases and \$86 million of preferred unit repurchases (including the redemption of the Series G preferred units) for an aggregate total of \$280 million. This too was supported by Sandpiper. The common units have been purchased at significant discounts to the Q2-20 IFRS and consensus analyst NAVs per unit of \$15.40 and \$11.97, respectively. The preferred units have been purchased at significant discounts to the par values.
- 3. Strategic debt reduction initiative.** In September 2020, Artis announced an enhancement of its successful non-core asset sale program, with an additional \$550 million of non-core assets to be sold by the second quarter of 2021. This initiative is well underway, with \$120 million of assets under unconditional contract, another \$150 million under conditional contract or letter of intent, and the balance actively listed for sale. Net proceeds from these asset sales will be used to repay debt and improve Artis' credit profile.

**4. Spin-off of Canadian retail properties into a new REIT.** The Board unanimously determined to pursue the Retail Spin-Off strategy. The Retail Spin-Off is the optimal strategy to maximize unitholder value as it:

- Enables Artis to simplify its business and pursue strategies focused on its high-quality industrial and office properties. The preference for a more streamlined business is consistent with the feedback received during the sale process.
- Ensures public markets ascribe proper value to the retail portfolio and, as a standalone structure, provides the opportunity to implement a more appropriate capital structure and distribution policy.
- Is a non-taxable transaction to Artis. The transaction will be affected on a non-taxable basis for Artis REIT and for existing Canadian common unitholders of Artis REIT. This compares to taxable income that would need to be allocated to unitholders of \$191 million if all of the retail assets were sold at the current IFRS values.

A key benefit of the Retail Spin-Off is that it creates opportunities for value maximizing strategies as market conditions improve and debt is reduced. The streamlined focus of Artis following the Retail Spin-Off will increase the attractiveness of Artis to both public and private investors, and would not preclude the Board from exploring a sale in the future. Furthermore, the strategy does not prevent Artis Retail REIT from selling additional retail properties in the future to create unitholder value if opportunities arise. Artis will provide further details regarding the timing of the Retail Spin-Off transaction in due course.

#### **Advisors**

Scotiabank and CIBC Capital Markets are acting as financial advisors to the REIT. Kingsdale Advisors is acting as strategic unitholder and communications advisor to the REIT. MLT Aikins and Goodmans LLP are acting as legal advisors to the REIT.

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Artis is a diversified Canadian real estate investment trust investing primarily in office and industrial properties. Since 2004, Artis has executed an aggressive but disciplined growth strategy, building a portfolio of commercial properties in select markets in Canada and the United States. As of June 30, 2020, Artis' commercial property comprises approximately 23.8 million square feet of leasable area.

#### **For More Information:**

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##### **Investors:**

Armin Martens, President and Chief Executive Officer, Jim Green, Chief Financial Officer or Heather Nikkel, Vice-President – Investor Relations of Artis REIT at 204-947-1250.

#### **Cautionary Statements**

This press release 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 proposed Retail Spin-Off and enhanced strategic debt reduction plan and the resulting impacts on Artis REIT and Artis Retail REIT, as well as statements regarding the unitholder meeting called for the purpose of electing trustees, 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 REIT is subject to significant risks and uncertainties which may cause the actual results, performance or achievements of Artis 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 related to the proposed retail spin-off and enhanced strategic debt reduction strategy, including the possibility of the non-satisfaction or waiver of the conditions of closing or the possibility that Artis REIT and its stakeholders will not realize the anticipated benefits of the transaction, and risks relating to the COVID-19 pandemic, implementation of Artis REIT’s previously announced initiatives, risks associated with real property ownership, debt financing, foreign currency, credit and tenant concentration, lease rollover, availability of cash flow, general uninsured losses, future property acquisitions and dispositions, environmental matters, tax related matters, changes in legislation and changes in the tax treatment of trusts, cyber security, new or (re)developments, unitholder liability, potential conflicts of interest, potential dilution and reliance on key personnel. Artis REIT cannot assure investors that actual results will be consistent with any forward-looking statements and Artis REIT 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 press release are qualified by this cautionary statement.

*The Toronto Stock Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this press release.*

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