



Management's Discussion and Analysis Q2-15

On the TSX: AX.UN AX.PR.A AX.PR.U AX.PR.E AX.PR.G AX.DB.F AX.DB.U

Management's Discussion and Analysis - Q2-15

(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 ("Artis" or the "REIT") should be read in conjunction with the REIT's audited annual consolidated financial statements for the years ended December 31, 2014 and 2013, the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2015 and 2014, and the notes thereto. This MD&A has been prepared taking into account material transactions and events up to and including August 6, 2015. 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 web site 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 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 real property ownership, availability of cash flow, general uninsured losses, future property acquisitions and dispositions, environmental matters, tax related matters, debt financing, unitholder liability, potential conflicts of interest, potential dilution, reliance on key personnel, changes in legislation and changes in the tax treatment of trusts. 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 RESPECTING NON-GAAP MEASURES

"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. Property Net Operating Income ("Property NOI"), Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO") are non-GAAP measures commonly used by Canadian real estate investment trusts as an indicator of financial performance. As a publicly accountable enterprise, Artis applies the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Artis calculates Property NOI as revenues, measured in accordance with IFRS, less property operating expenses such as taxes, utilities, repairs and maintenance. Property NOI does not include charges for interest and amortization. Management considers Property NOI to be a valuable measure for evaluating the operating performance of the REIT's properties.

Artis calculates FFO substantially in accordance with the guidelines set out by the Real Property Association of Canada ("REALpac"), as issued in April 2014. These guidelines include certain additional adjustments to FFO under IFRS from the previous definition of FFO. Management considers FFO to be a valuable measure for evaluating the REIT's operating performance in achieving its objectives.

Artis calculates AFFO based on FFO for the period, net of allowances for normalized capital expenditures and leasing costs and excluding straight-line rent adjustments and unit-based compensation expense.

Property NOI, FFO and AFFO are not measures defined under IFRS. Property NOI, FFO and AFFO 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 operating activities or other measures of financial performance calculated in accordance with IFRS. Readers should be further cautioned that Property NOI, FFO and AFFO as calculated by Artis may not be comparable to similar measures presented by other issuers.

TABLE OF CONTENTS

OVERVIEW	3
Primary Objective	3
Portfolio Summary	5
2015 - SECOND QUARTER HIGHLIGHTS	8
Portfolio Growth	8
Financing Activities	8
Distributions	9
SELECTED FINANCIAL INFORMATION	9
ANALYSIS OF OPERATING RESULTS	10
Revenue and Property NOI	10
Same Property NOI Analysis	11
Property NOI by Asset Class	12
Property NOI by Geographical Region	13
Portfolio Occupancy	14
Portfolio Leasing Activity and Lease Expiries	14
Corporate Expenses	21
Interest Expense	21
Net Income (Loss) from Investments in Joint Ventures	21
Fair Value (Loss) Gain on Investment Properties	22
Foreign Currency Translation Gain (Loss)	22
Transaction Costs	22
Gain (Loss) on Financial Instruments	22
Other Comprehensive (Loss) Income	22
Income Tax	22
Distributions	23
Funds from Operations	24
Adjusted Funds from Operations	26
ANALYSIS OF FINANCIAL POSITION	27
Assets	27
Liabilities	30
Unitholders' Equity	32
LIQUIDITY AND CAPITAL RESOURCES	32
Contractual Obligations	32
SUMMARIZED QUARTERLY INFORMATION	33
RELATED PARTY TRANSACTIONS	35
OUTSTANDING UNIT DATA	35
OUTLOOK	36
Subsequent Events	36
RISKS AND UNCERTAINTIES	37
Real Estate Ownership	37
Interest Rate and Debt Financing	37
Credit Risk and Tenant Concentration	38
Lease Rollover Risk	39
Tax Risk	39
Foreign Currency Risk	39
Other Risks	40
CRITICAL ACCOUNTING ESTIMATES	40
CHANGES IN ACCOUNTING POLICIES	40
CONTROLS AND PROCEDURES	41
Internal Controls over Financial Reporting	41
Disclosure Controls and Procedures	41

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 August 2, 2012 (the "Declaration of Trust").

Certain of the REIT's securities are listed on the Toronto Stock Exchange (the "TSX"). The REIT's trust units ("units") trade under the symbol AX.UN, the REIT's preferred units trade under the symbols AX.PR.A, AX.PR.U, AX.PR.E, AX.PR.G and the REIT's Series F and Series G convertible debentures trade under the symbols AX.DB.F and AX.DB.U, respectively. As at August 6, 2015, there were 137,795,373 units, 2,663,750 options, 13,650,000 preferred units, 326,702 restricted units, and 6,665 deferred units of Artis outstanding (refer to the *Outstanding Unit Data* section for further details).

PRIMARY OBJECTIVE

Artis' primary objective is to maximize total returns to its unitholders. Returns include a stable, reliable and tax efficient monthly cash distribution as well as long-term appreciation in the value of Artis' units.

Since inception, Artis has provided a steady stream of monthly cash distributions to its unitholders. The amount distributed annually is currently \$1.08 per unit and is set by the Trustees in accordance with the Declaration of Trust.

Artis' management employs several key strategies to meet our primary objective:

- **Portfolio Diversification.** We diversify our portfolio to increase the stability of our cashflow. Our properties are geographically diversified across western Canada, as well as Ontario and in select markets in the United States ("U.S."). Our commercial properties are also diversified across industrial, retail and office asset classes.
- **Managing for Value Creation.** We actively manage our portfolio to build value for our unitholders, leveraging off the experience and expertise of our management team. Our focus is on maximizing property value and cash flows over the long-term and creating additional value in our portfolio.
- **Portfolio Expansion.** We build growth into our cash flows through the efficient sourcing and deployment of capital into high quality and accretive acquisition opportunities in our target markets, or into high yield intensification or (re)development opportunities that exist within our property portfolio.

Corporate Sustainability

Artis is committed to improving the energy efficiency of our properties and reducing our environmental footprint. Artis has made significant advances in corporate sustainability and now has 19 properties with a LEED certification, 24 properties with a Building Owners and Managers Association (BOMA) Building Environmental Standards (BES) certification, and 17 properties with an Energy Star certification. Corporate sustainability will continue to be a high priority for Artis in the future.

Internal Growth

Artis continues to focus on internal growth and value creation. This strategy is designed to achieve maximum return on our investment properties through a variety of methods, including capitalizing on below-market rent opportunities, and selective re-development and repositioning of well-located assets in primary markets through property improvement projects, new construction and expansion of existing portfolio properties. When prudent, we selectively dispose of assets at premium prices, and reinvest and reposition the portfolio on an on-going basis in higher growth markets.

External Growth

Artis strives to continuously grow and improve our portfolio by seeking acquisition opportunities that are accretive and improve the diversity, stability and quality of our investments.

U.S. Investment Strategy:

Artis expanded its external growth strategy in 2010 to include acquisition of commercial properties in the U.S., with a primary emphasis on Arizona, Minnesota and Colorado. This change in strategy has proven to be timely, has improved the overall quality of our portfolio and has resulted in a substantial benefit for our unitholders. In addition to the benefit of historically low interest rates, the U.S. real estate market has rebounded significantly. In the U.S., Artis is able to achieve unlevered yields which continue to be more accretive and tenant credit and lease expiry profiles which are more conservative than comparable properties in Canada. Currently, approximately 26.8% of Artis' Property NOI is generated by our U.S. assets, including those held in joint venture arrangements. Due to our success in these markets, our goal, through a disciplined expansion approach, is to increase our U.S. target weighting to 30.0% of total Property NOI.

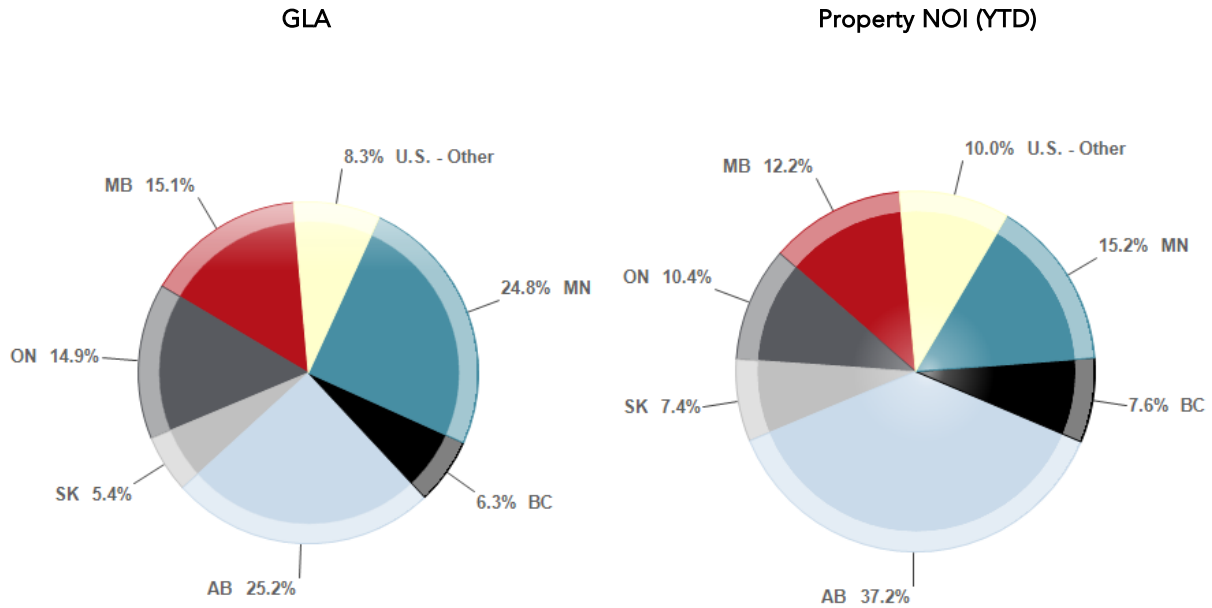
Canadian Investment Strategy:

Artis' Canadian portfolio, including properties held in joint venture arrangements, represents 73.2% of Property NOI. We will continue to monitor investment opportunities in our Canadian target markets that will further improve the diversity, stability and quality of our portfolio.

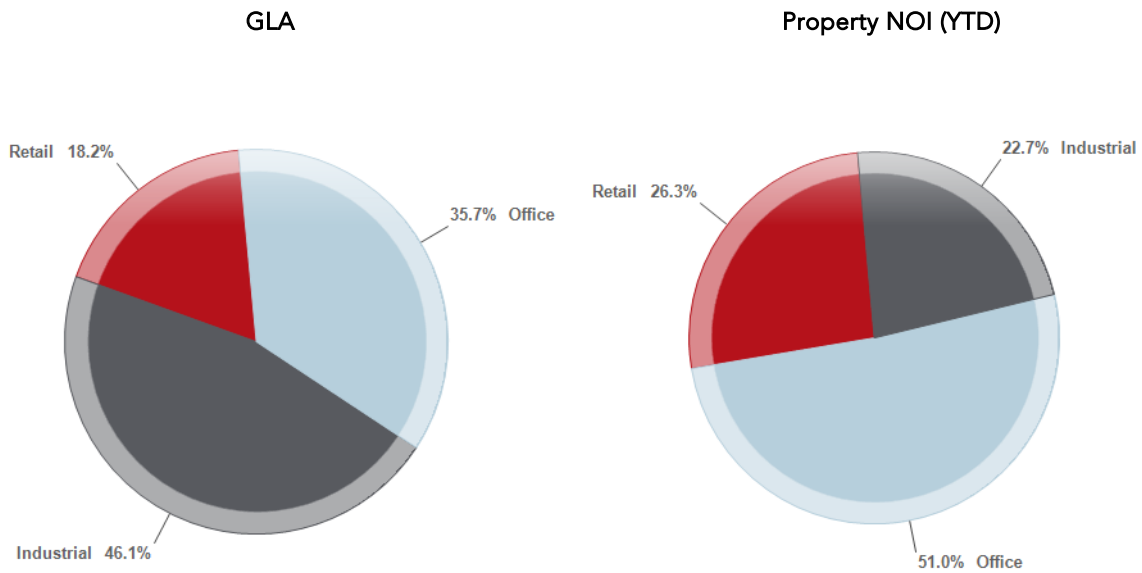
PORTFOLIO SUMMARY

At June 30, 2015, the REIT's portfolio was comprised of 247 commercial properties totaling approximately 26.0 million square feet (S.F.) of gross leasable area ("GLA").

Diversification by Geographical Region



Diversification by Asset Class



Portfolio by Asset Class as at June 30, 2015 (in 000's of S.F.) ⁽¹⁾

Asset Class	City	Province / State	Number of Properties	Owned Share of GLA	% of Portfolio GLA	% Occupied	% Committed ⁽²⁾
Canadian Portfolio:							
Industrial	Airdrie	AB	1	28	0.1 %	100.0 %	100.0 %
	Calgary	AB	7	596	2.3 %	96.0 %	96.0 %
	Edmonton Capital Region	AB	10	1,219	4.7 %	94.5 %	94.6 %
	Greater Toronto Area	ON	30	2,499	9.6 %	93.8 %	94.9 %
	Greater Vancouver Regional District	BC	1	73	0.3 %	100.0 %	100.0 %
	Red Deer	AB	1	126	0.5 %	100.0 %	100.0 %
	Regina	SK	1	119	0.5 %	100.0 %	100.0 %
	Saskatoon	SK	2	269	1.0 %	100.0 %	100.0 %
	Winnipeg	MB	28	1,560	6.0 %	86.5 %	91.0 %
Industrial total			81	6,489	25.0 %	93.0 %	94.5 %
Office	Calgary	AB	20	2,534	9.8 %	93.2 %	93.4 %
	Edmonton Capital Region	AB	1	48	0.2 %	91.7 %	91.7 %
	Greater Toronto Area	ON	7	1,085	4.1 %	88.4 %	90.0 %
	Greater Vancouver Regional District	BC	4	508	2.0 %	94.4 %	94.8 %
	Nanaimo	BC	2	68	0.3 %	100.0 %	100.0 %
	Ottawa	ON	2	287	1.1 %	100.0 %	100.0 %
	Red Deer	AB	1	148	0.6 %	74.3 %	75.6 %
	Saskatoon	SK	1	64	0.2 %	100.0 %	100.0 %
	Winnipeg	MB	10	1,521	5.9 %	91.3 %	91.9 %
Office total			48	6,263	24.2 %	92.0 %	92.5 %
Retail	Calgary	AB	7	531	2.0 %	98.6 %	98.6 %
	Cranbrook	BC	1	288	1.1 %	96.8 %	97.4 %
	Edmonton Capital Region	AB	6	504	1.9 %	89.9 %	95.8 %
	Edson	AB	1	20	0.1 %	100.0 %	100.0 %
	Estevan	SK	2	174	0.7 %	95.5 %	95.5 %
	Fort McMurray	AB	8	194	0.7 %	100.0 %	100.0 %
	Grande Prairie	AB	6	378	1.5 %	93.0 %	93.0 %
	Greater Vancouver Regional District	BC	1	165	0.6 %	94.0 %	95.4 %
	Lethbridge	AB	1	53	0.2 %	97.9 %	97.9 %
	Medicine Hat	AB	1	162	0.6 %	100.0 %	100.0 %
	Nanaimo	BC	3	74	0.3 %	52.7 %	52.7 %
	Regina	SK	8	554	2.1 %	87.9 %	92.2 %
	Saskatoon	SK	3	219	0.8 %	97.4 %	99.2 %
	Westbank / West Kelowna	BC	3	433	1.7 %	99.6 %	99.6 %
	Whistler	BC	1	31	0.1 %	82.4 %	83.1 %
	Winnipeg	MB	6	645	2.5 %	96.4 %	98.5 %
Retail total			58	4,425	16.9 %	94.3 %	96.0 %
Total Canadian portfolio			187	17,177	66.1 %	93.0 %	94.2 %
U.S. Portfolio:							
Industrial	Phoenix Metropolitan Area	AZ	1	99	0.4 %	100.0 %	100.0 %
	Twin Cities Area	MN	31	4,664	18.0 %	95.8 %	96.6 %
Industrial total			32	4,763	18.4 %	95.8 %	96.7 %
Office	Greater Denver Area	CO	4	635	2.4 %	95.2 %	96.8 %
	New Hartford	NY	1	123	0.5 %	100.0 %	100.0 %
	Phoenix Metropolitan Area	AZ	6	1,002	3.9 %	99.6 %	99.6 %
	Tampa	FL	1	107	0.4 %	100.0 %	100.0 %
	Twin Cities Area	MN	5	1,147	4.4 %	89.7 %	94.5 %
Office total			17	3,014	11.6 %	95.0 %	97.1 %
Retail	Twin Cities Area	MN	7	298	1.1 %	97.8 %	97.8 %
Total U.S. portfolio			56	8,075	31.1 %	95.6 %	96.9 %
Total Canadian and U.S.			243	25,252	97.2 %	93.8 %	95.0 %

⁽¹⁾ Excluding properties held for re-development.⁽²⁾ Percentage committed is based on occupancy plus commitments on vacant space as at June 30, 2015.

Properties Held for Re-development (in 000's of S.F.)

Asset Class	City	Province / State	Number of Properties	Owned Share of GLA	% of Portfolio GLA	Property	% Committed ⁽¹⁾
Industrial	Winnipeg	MB	1	196	0.8 %	Inkster Business Centre	51.8 %
Industrial	Twin Cities Area	MN	1	120	0.5 %	Crosstown North	0.0 %
Industrial	Twin Cities Area	MN	1	208	0.8 %	Northpoint Industrial Building	37.8 %
Total properties held for re-development			3	524	2.1 %		34.4 %

⁽¹⁾ Percentage committed is based on occupancy plus commitments on vacant space as at June 30, 2015.

Inkster Business Centre, an older generation industrial property in Winnipeg, Manitoba, is undergoing extensive re-development which includes reconfiguring the building from a single tenant to a multi-tenant property. 30% of the building has been re-developed and is occupied by a single tenant who is now expanding to occupy over 50% of the property. Construction of this expansion space and redevelopment work on the remainder of the vacant space is underway.

Crosstown North, an industrial building in the Twin Cities Area, Minnesota, has been classified as a re-development opportunity upon the vacating of a tenant who previously occupied the entire building. Artis' development plan for this building, which is currently being marketed for lease, is underway.

Northpoint Industrial Building, which is located in the Twin Cities Area, Minnesota, was vacated by a tenant who occupied over 60% of the building. Artis has classified this as a re-development opportunity, as it is expected that extensive re-development work will be required to improve the building and to accommodate a future tenant. This space is currently being marketed for lease.

During Q2-15, Artis completed the re-development of three properties in its existing portfolio, including Pleasant Valley Landing, a retail property in Nanaimo, British Columbia, 1595 Buffalo Place, an industrial property in Winnipeg, Manitoba, and 201 Westcreek Boulevard, an industrial property in the Greater Toronto Area, Ontario.

New Developments in Process

Asset Class	City	Province / State	Number of Properties	Owned Share of GLA ⁽¹⁾	% of Portfolio GLA	Property	% Completed	% Committed ⁽²⁾
Industrial	Phoenix Metropolitan Area	AZ	1	187	0.7 %	Park Lucero I	100.0 %	15.1 %
Retail	Winnipeg	MB	-	-	-	2190 McGillivray Boulevard	48.3 %	100.0 %
Total new developments in process			1	187	0.7 %			

⁽¹⁾ Owned share of GLA includes only properties where construction is 100% completed.

⁽²⁾ Percentage committed is based on occupancy plus commitments on vacant space as at June 30, 2015

Artis has a 90% ownership interest (in the form of a joint venture arrangement) in Park Lucero, an industrial development on a 48 acre parcel of land in the Phoenix Metropolitan Area, Arizona. This development will be completed in multiple phases, the first of which consists of three industrial buildings totaling 208,000 square feet. Planning for phases two and three of this development is underway and expected to comprise approximately 200,000 square feet each, with the total project comprising 608,000 square feet when complete.

Artis began construction in Q2-15 of an intensification project in Winnipeg, Manitoba on excess land at 2190 McGillivray Boulevard. Current tenants, Shoppers Drug Mart and Cineplex Odeon will be joined by a local restaurant, The Original Pancake House. Construction of this new 5,600 square foot building is anticipated to be completed in 2015.

Development Initiatives

Artis continues to pursue opportunities for a mixed-use development project in the Sports, Hospitality and Entertainment District in downtown Winnipeg, Manitoba under a joint venture development/ownership arrangement.

Artis owns a 12 acre parcel of land adjacent to Linden Ridge Shopping Centre, a retail property in Winnipeg, Manitoba also owned by Artis. Pre-leasing for this development opportunity is underway with the potential to develop approximately 135,000 square feet on this site.

Artis has a 90% ownership interest (in the form of a joint venture arrangement) in an office development project located on the I-10 in the heart of the Energy Corridor, one of the strongest office markets in Houston, Texas. This project is expected to be developed in several phases, totaling approximately 1,600,000 square feet, with the first phase anticipated to comprise approximately 300,000 square feet. The commencement date for the construction of this project has yet to be determined.

Artis owns a 127 acre parcel of land located in the Southwest industrial submarket in Houston, Texas. Preliminary site work and development planning is underway for this project, called Park 8Ninety, which is expected to total 1,800,000 square feet of new generation industrial buildings when complete.

Completed Developments

Construction of Centrepont, an approximately 104,000 square foot office building with an ancillary 400 stall parkade in Winnipeg, Manitoba was completed in Q2-15. This property is 90% leased, and is in a prime location in downtown Winnipeg, adjacent to the MTS Centre. Artis owns a 50% interest in this joint venture arrangement.

2015 – SECOND QUARTER HIGHLIGHTS

PORTFOLIO GROWTH

Artis completed the construction of two commercial properties and disposed of two commercial properties during Q2-15.

	Office		Retail		Industrial		Total	
	Number of Properties	S.F. (000's) ⁽¹⁾	Number of Properties	S.F. (000's) ⁽¹⁾	Number of Properties	S.F. (000's) ⁽¹⁾	Number of Properties	S.F. (000's) ⁽¹⁾
Portfolio properties at March 31, 2015	65	9,326	66	4,761	116	11,776	247	25,863
New construction	1	52	-	-	1	187	2	239
Dispositions	(1)	(101)	(1)	(38)	-	-	(2)	(139)
Portfolio properties at June 30, 2015	65	9,277	65	4,723	117	11,963	247	25,963

⁽¹⁾ Based on owned share of total leasable area.

Property Dispositions

Property	Location	Asset Class	Disposition Date	Sale Price	Costs	Debt Repayment	Cash Proceeds
Moose Jaw Sobeys ⁽¹⁾	Moose Jaw, SK	Retail	June 18, 2015	\$ 5,300	\$ (58)	\$ (3,790)	\$ 1,452
1045 Howe Street	Greater Vancouver Regional District, BC	Office	June 24, 2015	47,500	(2,555)	(13,373)	31,572
Total dispositions				\$ 52,800	\$ (2,613)	\$ (17,163)	\$ 33,024

⁽¹⁾ Artis received a lease termination payment prior to the sale of this property.

FINANCING ACTIVITIES

Short Form Base Shelf Prospectus

On July 17, 2014, the REIT issued a new 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 \$2,000,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust 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, 2015, the REIT has issued senior unsecured debentures under one offering in the amount of \$75,000 under this short form base shelf prospectus.

Unsecured Revolving Term Credit Facilities

On May 20, 2015, Artis increased the unsecured revolving term credit facilities to an aggregate amount of \$200,000. In Q2-15, Artis drew on its credit facilities in the aggregate amount of \$33,000 primarily for the repayment of maturing secured debt in Q2-15.

Debt Financing and Repayments

In Q2-15, Artis repaid eight maturing mortgages in the amount of \$88,361 and refinanced three maturing mortgages.

DISTRIBUTIONS

Artis declared distributions of \$41,637 (YTD - \$83,121) to unitholders in Q2-15, of which \$8,315 (YTD - \$16,334) was paid by way of distribution reinvestment, pursuant to Artis' Distribution Reinvestment and Unit Purchase Plan ("DRIP").

SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	Three month period ended June 30,		Change	% Change	Six month period ended June 30,		Change	% Change
	2015	2014			2015	2014		
Revenue	\$ 131,337	\$ 119,896	\$ 11,441	9.5 %	\$ 263,595	\$ 243,549	\$ 20,046	8.2 %
Property NOI	83,810	77,069	6,741	8.7 %	166,909	154,404	12,505	8.1 %
Net income	56,740	53,472	3,268	6.1 %	43,643	84,458	(40,815)	(48.3)%
Basic income per common unit	0.38	0.37	0.01	2.7 %	0.25	0.59	(0.34)	(57.6)%
Diluted income per common unit	0.37	0.36	0.01	2.8 %	0.25	0.58	(0.33)	(56.9)%
Distributions to common unitholders	\$ 37,090	\$ 35,852	\$ 1,238	3.5 %	\$ 74,006	\$ 70,289	\$ 3,717	5.3 %
Distributions per common unit	0.27	0.27	-	- %	0.54	0.54	-	- %
FFO	\$ 54,478	\$ 47,026	\$ 7,452	15.8 %	\$ 107,276	\$ 94,657	\$ 12,619	13.3 %
FFO per unit	0.39	0.35	0.04	11.4 %	0.76	0.71	0.05	7.0 %
FFO after adjustments ⁽¹⁾	51,950	46,944	5,006	10.7 %	103,938	94,575	9,363	9.9 %
FFO per unit after adjustments ⁽¹⁾	0.37	0.35	0.02	5.7 %	0.74	0.71	0.03	4.2 %
FFO payout ratio after adjustments ⁽¹⁾	73.0 %	77.1 %		(4.1)%	73.0 %	76.1 %		(3.1)%
AFFO	\$ 47,934	\$ 40,121	\$ 7,813	19.5 %	\$ 93,571	\$ 80,588	\$ 12,983	16.1 %
AFFO per unit	0.34	0.30	0.04	13.3 %	0.67	0.61	0.06	9.8 %
AFFO after adjustments ⁽¹⁾	44,594	40,039	4,555	11.4 %	89,421	80,506	8,915	11.1 %
AFFO per unit after adjustments ⁽¹⁾	0.32	0.30	0.02	6.7 %	0.64	0.61	0.03	4.9 %
AFFO payout ratio after adjustments ⁽¹⁾	84.4 %	90.0 %		(5.6)%	84.4 %	88.5 %		(4.1)%

⁽¹⁾ Calculated after adjustments for lease terminations.

Acquisitions during 2014 and 2015, same property revenue growth, lease termination income and the impact of foreign exchange have contributed to the increase in revenues, Property NOI, FFO and AFFO in Q2-15.

As a result of units issued from public offerings and units issued under the DRIP, basic units outstanding for the calculation of FFO and AFFO have increased. This increase has diluted the impact of strong growth in revenues, Property NOI, FFO and AFFO on per unit results.

	June 30, 2015	March 31, 2015	December 31, 2014
Secured mortgages and loans to GBV	39.0%	40.6%	41.3%
Total long-term debt and bank indebtedness to GBV	48.3%	49.2%	48.4%
Total assets	\$ 5,543,950	\$ 5,639,191	\$ 5,478,852
Total non-current financial liabilities	2,156,081	2,266,068	2,259,101

ANALYSIS OF OPERATING RESULTS

REVENUE AND PROPERTY NOI

	Three month period ended June 30,			%	Six month period ended June 30,			%
	2015	2014	Change		2015	2014	Change	
Basic rent, parking and other revenue	\$ 89,017	\$ 82,729	\$ 6,288		\$ 178,713	\$ 165,501	\$ 13,212	
Operating cost and realty tax recoveries	42,307	38,498	3,809		86,163	80,490	5,673	
Amortization of tenant incentives	(3,349)	(2,535)	(814)		(6,365)	(4,981)	(1,384)	
Straight-line rent adjustments	22	1,122	(1,100)		934	2,457	(1,523)	
Lease termination income	3,340	82	3,258		4,150	82	4,068	
Total revenue	\$ 131,337	\$ 119,896	\$ 11,441	9.5 %	\$ 263,595	\$ 243,549	\$ 20,046	8.2 %

Basic rent, parking, other revenue, operating cost and realty tax recoveries is revenue earned from tenants related to lease agreements.

Artis accounts for tenant incentives by amortizing the cost over the term of the tenant's lease.

Artis accounts for rent step-ups by straight-lining the incremental increases over the entire non-cancelable lease term.

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 realty taxes as well as other costs related to interior and exterior maintenance, HVAC, insurance, utilities and property management expenses.

SAME PROPERTY NOI ANALYSIS

Same property comparison includes only stabilized investment properties, including properties owned through joint venture arrangements, on January 1, 2014, and excludes properties disposed subsequent to January 1, 2014 and those held for re-development.

	Three month period ended June 30,		Change	%	Six month period ended June 30,		Change	%
	2015	2014			2015	2014		
Revenue	\$ 123,299	\$ 119,601			\$ 250,697	\$ 243,659		
Property operating expenses	46,824	43,734			95,244	91,553		
Property NOI	76,475	75,867	\$ 608	0.8 %	155,453	152,106	\$ 3,347	2.2 %
Add (deduct) non-cash revenue adjustments:								
Amortization of tenant inducements	3,384	2,527			6,472	4,947		
Straight-line rent adjustment	106	(1,127)			(654)	(2,495)		
Property NOI less non-cash revenue adjustments	\$ 79,965	\$ 77,267	\$ 2,698	3.5 %	\$ 161,271	\$ 154,558	\$ 6,713	4.3 %

Lease termination income related to significant tenants of \$624 (YTD - \$1,314) in Q2-15 compared to \$nil (YTD - \$nil) in Q2-14, has been excluded from revenue for purposes of the same property income calculation. The portion that covers lost revenue due to vacancy has been added back to income for the purposes of the same property income calculation.

Same Property NOI by Asset Class

	Three month period ended June 30,		Change	%	Six month period ended June 30,		Change	%
	2015	2014			2015	2014		
Retail	\$ 19,169	\$ 18,568	\$ 601	3.2 %	\$ 38,356	\$ 37,265	\$ 1,091	2.9 %
Office	41,924	40,902	1,022	2.5 %	85,273	82,329	2,944	3.6 %
Industrial	18,872	17,797	1,075	6.0 %	37,642	34,964	2,678	7.7 %
Total	\$ 79,965	\$ 77,267	\$ 2,698	3.5 %	\$ 161,271	\$ 154,558	\$ 6,713	4.3 %

Same Property NOI by Geographical Region

	Three month period ended June 30,		Change	%	Six month period ended June 30,		Change	%
	2015	2014			2015	2014		
Alberta	\$ 29,982	\$ 29,849	\$ 133	0.4 %	\$ 60,223	\$ 59,571	\$ 652	1.1 %
British Columbia	5,961	5,850	111	1.9 %	12,566	12,245	321	2.6 %
Manitoba	10,273	10,188	85	0.8 %	20,685	20,246	439	2.2 %
Ontario	8,782	9,354	(572)	(6.1) %	17,755	18,308	(553)	(3.0) %
Saskatchewan	4,556	4,267	289	6.8 %	9,074	8,712	362	4.2 %
Minnesota	11,115	9,790	1,325	13.5 %	22,135	19,445	2,690	13.8 %
U.S. - Other	9,296	7,969	1,327	16.7 %	18,833	16,031	2,802	17.5 %
Total	\$ 79,965	\$ 77,267	\$ 2,698	3.5 %	\$ 161,271	\$ 154,558	\$ 6,713	4.3 %

Same Property NOI by Country

	Three month period ended June 30,			% Change	Six month period ended June 30,			% Change
	2015	2014	Change		2015	2014	Change	
Canada	\$ 59,554	\$ 59,508	\$ 46	0.1 %	\$ 120,303	\$ 119,082	\$ 1,221	1.0 %
U.S.	20,411	17,759	2,652	14.9 %	40,968	35,476	5,492	15.5 %
Total	\$ 79,965	\$ 77,267	\$ 2,698	3.5 %	\$ 161,271	\$ 154,558	\$ 6,713	4.3 %

Artis' U.S. portfolio achieved an increase of US\$315 (YTD - US\$827), or 1.9% (YTD - 2.6%) before the impact of foreign exchange.

Artis' Calgary office portfolio increased \$68 (YTD – decrease of \$8), or 0.03% (YTD – decrease of 0.5%).

Same Property Occupancy Comparisons

Geographical Region	As at June 30,		Asset Class	As at June 30,	
	2015	2014		2015	2014
Alberta	94.0 %	95.0 %	Retail	94.4 %	93.6 %
British Columbia	94.5 %	89.4 %	Office	93.0 %	94.0 %
Manitoba	90.2 %	93.1 %	Industrial	94.2 %	93.5 %
Ontario	92.7 %	95.9 %	Total	93.8 %	93.7 %
Saskatchewan	94.3 %	89.5 %			
Minnesota	94.7 %	92.5 %			
U.S. - Other	99.0 %	96.0 %			
Total	93.8 %	93.7 %			

PROPERTY NOI BY ASSET CLASS

In Q2-15, revenues and Property NOI increased for all segments of the portfolio in comparison to Q2-14. The growth is primarily attributable to acquisitions during 2014, same property revenue growth, lease termination income and the impact of foreign exchange.

	Three month period ended June 30,					
	2015			2014		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 32,471	\$ 69,966	\$ 28,852	\$ 27,145	\$ 65,632	\$ 27,169
Property operating expenses	9,561	27,767	10,199	8,451	25,603	8,773
Property NOI	\$ 22,910	\$ 42,199	\$ 18,653	\$ 18,694	\$ 40,029	\$ 18,396
Share of Property NOI	27.4%	50.3%	22.3%	24.2%	51.9%	23.9%

	Six month period ended June 30,					
	2015			2014		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 62,981	\$ 141,970	\$ 58,557	\$ 55,008	\$ 132,536	\$ 55,920
Property operating expenses	19,132	56,803	20,751	17,274	52,723	19,148
Property NOI	\$ 43,849	\$ 85,167	\$ 37,806	\$ 37,734	\$ 79,813	\$ 36,772
Share of Property NOI	26.3%	51.0%	22.7%	24.5%	51.7%	23.8%

PROPERTY NOI BY GEOGRAPHICAL REGION

In Q2-15, revenues and Property NOI increased in British Columbia, Manitoba, Saskatchewan, Minnesota and U.S. - Other in comparison to Q2-14. The growth is primarily attributable to acquisitions during 2014, same property revenue growth, lease termination income and the impact of foreign exchange. In Q2-15, revenues and Property NOI decreased in Ontario primarily due a large tenant going bankrupt at Concorde Corporate Centre and the re-development of 201 Westcreek Boulevard.

Three month period ended June 30, 2015

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 45,454	\$ 10,102	\$ 17,753	\$ 14,094	\$ 9,712	\$ 22,201	\$ 11,973
Property operating expenses	15,394	3,483	7,664	5,894	2,183	9,366	3,543
Property NOI	\$ 30,060	\$ 6,619	\$ 10,089	\$ 8,200	\$ 7,529	\$ 12,835	\$ 8,430
Share of Property NOI	35.9%	7.9%	12.0%	9.8%	9.0%	15.3%	10.1%

Three month period ended June 30, 2014

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 43,233	\$ 9,941	\$ 17,162	\$ 15,035	\$ 6,348	\$ 17,549	\$ 10,678
Property operating expenses	13,027	3,509	7,765	5,551	2,097	7,414	3,464
Property NOI	\$ 30,206	\$ 6,432	\$ 9,397	\$ 9,484	\$ 4,251	\$ 10,135	\$ 7,214
Share of Property NOI	39.2%	8.3%	12.2%	12.3%	5.5%	13.1%	9.4%

Six month period ended June 30, 2015

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 92,212	\$ 20,100	\$ 35,655	\$ 29,778	\$ 16,719	\$ 45,062	\$ 23,982
Property operating expenses	29,942	7,376	15,352	12,502	4,444	19,731	7,339
Property NOI	\$ 62,270	\$ 12,724	\$ 20,303	\$ 17,276	\$ 12,275	\$ 25,331	\$ 16,643
Share of Property NOI	37.2%	7.6%	12.2%	10.4%	7.4%	15.2%	10.0%

Six month period ended June 30, 2014

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 87,803	\$ 20,174	\$ 34,760	\$ 30,954	\$ 12,789	\$ 35,579	\$ 21,405
Property operating expenses	27,708	7,307	15,981	11,760	4,196	15,392	6,801
Property NOI	\$ 60,095	\$ 12,867	\$ 18,779	\$ 19,194	\$ 8,593	\$ 20,187	\$ 14,604
Share of Property NOI	38.9%	8.3%	12.2%	12.4%	5.6%	13.1%	9.5%

PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at June 30, 2015 (excluding properties currently held for re-development and new developments in process), and the previous four periods, are as follows:

Occupancy Report by Asset Class

	Q2-15 % Committed ⁽¹⁾	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14
Retail	96.1 %	94.5 %	95.1 %	95.9 %	97.5 %	97.4 %
Office	94.0 %	93.0 %	93.7 %	93.9 %	94.5 %	94.0 %
Industrial	95.4 %	94.2 %	95.5 %	94.7 %	93.6 %	94.0 %
Total portfolio	95.0 %	93.8 %	94.7 %	94.6 %	94.6 %	94.6 %

Occupancy Report by Geographical Region

	Q2-15 % Committed ⁽¹⁾	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14
Canada:						
Alberta	94.6 %	94.0 %	94.6 %	95.7 %	95.5 %	95.0 %
British Columbia	94.9 %	94.5 %	96.8 %	97.1 %	96.8 %	92.6 %
Manitoba	92.7 %	90.2 %	93.1 %	93.5 %	95.0 %	94.7 %
Ontario	93.9 %	92.7 %	95.1 %	95.7 %	96.0 %	95.9 %
Saskatchewan	96.2 %	94.3 %	94.0 %	93.1 %	98.6 %	98.2 %
U.S.:						
Minnesota	96.3 %	94.7 %	94.6 %	92.7 %	90.9 %	92.9 %
Other	98.7 %	98.3 %	96.5 %	96.5 %	96.3 %	96.0 %
Total portfolio	95.0 %	93.8 %	94.7 %	94.6 %	94.6 %	94.6 %

⁽¹⁾ Percentage committed is based on occupancy plus commitments on vacant space as at June 30, 2015.

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary

	Three month period ended June 30,		Six month period ended June 30,	
	2015	2014	2015	2014
Leasable area renewed	429,311	259,129	821,566	660,547
Increase in weighted-average rental rate	12.0 %	2.6 %	8.7 %	2.5 %

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⁾	2015	2016	2017	2018	2019 & later	Total
Office - uncommitted	554,874	91,538	216,943	823,607	1,001,846	941,281	4,747,314	8,377,403
Office - committed	97,266	-	740,542	27,093	1,693	14,728	17,816	899,138
Total office	652,140	91,538	957,485	850,700	1,003,539	956,009	4,765,130	9,276,541
Retail - uncommitted	182,840	21,531	123,716	442,453	368,836	538,375	2,572,347	4,250,098
Retail - committed	74,780	-	169,566	88,000	115,188	5,801	19,906	473,241
Total retail	257,620	21,531	293,282	530,453	484,024	544,176	2,592,253	4,723,339
Industrial- uncommitted	1,018,841	68,144	468,664	2,208,615	1,653,719	938,966	4,396,374	10,753,323
Industrial- committed	188,392	-	674,563	213,575	133,102	-	-	1,209,632
Total industrial	1,207,233	68,144	1,143,227	2,422,190	1,786,821	938,966	4,396,374	11,962,955
Total - uncommitted	1,756,555	181,213	809,323	3,474,675	3,024,401	2,418,622	11,716,035	23,380,824
Total - committed	360,438	-	1,584,671	328,668	249,983	20,529	37,722	2,582,011
Total	2,116,993	181,213	2,393,994	3,803,343	3,274,384	2,439,151	11,753,757	25,962,835

⁽¹⁾ Based on owned share of total leasable area.

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

In-Place Rents

In-place rents reflect the actual rental rate in effect for the leasable area as at June 30, 2015. 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

Artis reviews market rents across the portfolio on an on-going basis. Market rent 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 (with the exception of the Calgary office market) 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.

Market Rents by Asset Class ⁽¹⁾

	2015	2016	2017	2018	2019 & later	Total
Office						
In-place rents	\$ 18.97	\$ 19.13	\$ 19.23	\$ 18.65	\$ 18.73	\$ 18.85
Market rents	18.45	18.38	19.33	18.99	19.99	19.47
Change	(2.7)%	(3.9)%	0.5 %	1.8 %	6.8 %	3.3 %
Revenue impact ⁽²⁾	\$ (492)	\$ (642)	\$ 96	\$ 324	\$ 6,032	\$ 5,318
Retail						
In-place rents	\$ 13.30	\$ 20.11	\$ 15.97	\$ 22.92	\$ 19.01	\$ 18.91
Market rents	15.18	23.09	16.89	24.45	19.76	20.12
Change	14.2 %	14.8 %	5.8 %	6.7 %	4.0 %	6.4 %
Revenue impact ⁽²⁾	\$ 553	\$ 1,580	\$ 445	\$ 830	\$ 1,948	\$ 5,356
Industrial						
In-place rents	\$ 6.12	\$ 6.86	\$ 5.89	\$ 5.64	\$ 7.91	\$ 6.94
Market rents	6.22	7.08	6.22	5.83	8.04	7.13
Change	1.6 %	3.2 %	5.5 %	3.5 %	1.7 %	2.7 %
Revenue impact ⁽²⁾	\$ 111	\$ 534	\$ 580	\$ 184	\$ 587	\$ 1,996
Total portfolio						
In-place rents	\$ 12.14	\$ 11.45	\$ 11.47	\$ 14.60	\$ 14.74	\$ 13.48
Market rents	12.21	11.84	11.81	15.14	15.47	14.02
Change	0.6 %	3.4 %	3.0 %	3.8 %	4.9 %	4.0 %
Revenue impact ⁽²⁾	\$ 172	\$ 1,472	\$ 1,121	\$ 1,338	\$ 8,567	\$ 12,670

⁽¹⁾ Based on owned share of total leasable area.

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

Market rents at June 30, 2015 are estimated to be 4.0% above in-place rents across the portfolio compared to 4.7% at March 31, 2015. Today's market rents for the 2015 and 2016 lease expiries are estimated to be 0.6% and 3.4%, respectively, above in-place rents.

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

	Current Vacancy	Monthly Tenants ⁽²⁾	2015	2016	2017	2018	2019 & later	Total
AB - uncommitted	353,966	30,148	219,493	944,250	522,520	727,850	3,232,061	6,030,288
AB - committed	36,918	-	424,424	46,611	3,520	-	-	511,473
Total Alberta	390,884	30,148	643,917	990,861	526,040	727,850	3,232,061	6,541,761
BC - uncommitted	83,713	12,903	16,746	251,880	87,853	122,269	870,906	1,446,270
BC - committed	6,127	-	67,307	4,349	106,393	1,534	8,037	193,747
Total British Columbia	89,840	12,903	84,053	256,229	194,246	123,803	878,943	1,640,017
MB - uncommitted	368,320	15,346	154,449	428,918	507,064	564,083	1,431,577	3,469,757
MB - committed	132,526	-	291,793	15,275	-	2,095	10,847	452,536
Total Manitoba	500,846	15,346	446,242	444,193	507,064	566,178	1,442,424	3,922,293
ON - uncommitted	236,812	84,126	86,774	551,627	622,697	159,842	1,662,130	3,404,008
ON - committed	44,244	-	242,305	167,565	-	12,633	-	466,747
Total Ontario	281,056	84,126	329,079	719,192	622,697	172,475	1,662,130	3,870,755
SK - uncommitted	52,693	9,383	42,324	51,350	235,686	158,094	637,340	1,186,870
SK - committed	27,706	-	125,716	30,216	5,275	4,267	18,838	212,018
Total Saskatchewan	80,399	9,383	168,040	81,566	240,961	162,361	656,178	1,398,888
MN - uncommitted	477,436	27,228	282,592	1,203,071	724,303	529,374	2,518,955	5,762,959
MN - committed	94,112	-	386,131	58,566	134,795	-	-	673,604
Total Minnesota	571,548	27,228	668,723	1,261,637	859,098	529,374	2,518,955	6,436,563
U.S. - Other - uncommitted	183,615	2,079	6,945	43,579	324,278	157,110	1,363,066	2,080,672
U.S. - Other - committed	18,805	-	46,995	6,086	-	-	-	71,886
Total U.S. - Other	202,420	2,079	53,940	49,665	324,278	157,110	1,363,066	2,152,558
Total - uncommitted	1,756,555	181,213	809,323	3,474,675	3,024,401	2,418,622	11,716,035	23,380,824
Total - committed	360,438	-	1,584,671	328,668	249,983	20,529	37,722	2,582,011
Total	2,116,993	181,213	2,393,994	3,803,343	3,274,384	2,439,151	11,753,757	25,962,835

⁽¹⁾ Based on owned share of total leasable area.⁽²⁾ Includes holdovers and renewals where term has not been negotiated.

Market Rents by Geographical Region ⁽¹⁾

	2015	2016	2017	2018	2019 & later	Total
Alberta						
In-place rents	\$ 17.05	\$ 18.26	\$ 20.56	\$ 20.50	\$ 18.31	\$ 18.63
Market rents	15.76	18.85	20.37	21.23	19.68	19.38
Change	(7.6)%	3.2 %	(0.9)%	3.6 %	7.4 %	4.0 %
Revenue impact ⁽²⁾	\$ (830)	\$ 585	\$ (101)	\$ 534	\$ 4,408	\$ 4,596
British Columbia						
In-place rents	\$ 19.62	\$ 19.16	\$ 11.47	\$ 25.01	\$ 13.60	\$ 15.51
Market rents	19.34	19.57	11.61	25.16	13.95	15.79
Change	(1.5)%	2.2 %	1.2 %	0.6 %	2.6 %	1.8 %
Revenue impact ⁽²⁾	\$ (24)	\$ 107	\$ 27	\$ 18	\$ 306	\$ 434
Manitoba						
In-place rents	\$ 12.05	\$ 10.49	\$ 12.03	\$ 8.12	\$ 14.73	\$ 12.33
Market rents	13.31	11.73	12.43	9.03	15.10	13.02
Change	10.5 %	11.8 %	3.3 %	11.2 %	2.5 %	5.6 %
Revenue impact ⁽²⁾	\$ 566	\$ 551	\$ 202	\$ 513	\$ 538	\$ 2,370
Ontario						
In-place rents	\$ 8.17	\$ 8.07	\$ 6.81	\$ 9.01	\$ 11.32	\$ 9.44
Market rents	8.18	8.04	6.84	10.50	11.79	9.74
Change	0.1 %	(0.4)%	0.5 %	16.6 %	4.2 %	3.2 %
Revenue impact ⁽²⁾	\$ 4	\$ (24)	\$ 19	\$ 257	\$ 788	\$ 1,044
Saskatchewan						
In-place rents	\$ 10.13	\$ 19.24	\$ 10.04	\$ 18.97	\$ 16.14	\$ 14.79
Market rents	10.85	20.41	11.36	19.82	16.72	15.59
Change	7.1 %	6.1 %	13.2 %	4.5 %	3.6 %	5.4 %
Revenue impact ⁽²⁾	\$ 121	\$ 95	\$ 319	\$ 138	\$ 379	\$ 1,052
Minnesota						
In-place rents	\$ 8.08	\$ 5.90	\$ 6.28	\$ 11.09	\$ 8.49	\$ 7.79
Market rents	8.35	5.93	6.97	10.68	8.71	7.99
Change	3.3 %	0.6 %	11.0 %	(3.7)%	2.6 %	2.5 %
Revenue impact ⁽²⁾	\$ 178	\$ 43	\$ 593	\$ (218)	\$ 548	\$ 1,144
U.S. - Other						
In-place rents	\$ 23.34	\$ 21.65	\$ 19.60	\$ 15.81	\$ 22.08	\$ 21.18
Market rents	26.27	23.96	19.79	16.42	23.25	22.23
Change	12.5 %	10.6 %	1.0 %	3.9 %	5.3 %	4.9 %
Revenue impact ⁽²⁾	\$ 157	\$ 115	\$ 62	\$ 96	\$ 1,600	\$ 2,030
Total portfolio						
In-place rents	\$ 12.14	\$ 11.45	\$ 11.47	\$ 14.60	\$ 14.74	\$ 13.48
Market rents	12.21	11.84	11.81	15.14	15.47	14.02
Change	0.6 %	3.4 %	3.0 %	3.8 %	4.9 %	4.0 %
Revenue impact ⁽²⁾	\$ 172	\$ 1,472	\$ 1,121	\$ 1,338	\$ 8,567	\$ 12,670

⁽¹⁾ Based on owned share of total leasable area.

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

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the office, retail and industrial asset classes. At June 30, 2015, the three largest segments of the REIT's portfolio (by Property NOI) are Calgary office properties, Winnipeg office properties and Twin Cities Area industrial properties.

Calgary office properties represent 18.4% of the Q2-15 Property NOI and 9.8% of the overall portfolio by GLA. 41.2% of the Calgary office GLA is located downtown, 22.7% is beltline and 36.1% is suburban. Overall direct vacancy in the Calgary office market, as reported by CBRE, was 8.6% at June 30, 2015, an increase from 8.4% at March 31, 2015. At June 30, 2015, the Calgary office segment of Artis' portfolio was 93.2% occupied, compared to 93.5% at March 31, 2015. In 2015, 339,896 square feet comes up for renewal, which represents 1.3% of the portfolio's GLA; 75.8% has been renewed or committed to new leases. Approximately 46.3% of the Calgary office GLA expires in 2019 or later.

Lease Expiries for Calgary Office Segment (in S.F.)⁽¹⁾:

	Current Vacancy	Monthly Tenants ⁽²⁾	2015	2016	2017	2018	2019 & later	Total
Downtown - uncommitted	109,985	12,850	54,718	199,443	205,283	123,501	309,895	1,015,675
Downtown - committed	-	-	13,181	16,487	-	-	-	29,668
Total downtown	109,985	12,850	67,899	215,930	205,283	123,501	309,895	1,045,343
Beltline - uncommitted	32,801	102	-	43,185	5,613	109,555	383,267	574,523
Beltline - committed	-	-	-	-	-	-	-	-
Total beltline	32,801	102	-	43,185	5,613	109,555	383,267	574,523
Suburban - uncommitted	25,229	4,400	27,531	38,964	46,787	42,821	480,137	665,869
Suburban - committed	3,706	-	244,466	-	-	-	-	248,172
Total suburban	28,935	4,400	271,997	38,964	46,787	42,821	480,137	914,041
Total - uncommitted	168,015	17,352	82,249	281,592	257,683	275,877	1,173,299	2,256,067
Total - committed	3,706	-	257,647	16,487	-	-	-	277,840
Total Calgary office	171,721	17,352	339,896	298,079	257,683	275,877	1,173,299	2,533,907

⁽¹⁾ Based on owned share of total leasable area.

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

Lease Expiries for the Office Segment excluding Calgary (in S.F.)⁽¹⁾:

	Current Vacancy	Monthly Tenants ⁽²⁾	2015	2016	2017	2018	2019 & later	Total
Other - uncommitted	386,859	74,186	134,694	542,015	744,163	665,404	3,574,015	6,121,336
Other - committed	93,560	-	482,895	10,606	1,693	14,728	17,816	621,298
Total other office	480,419	74,186	617,589	552,621	745,856	680,132	3,591,831	6,742,634

⁽¹⁾ Based on owned share of total leasable area.

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

Market Rents for Calgary Office Segment⁽¹⁾:

The market rents reported in the below table are reflective of management's estimates for today's market rent rates. They do not allow for the impact of inflation. The Calgary office market rents for the 24 months ahead are revised on an on-going basis to reflect management's estimate of the impact of the recent decline in oil prices on the Calgary office market.

	2015	2016	2017	2018	2019 & later	Total
Downtown						
In-place rents	\$ 18.94	\$ 25.07	\$ 26.02	\$ 21.13	\$ 23.39	\$ 23.74
Market rents	\$ 19.89	\$ 19.48	\$ 24.31	\$ 22.01	\$ 23.86	\$ 22.39
Change	5.0 %	(22.3)%	(6.6)%	4.2 %	2.0 %	(5.7)%
Revenue impact ⁽²⁾	\$ 64	\$ (1,206)	\$ (351)	\$ 109	\$ 144	\$ (1,240)
Beltline						
In-place rents	\$ 0.00	\$ 27.12	\$ 25.50	\$ 27.78	\$ 16.88	\$ 19.99
Market rents	\$ 0.00	\$ 24.46	\$ 31.00	\$ 26.95	\$ 23.62	\$ 24.44
Change	0.0 %	(9.8)%	21.6 %	(3.0)%	39.9 %	22.2 %
Revenue impact ⁽²⁾	\$ 0	\$ (115)	\$ 31	\$ (91)	\$ 2,583	\$ 2,408
Suburban						
In-place rents	\$ 22.69	\$ 16.17	\$ 16.09	\$ 17.36	\$ 23.04	\$ 21.98
Market rents	\$ 17.85	\$ 15.87	\$ 16.93	\$ 17.31	\$ 23.80	\$ 20.93
Change	(21.3)%	(1.9)%	5.2 %	(0.3)%	3.3 %	(4.8)%
Revenue impact ⁽²⁾	\$ (1,315)	\$ (12)	\$ 40	\$ (2)	\$ 362	\$ (927)
Total Calgary Office						
In-place rents	\$ 21.94	\$ 24.20	\$ 24.21	\$ 23.18	\$ 21.12	\$ 22.21
Market rents	\$ 18.26	\$ 19.73	\$ 23.12	\$ 23.24	\$ 23.76	\$ 22.32
Change	(16.8)%	(18.5)%	(4.5)%	0.3 %	12.5 %	0.5 %
Revenue impact ⁽²⁾	\$ (1,251)	\$ (1,333)	\$ (280)	\$ 16	\$ 3,089	\$ 241

⁽¹⁾ Based on owned share of total leasable area.

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

Market Rents for the Office Segment excluding Calgary⁽¹⁾:

	2015	2016	2017	2018	2019 & later	Total
Other office						
In-place rents	\$ 17.33	\$ 16.40	\$ 17.52	\$ 16.82	\$ 17.95	\$ 17.57
Market rents	18.56	17.65	18.02	17.27	18.76	18.39
Change	7.1 %	7.6 %	2.9 %	2.7 %	4.6 %	4.7 %
Revenue impact ⁽²⁾	\$ 759	\$ 691	\$ 376	\$ 308	\$ 2,943	\$ 5,077

⁽¹⁾ Based on owned share of total leasable area.

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

Winnipeg office properties represent 7.4% of the Q2-15 Property NOI and 5.9% of the overall portfolio by GLA. Artis' office properties are located in the downtown Winnipeg area, with several buildings at or adjacent to the intersection of Portage and Main. Overall direct vacancy in the Winnipeg office market, as reported by CBRE, was 10.4% at June 30, 2015, compared to 9.8% at March 31, 2015. At June 30, 2015, the Winnipeg office segment of Artis' portfolio was 91.3% occupied, compared to 92.8% at March 31, 2015. In 2015, 239,289 square feet comes up for renewal, which represents 0.9% of the portfolio's GLA; 78.9% has been renewed or committed to new leases. Approximately 47.0% of the Winnipeg office GLA expires in 2019 or later.

The Twin Cities Area industrial properties represent 7.1% of the Q2-15 Property NOI and 19.3% of the overall portfolio by GLA. Direct vacancy in this industrial market, as reported by CBRE, decreased from 5.2% at March 31, 2015 to 5.0% at June 30, 2015, with 1,319,678 square feet of positive absorption reported for the quarter. As per CBRE, this was the twentieth consecutive quarter of positive absorption for this market. Average asking market lease rate was \$5.11 per square foot compared to \$5.07 per square foot at March 31, 2015. Occupancy in this segment of the portfolio, excluding properties held for re-development, was 95.8% at June 30, 2015, increased from 95.5% at March 31, 2015. In 2015, 518,353 square feet comes up for renewal, which represents 2.0% of the portfolio's GLA; commitments are in place for 55.5% of the expiring space.

CORPORATE EXPENSES

	Three month period ended June 30,				Six month period ended June 30,			
	2015	2014	Change	% Change	2015	2014	Change	% Change
Accounting, legal and consulting	\$ 767	\$ 432	\$ 335	77.5%	\$ 1,137	\$ 764	\$ 373	48.8%
Public company costs	345	397	(52)	(13.1)%	684	839	(155)	(18.5)%
Unit-based compensation	298	386	(88)	(22.8)%	840	859	(19)	(2.2)%
Salaries and benefits	861	872	(11)	(1.3)%	1,781	1,479	302	20.4%
Depreciation	167	148	19	12.8%	376	286	90	31.5%
General and administrative	393	347	46	13.3%	875	885	(10)	(1.1)%
Total corporate expenses	\$ 2,831	\$ 2,582	\$ 249	9.6%	\$ 5,693	\$ 5,112	\$ 581	11.4%

Corporate expenses in Q2-15 were \$2,831 (YTD - \$5,693) or 2.2% (YTD - 2.2%) of total revenues compared to \$2,582 (YTD - \$5,112) or 2.1% (YTD - 2.1%) of total revenues in Q2-14.

INTEREST EXPENSE

	Three month period ended June 30,				Six month period ended June 30,			
	2015	2014	Change	% Change	2015	2014	Change	% Change
Mortgages and other loans ⁽¹⁾	\$ 20,694	\$ 22,990	\$ (2,296)	(10.0)%	\$ 42,682	\$ 46,237	\$ (3,555)	(7.7)%
Debentures ⁽¹⁾	4,360	3,696	664	18.0%	8,701	6,242	2,459	39.4%
Other ⁽¹⁾	1,123	144	979	679.9%	1,346	347	999	287.9%
	\$ 26,177	\$ 26,830	\$ (653)	(2.4)%	\$ 52,729	\$ 52,826	\$ (97)	(0.2)%
Foreign exchange	1,301	512	789	154.1%	2,645	1,106	1,539	139.2%
Total interest expense	\$ 27,478	\$ 27,342	\$ 136	0.5%	\$ 55,374	\$ 53,932	\$ 1,442	2.7%

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

Interest expense on mortgages and other loans has decreased primarily due to the repayment of maturing mortgages in 2014 and 2015. Interest expense on debentures has increased primarily due to the Series A senior unsecured debentures issued in 2014. The majority of other interest expense relates to the unsecured revolving term credit facilities. Financing costs on mortgages, other loans and debentures are netted against the related debt, and amortized on an effective interest basis over the expected life of the debt.

The REIT's weighted-average effective rate at June 30, 2015 on mortgages and other loans secured by properties was 4.00%, decreased from 4.18% at December 31, 2014. The weighted-average nominal interest rate at June 30, 2015 decreased to 3.89% from 4.04% at December 31, 2014.

The REIT's interest coverage ratio, defined as total revenues less property operating expenses and corporate expenses divided by interest expense, is 2.96 times (YTD - 2.92 times) for Q2-15, compared to 2.74 times (YTD - 2.79 times) for Q2-14.

NET INCOME (LOSS) FROM INVESTMENTS IN JOINT VENTURES

Artis recorded net income from investments in joint ventures of \$2,358 (YTD - net income of \$1,734) in Q2-15 compared to a net loss of \$165 (YTD - net income of \$589) in Q2-14. This net income (loss) includes revenue earned from the REIT's joint ventures, net of property operating expenses, interest expense and the fair value gain or loss on investment properties. Artis recorded a fair value gain on investment properties in joint ventures of \$1,178 (YTD - loss of \$508) in Q2-15, compared to a loss of \$1,049 (YTD - loss of \$925) in Q2-14.

FAIR VALUE (LOSS) GAIN ON INVESTMENT PROPERTIES

The changes in fair value of investment properties, period-over-period, are recognized as fair value gains and losses in the statement of operations. Fair values of the investment properties are determined through either the discounted cash flow method or the overall capitalization method which are generally accepted appraisal methodologies. External valuations are performed quarterly on a rotational basis over a four year cycle. In Q2-15, the fair value loss on investment properties was \$6,430 (YTD - loss of \$54,996) compared to a gain of \$18,565 (YTD - gain of \$7,858) in Q2-14. 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. The size and mix of the Q2-15 portfolio is significantly different than the size and mix of the portfolio in Q2-14. Capitalization rate expansion in Class B buildings in the Calgary downtown office market has contributed to the fair value loss in Q2-15. As a result of oil price volatility, expected market rents in the Calgary office market have been lowered subsequent to December 31, 2014, which also contributed to the fair value loss in Q2-15. This loss is somewhat offset by capitalization rate compression and an increase in expected market rents in the Phoenix Metropolitan Area Class A office segment.

FOREIGN CURRENCY TRANSLATION GAIN (LOSS)

In Q2-15, the REIT held cash, deposits and the Series G debentures in US dollars. These assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. This resulted in a foreign currency translation gain of \$3,637 (YTD - loss of \$6,910) in Q2-15, compared to a loss of \$8,406 (YTD - loss of \$12,761) in Q2-14. The foreign currency translation gain in Q2-15 is primarily due to the weakening of the US dollar and its effect on the net liability position of the REIT's assets and liabilities denominated in US dollars.

TRANSACTION COSTS

During Q2-15, \$(68) (YTD - \$367) of transaction costs were expensed, compared to \$1,396 (YTD - \$1,484) in Q2-14. The transaction costs are attributable to the acquisition of investment properties and joint ventures.

GAIN (LOSS) ON FINANCIAL INSTRUMENTS

The REIT holds a number of interest rate swaps to effectively lock the interest rate on a portion of floating rate debt. The REIT recorded an unrealized gain on the fair value adjustment of the interest rate swaps outstanding of \$3,271 (YTD - loss of \$2,358) in Q2-15, compared to an unrealized loss of \$2,792 (YTD - loss of \$6,016) in Q2-14. The REIT anticipates holding the mortgages and interest rate swap contracts until maturity.

OTHER COMPREHENSIVE (LOSS) INCOME

Other comprehensive (loss) income includes the unrealized foreign currency translation loss in Q2-15 of \$14,853 (YTD - gain of \$55,266) compared to a loss of \$9,637 (YTD - gain of \$8,865) in Q2-14. Foreign currency translation gains and losses relate to the REIT's net investment in foreign operations in the U.S.

INCOME TAX

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

The REIT's U.S. subsidiaries are REITs for U.S. income tax purposes. The 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 U.S. income taxes. The U.S. subsidiaries are subject to a 30% to 35% withholding tax on distributions to Canada. Any withholding taxes paid are recorded with the related distributions.

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 year, 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. In addition, the distributions declared include a component funded by the DRIP.

	Three month period ended June 30, 2015	Six month period ended June 30, 2015	Year ended December 31, 2014	Year ended December 31, 2013
Cash flow from operations	\$ 53,021	\$ 110,548	\$ 204,705	\$ 194,507
Net income	56,740	43,643	197,886	191,155
Distributions declared	41,637	83,121	161,330	146,459
Excess of cash flow from operations over distributions declared	11,384	27,427	43,375	48,048
Excess (shortfall) of net income over distributions declared	15,103	(39,478)	36,556	44,696

Artis' primary objective is to provide stable, reliable and tax efficient monthly cash distributions. Cash flow from operations has exceeded distributions declared for the past twelve consecutive quarters. The year-to-date shortfall in net income over distributions is primarily due to the impact of non-cash fair value losses on investment properties, foreign currency translation and financial instruments.

Artis paid \$8,315 (YTD - \$16,334) of the \$41,637 (YTD - \$83,121) distributions declared to unitholders in Q2-15 through the DRIP.

FUNDS FROM OPERATIONS ("FFO")

Consistent with the application of National Policy 41-201 *Income Trusts and Other Indirect Offerings*, Artis reconciles FFO to cash flows from operating activities, in addition to net income.

Reconciliation of Cash Flows from Operations to FFO

000's, except per unit amounts	Three month period ended June 30,		%	Six month period ended June 30,		%
	2015	2014	Change	2015	2014	Change
Cash flow from operations	\$ 53,021	\$ 46,197		\$ 110,548	\$ 87,723	
Add (deduct):						
Depreciation of property and equipment	(167)	(148)		(376)	(286)	
Amortization of above- and below-market mortgages, net	400	459		813	918	
Straight-line rent adjustment	22	1,122		934	2,457	
Adjustment for investments in joint ventures	1,171	920		2,373	1,404	
Realized foreign currency translation (gain) loss	(536)	5,440		(1,203)	13,695	
Unrealized foreign currency gain (loss) from U.S. operations	1,443	(7,181)		471	(7,694)	
Unit-based compensation expense	(298)	(386)		(840)	(859)	
Accretion on liability component of debentures	172	59		344	156	
Amortization of financing costs included in interest	(778)	(727)		(1,545)	(1,500)	
Other long-term employee benefits	(402)	-		(797)	-	
Transaction costs on acquisitions	(68)	1,396		367	1,484	
Changes in non-cash operating items	4,501	3,970		4,314	5,331	
Incremental leasing costs	544	275		988	606	
Preferred unit distributions	(4,547)	(4,370)		(9,115)	(8,778)	
FFO	\$ 54,478	\$ 47,026	15.8 %	\$ 107,276	\$ 94,657	13.3 %
Add (deduct):						
Lease termination income received from tenants	(3,340)	(82)		(4,150)	(82)	
Straight-line rent reversals due to lease terminations	812	-		812	-	
FFO after adjustments	\$ 51,950	\$ 46,944	10.7 %	\$ 103,938	\$ 94,575	9.9 %
FFO per unit						
Basic	\$ 0.40	\$ 0.36	11.1 %	\$ 0.78	\$ 0.73	6.8 %
Diluted	\$ 0.39	\$ 0.35	11.4 %	\$ 0.76	\$ 0.71	7.0 %
FFO per unit after adjustments						
Basic	\$ 0.38	\$ 0.36	5.6 %	\$ 0.76	\$ 0.73	4.1 %
Diluted	\$ 0.37	\$ 0.35	5.7 %	\$ 0.74	\$ 0.71	4.2 %
Weighted-average number of common units outstanding:						
Basic	137,275	131,098		136,948	129,244	
Diluted ⁽¹⁾	147,799	141,773		147,505	139,903	

⁽¹⁾ Options, convertible debentures, restricted units and deferred units are factored into the diluted weighted-average calculation used for FFO, to the extent that their impact is dilutive.

In Q2-15, FFO after adjustments has increased due to acquisitions during 2014 and 2015, same property revenue growth and the impact of foreign exchange.

As a result of units issued under the DRIP and units issued from public offerings, basic units outstanding for the calculation of FFO has increased. This increase has diluted the impact of strong growth in FFO on per unit results.

The following is a reconciliation of the weighted-average number of basic common units to diluted common units and FFO to diluted FFO:

Diluted Common Units Reconciliation

	Three month period ended June 30,	
	2015	2014
Basic units	137,275	131,098
Add:		
Options ⁽¹⁾	37	194
Debentures ⁽¹⁾	10,200	10,285
Restricted units ⁽¹⁾	282	196
Deferred units ⁽¹⁾	5	-
Diluted units	147,799	141,773

Diluted FFO Reconciliation

	Three month period ended June 30,	
	2015	2014
FFO	\$ 54,478	\$ 47,026
Add:		
Options ⁽¹⁾	-	-
Debentures ⁽¹⁾	2,714	2,582
Restricted units ⁽¹⁾	(201)	-
Deferred units ⁽¹⁾	(5)	-
Diluted FFO	\$ 56,986	\$ 49,608

⁽¹⁾ All in-the-money options, convertible debenture series, restricted units and deferred units are dilutive in Q2-15. All in-the-money options, convertible debenture series and restricted units are dilutive in Q2-14.

Diluted Common Units Reconciliation

	Six month period ended June 30,	
	2015	2014
Basic units	136,948	129,244
Add:		
Options ⁽¹⁾	72	178
Debentures ⁽¹⁾	10,200	10,285
Restricted units ⁽¹⁾	281	196
Deferred units ⁽¹⁾	4	-
Diluted units	147,505	139,903

Diluted FFO Reconciliation

	Six month period ended June 30,	
	2015	2014
FFO	\$ 107,276	\$ 94,657
Add:		
Options ⁽¹⁾	-	-
Debentures ⁽¹⁾	5,412	5,152
Restricted units ⁽¹⁾	(103)	31
Deferred units ⁽¹⁾	(2)	-
Diluted FFO	\$ 112,583	\$ 99,840

⁽¹⁾ All in-the-money options, convertible debenture series, restricted units and deferred units are dilutive in 2015. All in-the-money options, convertible debenture series, and restricted units are dilutive in 2014.

Reconciliation of GAAP Net Income to FFO

	Three month period ended June 30,		%	Six month period ended June 30,		%
	2015	2014	Change	2015	2014	Change
Net income	\$ 56,740	\$ 53,472		\$ 43,643	\$ 84,458	
Add amortization on:						
Tenant inducements amortized to revenue	3,349	2,535		6,365	4,981	
Add (deduct):						
Fair value loss (gain) on investment properties	6,430	(18,565)		54,996	(7,858)	
Foreign currency translation (gain) loss	(3,637)	8,406		6,910	12,761	
Transaction costs on acquisitions	(68)	1,396		367	1,484	
Adjustment for investments in joint ventures	(1,062)	1,085		764	987	
Unrealized (gain) loss on financial instruments	(3,271)	2,792		2,358	6,016	
Incremental leasing costs	544	275		988	606	
Preferred unit distributions	(4,547)	(4,370)		(9,115)	(8,778)	
FFO	\$ 54,478	\$ 47,026	15.8 %	\$ 107,276	\$ 94,657	13.3 %
Add (deduct):						
Lease termination income received from tenants	(3,340)	(82)		(4,150)	(82)	
Straight-line rent reversals due to lease terminations	812	-		812	-	
FFO after adjustments	\$ 51,950	\$ 46,944	10.7 %	\$ 103,938	\$ 94,575	9.9 %

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

Artis calculates AFFO based on FFO for the period, net of allowances for normalized capital expenditures and leasing costs and excluding straight-line rent adjustments and unit-based compensation expense.

Actual capital expenditures, which are neither revenue enhancing nor recoverable from tenants in future periods, are by nature variable and unpredictable. The allowance applied in the calculation of AFFO reflects management's best estimate of a reasonable annual capital expenditure on a long-term basis, based on the asset class mix and age and quality of the Artis portfolio properties.

Actual leasing costs, which include tenant improvements that are not capital in nature, tenant allowances and commissions, are also 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. The allowance applied in the calculation of AFFO reflects management's estimate of normalized leasing costs over the long-term, based on the asset class mix, tenant mix and conditions in Artis' target markets.

Reconciliation of FFO to AFFO

000's, except per unit amounts	Three month period ended June 30,			Six month period ended June 30,		
	2015	2014	% Change	2015	2014	% Change
FFO	\$ 54,478	\$ 47,026		\$ 107,276	\$ 94,657	
Add (deduct):						
Capital expenditures reserve	(1,350)	(1,225)		(2,701)	(2,481)	
Leasing costs reserve	(5,399)	(4,901)		(10,803)	(9,924)	
Straight-line rent adjustments ⁽¹⁾	(93)	(1,165)		(1,041)	(2,523)	
Unit-based compensation	298	386		840	859	
AFFO	\$ 47,934	\$ 40,121	19.5 %	\$ 93,571	\$ 80,588	16.1 %
Deduct:						
Lease termination income received from tenants	(3,340)	(82)		(4,150)	(82)	
AFFO after adjustments	\$ 44,594	\$ 40,039	11.4 %	\$ 89,421	\$ 80,506	11.1 %
AFFO per unit						
Basic	\$ 0.35	\$ 0.31	12.9 %	\$ 0.68	\$ 0.62	9.7 %
Diluted	\$ 0.34	\$ 0.30	13.3 %	\$ 0.67	\$ 0.61	9.8 %
AFFO per unit after adjustments						
Basic	\$ 0.32	\$ 0.31	3.2 %	\$ 0.65	\$ 0.62	4.8 %
Diluted	\$ 0.32	\$ 0.30	6.7 %	\$ 0.64	\$ 0.61	4.9 %

⁽¹⁾ This includes straight-line rent adjustments included in the REIT's investments in joint ventures.

In Q2-15, AFFO after adjustments has increased due to acquisitions during 2014 and 2015, same property revenue growth and the impact of foreign exchange.

ANALYSIS OF FINANCIAL POSITION

ASSETS

	June 30, 2015	December 31, 2014	Change
Non-current assets:			
Investment properties and investment properties under development	\$ 5,272,522	\$ 5,283,171	\$ (10,649)
Investments in joint ventures	120,531	98,072	22,459
Other non-current assets	20,795	21,644	(849)
Current assets:			
Cash, cash equivalents and cash held in trust	66,450	55,780	10,670
Investment property held for sale	35,218	-	35,218
Other current assets	28,434	20,185	8,249
	\$ 5,543,950	\$ 5,478,852	\$ 65,098

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

The change in investment properties, investment properties under development and investment property held for sale is a result of the following:

	Investment properties	Investment properties under development	Investment property held for sale	Total
Balance, December 31, 2014	\$ 5,201,489	\$ 81,682	\$ -	\$ 5,283,171
Additions:				
Capital expenditures	4,364	7,620	-	11,984
Leasing commissions	2,695	-	-	2,695
Reclassification of investment properties under development	8,953	(8,953)	-	-
Foreign currency translation gain	114,844	1,486	-	116,330
Straight-line rent adjustment	890	22	-	912
Tenant inducement additions, net of amortization	627	(10)	-	617
Fair value loss	(47,546)	(1,020)	-	(48,566)
Balance, March 31, 2015	5,286,316	80,827	-	5,367,143
Additions:				
Capital expenditures	6,386	8,630	-	15,016
Leasing commissions	3,459	71	-	3,530
Dispositions	(50,371)	-	-	(50,371)
Reclassification of investment properties under development	58,473	(58,473)	-	-
Reclassification of investment property held for sale	(35,218)	-	35,218	-
Foreign currency translation loss	(22,054)	(314)	-	(22,368)
Straight-line rent adjustment	20	2	-	22
Tenant inducement additions, net of amortization	1,295	(97)	-	1,198
Fair value loss	(6,191)	(239)	-	(6,430)
Balance, June 30, 2015	\$ 5,242,115	\$ 30,407	\$ 35,218	\$ 5,307,740

Capital expenditures:

Investment properties include certain capital expenditures related to sustaining building improvements not related to a specific lease or tenancy. Revenue enhancing capital expenditures increase the revenue generating potential of the property. Non-revenue enhancing capital expenditures primarily relate to exterior and interior upgrades. Recoverable capital expenditures are recoverable from tenants in future periods.

	Three month period ended June 30,				Six month period ended June 30,			
	2015	2014	Change	% Change	2015	2014	Change	% Change
Revenue enhancing	\$ 9,149	\$ 3,972	\$ 5,177	130.3 %	\$ 18,269	\$ 10,023	\$ 8,246	82.3 %
Recoverable from tenants	4,625	1,886	2,739	145.2 %	7,041	2,399	4,642	193.5 %
Non-recoverable	1,242	2,137	(895)	(41.9)%	1,690	2,326	(636)	(27.3)%
Total capital expenditures	\$ 15,016	\$ 7,995	\$ 7,021	87.8 %	\$ 27,000	\$ 14,748	\$ 12,252	83.1 %

Leasing costs:

Tenant inducements include 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 month period ended June 30,				Six month period ended June 30,			
	2015	2014	Change	% Change	2015	2014	Change	% Change
Tenant inducements	\$ 4,547	\$ 4,255	\$ 292	6.9 %	\$ 8,180	\$ 8,095	\$ 85	1.1 %
Leasing commissions	3,530	1,766	1,764	99.9 %	6,225	3,823	2,402	62.8 %
Total	\$ 8,077	\$ 6,021	\$ 2,056	34.1 %	\$ 14,405	\$ 11,918	\$ 2,487	20.9 %

Dispositions:

During Q2-15, Artis sold an office property in the Greater Vancouver Regional District, British Columbia and a retail property in Moose Jaw, Saskatchewan. The aggregate sales price of these properties was \$52,800. The cash proceeds, net of costs of \$2,613 and related debt of \$17,163, were \$33,024. These properties were sold as a result of unsolicited offers.

Completed re-development properties:

In 2015, the REIT completed the re-development of Pleasant Valley Landing, 1595 Buffalo Place and 201 Westcreek Boulevard.

Investment property held for sale:

At June 30, 2015, the REIT had an office property with a fair value of \$35,218 classified as held for sale. This property was listed for sale with an external broker.

Foreign currency translation loss:

In Q2-15, the foreign currency translation loss on investment properties was \$22,368 (YTD - gain of \$93,962) due to the change in the period end US dollar to Canadian dollar exchange rate from 1.2683 at March 31, 2015 to 1.2474 at June 30, 2015.

Fair value loss on investment properties:

In Q2-15, the REIT recorded a loss on the fair value of investment properties of \$6,430 (YTD - loss of \$54,996), compared to a gain of \$18,565 (YTD - gain of \$7,858) in Q2-14. From December 31, 2014 to June 30, 2015, the REIT reflected approximately one basis point of expansion in the weighted-average capitalization rates across the portfolio. In comparison, from December 31, 2013 to June 30, 2014, the REIT reflected approximately three basis points of expansion in the weighted-average capitalization rates across the portfolio.

The fair value loss for Q2-15 is primarily attributed to capitalization rate expansion in the Calgary Class B downtown office market and lowered expected market rents in the Calgary office market driven by oil price volatility, partially offset by capitalization rate compression and an increase in expected market rents in the Phoenix Metropolitan Area Class A office segment. The fair value gain for Q2-14 was primarily attributed to capitalization rate compression in the Fort McMurray retail market and Class A buildings in the Winnipeg downtown office market.

Artis determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method, which are generally accepted appraisal methodologies. 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 4.50% to 8.75%. Additional information on the average capitalization rates and ranges used for the portfolio properties, assuming all properties were valued using an overall capitalization method, broken out by asset class and country are set out in the table below.

	June 30, 2015			December 31, 2014		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
U.S.	8.25%	5.75%	6.62%	8.50%	6.00%	6.85%
Canada	8.00%	5.00%	6.28%	8.00%	5.25%	6.19%
Office total	8.25%	5.00%	6.37%	8.50%	5.25%	6.34%
Industrial:						
U.S.	8.00%	6.00%	6.89%	8.00%	6.00%	6.88%
Canada	7.75%	4.50%	6.31%	7.75%	4.50%	6.33%
Industrial total	8.00%	4.50%	6.49%	8.00%	4.50%	6.50%
Retail:						
U.S.	8.75%	6.00%	7.12%	8.75%	6.00%	7.12%
Canada	8.25%	5.50%	6.25%	8.25%	5.50%	6.24%
Retail total	8.75%	5.50%	6.30%	8.75%	5.50%	6.29%
Total:						
U.S. portfolio	8.75%	5.75%	6.75%	8.75%	6.00%	6.88%
Canadian portfolio	8.25%	4.50%	6.28%	8.25%	4.50%	6.23%
Total portfolio	8.75%	4.50%	6.38%	8.75%	4.50%	6.37%

Investments in Joint Ventures

At June 30, 2015, the REIT had \$120,531 invested in joint ventures, compared to \$98,072 at December 31, 2014. The increase is primarily due to the REIT acquiring an interest in The Point at Inverness during Q1-15.

Notes Receivable

In conjunction with the 2007 acquisition of TransAlta Place, the REIT acquired a note receivable in the amount of \$31,000. The note bears interest at 5.89% per annum and is repayable in varying blended monthly installments of principal and interest. The note is transferable at the option of the REIT and matures in May 2023. The balance outstanding on all notes receivable at June 30, 2015 is \$19,990 compared to \$20,748 at December 31, 2014.

Cash and Cash Equivalents

At June 30, 2015, the REIT had \$57,970 of cash and cash equivalents on hand, compared to \$49,807 at December 31, 2014. The balance is anticipated to be invested in investment properties in subsequent periods, used for working capital purposes or for debt repayment. All of the REIT's cash and cash equivalents are held in current accounts and/or bank guaranteed investment certificates.

LIABILITIES

	June 30, 2015	December 31, 2014	Change
Non-current liabilities:			
Mortgages and loans payable	\$ 1,757,356	\$ 1,868,857	\$ (111,501)
Senior unsecured debentures	199,578	199,527	51
Convertible debentures	197,178	189,573	7,605
Other non-current liabilities	1,969	1,144	825
Current liabilities:			
Current portion of mortgages and loans payable	405,999	393,197	12,802
Other current liabilities	101,353	97,249	4,104
Bank indebtedness	118,000	300	117,700
	\$ 2,781,433	\$ 2,749,847	\$ 31,586

Under the terms of the REIT's Declaration of Trust, the total indebtedness of the REIT (excluding indebtedness related to the convertible debentures) is limited to 70% of gross book value ("GBV"). GBV is calculated as the consolidated net book value of the consolidated assets of the REIT, adding back the amount of accumulated depreciation of property and equipment as disclosed in the balance sheet and notes thereto.

Artis' secured mortgages and loans to GBV ratio at June 30, 2015 was 39.0%, compared to 41.3% at December 31, 2014.

	June 30, 2015	December 31, 2014	Change
GBV	\$ 5,546,118	\$ 5,480,644	\$ 65,474
Secured mortgages and loans	2,163,355	2,262,054	(98,699)
Secured mortgages and loans to GBV	39.0 %	41.3 %	(2.3)%
Preferred shares liability	\$ 329	\$ 300	\$ 29
Carrying value of debentures	396,756	389,100	7,656
Bank indebtedness	118,000	300	117,700
Total long-term debt and bank indebtedness	\$ 2,678,440	\$ 2,651,754	\$ 26,686
Total long-term debt and bank indebtedness to GBV	48.3 %	48.4 %	(0.1)%

Long-term debt is comprised of mortgages and other loans related to properties as well as the carrying value of senior unsecured debentures and convertible debentures issued by the REIT.

Artis' unencumbered assets to unsecured debt ratio was 3.1 times at June 30, 2015, compared to 3.3 at December 31, 2014.

	June 30, 2015	December 31, 2014	Change
Unencumbered assets ⁽¹⁾	\$ 984,964	\$ 664,792	\$ 320,172
Senior unsecured debentures	199,578	199,527	51
Unsecured credit facilities	118,000	-	118,000
Total unsecured debt	\$ 317,578	\$ 199,527	\$ 118,051
Unencumbered assets to unsecured debt	3.1	3.3	(0.2)

⁽¹⁾ This includes balances included in the REIT's investments in joint ventures.

Mortgages and Loans Payable

Mortgage financing:

Artis finances acquisitions in part through the arrangement or assumption of mortgage financing and consequently, the majority of the REIT's investment properties are pledged as security under mortgages and other loans. In Q2-15, \$14,715 (YTD - \$29,879) of principal repayments were made compared to \$14,589 (YTD - \$29,286) in Q2-14.

During Q2-15, long-term debt repaid on the disposition of investment properties was \$17,163.

In Q2-15, Artis repaid eight maturing mortgages in the amount of \$88,361 and refinanced three maturing mortgages. The weighted-average interest rate on the refinancing of these three mortgages was 2.92% and the weighted-average term to maturity was 2.4 years.

The weighted-average term to maturity on all mortgages and loans payable at June 30, 2015 was 3.7 years, compared to 3.9 years at December 31, 2014.

Unhedged variable rate mortgage debt:

Management believes that a percentage of variable rate debt is prudent in managing a portfolio of debt. At various times, management feels that 5% to 15% of the portfolio could be held in variable rate instruments and provide 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.

At June 30, 2015, the REIT is a party to \$256,562 of unhedged variable rate mortgage debt compared to \$242,582 at December 31, 2014. This increase is primarily due to the effect of foreign exchange of \$17,004 and partially offset by principal repayments during the period of \$3,024. The unhedged variable rate mortgage debt is 9.6% of total debt at June 30, 2015 compared to 9.1% at December 31, 2014.

Senior Unsecured Debentures

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

	Issued	Maturity	Interest rate	June 30, 2015		December 31, 2014	
				Carrying value	Face value	Carrying value	Face value
Series A	27-Mar-14 10-Sept-14	27-Mar-19	3.753%	\$ 199,578	\$ 200,000	\$ 199,527	\$ 200,000
				\$ 199,578	\$ 200,000	\$ 199,527	\$ 200,000

Convertible Debentures

Artis has two series of convertible debentures outstanding, as follows:

	Issued	Maturity	Interest rate	June 30, 2015		December 31, 2014	
				Carrying value	Face value	Carrying value	Face value
Series F	22-Apr-10	30-June-20	6.00%	\$ 85,257	\$ 86,170	\$ 85,180	\$ 86,170
Series G	21-Apr-11	30-June-18	5.75%	111,921	109,771	104,393	102,089
				\$ 197,178	\$ 195,941	\$ 189,573	\$ 188,259

The carrying value of convertible debentures has increased by \$7,605 from December 31, 2014. This increase is primarily due to foreign exchange on the Series G debentures.

Other Current Liabilities

Included in other current liabilities are accounts payable and accrued liabilities, security deposits and prepaid rent, as well as accrued distributions payable to unitholders of \$13,045, of which \$12,382 was subsequently paid on July 15, 2015 and the remainder was paid on July 31, 2015. At June 30, 2015, there was \$118,000 drawn on the REIT's unsecured revolving term credit facilities. Amounts drawn on the facilities bear interest at prime plus 0.70% or at the bankers' acceptance rate plus 1.70%.

UNITHOLDERS' EQUITY

Unitholders' equity increased overall by \$33,512 between December 31, 2014 and June 30, 2015. The increase was primarily due to an unrealized foreign currency translation gain included in other comprehensive income of \$55,266, net income for the period of \$43,643 and the issuance of units for \$17,946. This increase was partially offset by distributions made to unitholders of \$83,500.

LIQUIDITY AND CAPITAL RESOURCES

In Q2-15, Artis generated \$53,021 (YTD - \$110,548) of cash flows from operating activities. Cash flows from operations assisted in funding distributions to unitholders of \$41,582 (YTD - \$83,383). Cash of \$14,715 (YTD - \$29,879) was used for principal repayments on mortgages and loans.

Cash of \$23,093 (YTD - \$41,405) was used for capital building improvements, tenant inducements and leasing commissions in Q2-15.

At June 30, 2015, Artis had \$57,970 of cash and cash equivalents on hand. Management anticipates that the cash on hand will be invested in investment properties in subsequent periods, used for working capital purposes or for debt repayment.

The REIT has two unsecured revolving term credit facilities in the aggregate amount of \$200,000, 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, 2015, the REIT had \$118,000 drawn on the facilities.

At June 30, 2015, the REIT has 52 unencumbered properties and 6 unencumbered parcels of development land, representing a fair value of \$984,964.

To its knowledge, Artis is not in default or arrears on any of its obligations, including distributions to unitholders, interest or principal payments on debt or any debt covenants at June 30, 2015.

The REIT's management expects to meet all of its short-term obligations and capital commitments with respect to properties through funds generated from operations, from the proceeds of mortgage refinancing, from the issuance of new debentures or units, and cash on hand.

CONTRACTUAL OBLIGATIONS

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Bank indebtedness	\$ 118,000	\$ 118,000	\$ -	\$ -	\$ -
Accounts payable and other liabilities ⁽¹⁾	73,917	73,917	-	-	-
Convertible debentures ⁽²⁾	195,941	-	109,771	86,170	-
Senior unsecured debentures ⁽²⁾	200,000	-	-	200,000	-
Mortgages and loans payable ⁽¹⁾	2,256,591	425,134	959,396	268,394	603,667
Total	\$ 2,844,449	\$ 617,051	\$ 959,396	\$ 554,564	\$ 603,667

⁽¹⁾ This includes balances included in the REIT's investments in joint ventures.

⁽²⁾ It is assumed that none of the debentures are converted or redeemed prior to maturity and that they are paid out in cash on maturity.

The REIT's schedule of mortgage maturities, inclusive of balances in the REIT's investments in joint ventures, is as follows:

Period ended December 31,	Debt maturities	% of total principal	Scheduled principal repayments on non-matured debt	Total annual principal repayments	Weighted-average nominal interest rate
2015	\$ 180,765	9.2 %	\$ 29,536	\$ 210,301	3.86 %
2016	398,054	20.3 %	51,754	449,808	3.74 %
2017	545,379	27.8 %	39,624	585,003	4.21 %
2018	159,737	8.1 %	28,521	188,258	3.65 %
2019	147,864	7.5 %	26,755	174,619	3.30 %
2020 & later	533,359	27.1 %	115,243	648,602	3.74 %
Total	\$ 1,965,158	100.0 %	\$ 291,433	\$ 2,256,591	3.84 %
Weighted-average term to maturity in years					3.8

SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13	Q3-13
Revenue	\$ 131,337	\$ 132,258	\$ 131,584	\$ 125,425	\$ 119,896	\$ 123,653	\$ 122,870	\$ 121,032
Property operating expenses	47,527	49,159	51,789	46,776	42,827	46,318	47,850	42,425
Net operating income	83,810	83,099	79,795	78,649	77,069	77,335	75,020	78,607
Other income (expenses):								
Corporate expenses	(2,831)	(2,862)	(2,682)	(2,467)	(2,582)	(2,530)	(2,704)	(2,322)
Interest expense	(27,478)	(27,896)	(27,668)	(26,946)	(27,342)	(26,590)	(26,443)	(26,223)
Interest income	335	363	442	464	521	391	412	507
Net income (loss) from investments in joint ventures	2,358	(624)	(4,104)	(472)	(165)	754	5,581	769
Fair value (loss) gain on investment properties	(6,430)	(48,566)	19,248	11,725	18,565	(10,707)	(56,588)	(2,886)
Foreign currency translation gain (loss)	3,637	(10,547)	(4,295)	(4,834)	(8,406)	(4,355)	(2,915)	1,353
Transaction costs	68	(435)	(844)	(162)	(1,396)	(88)	(314)	(299)
Gain (loss) on financial instruments	3,271	(5,629)	(3,281)	860	(2,792)	(3,224)	1,249	(528)
Net income (loss)	56,740	(13,097)	56,611	56,817	53,472	30,986	(6,702)	48,978
Other comprehensive (loss) income:								
Unrealized foreign currency translation (loss) gain	(14,853)	70,119	25,466	32,513	(9,637)	18,502	14,563	(8,515)
Unrealized gain (loss) from remeasurements of net pension obligation	43	(42)	-	-	-	-	-	-
Comprehensive income	\$ 41,930	\$ 56,980	\$ 82,077	\$ 89,330	\$ 43,835	\$ 49,488	\$ 7,861	\$ 40,463
Net income (loss) per unit attributable to common unitholders:								
Basic	\$ 0.38	\$ (0.13)	\$ 0.38	\$ 0.39	\$ 0.37	\$ 0.21	\$ (0.09)	\$ 0.36
Diluted	\$ 0.37	\$ (0.13)	\$ 0.37	\$ 0.38	\$ 0.36	\$ 0.21	\$ (0.09)	\$ 0.35
Secured mortgages and loans to GBV	39.0 %	40.6 %	41.3 %	41.4 %	42.8 %	44.1 %	45.4 %	45.0 %

The quarterly trend for revenues and property NOI has been impacted by acquisition and disposition activity, the impact of foreign exchange and lease termination income. Net income and per unit amounts are also impacted by the fair value gains and losses on investment properties.

Reconciliation of GAAP Net Income to FFO and AFFO

000's, except per unit amounts	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13	Q3-13
Net income (loss)	\$ 56,740	\$ (13,097)	\$ 56,611	\$ 56,817	\$ 53,472	\$ 30,986	\$ (6,702)	\$ 48,978
Add (deduct):								
Tenant inducements amortized into revenue	3,349	3,016	2,698	2,733	2,535	2,446	2,919	2,202
Fair value loss (gain) on investment properties	6,430	48,566	(19,248)	(11,725)	(18,565)	10,707	56,588	2,886
Foreign currency translation (gain) loss	(3,637)	10,547	4,295	4,834	8,406	4,355	2,915	(1,353)
Transaction costs on acquisitions	(68)	435	844	162	1,396	88	314	299
Adjustment for investments in joint ventures	(1,062)	1,826	5,123	1,405	1,085	(98)	(5,015)	(155)
Unrealized (gain) loss on financial instruments	(3,271)	5,629	3,281	(860)	2,792	3,224	(1,249)	528
Incremental leasing costs	544	444	472	246	275	331	-	-
Preferred unit distributions	(4,547)	(4,568)	(4,461)	(4,423)	(4,370)	(4,408)	(4,366)	(4,026)
FFO	\$ 54,478	\$ 52,798	\$ 49,615	\$ 49,189	\$ 47,026	\$ 47,631	\$ 45,404	\$ 49,359
Add (deduct):								
Lease termination income received from tenants	(3,340)	(810)	(73)	(21)	(82)	-	(219)	(3,972)
Straight-line rent reversals due to lease terminations	812	-	-	-	-	-	-	-
FFO after adjustments	\$ 51,950	\$ 51,988	\$ 49,542	\$ 49,168	\$ 46,944	\$ 47,631	\$ 45,185	\$ 45,387
FFO per unit								
Basic	\$ 0.40	\$ 0.39	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.37	\$ 0.36	\$ 0.39
Diluted	\$ 0.39	\$ 0.38	\$ 0.36	\$ 0.35	\$ 0.35	\$ 0.36	\$ 0.35	\$ 0.38
FFO per unit after adjustments								
Basic	\$ 0.38	\$ 0.38	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.37	\$ 0.36	\$ 0.36
Diluted	\$ 0.37	\$ 0.37	\$ 0.36	\$ 0.35	\$ 0.35	\$ 0.36	\$ 0.35	\$ 0.35
Weighted-average number of common units outstanding:								
Basic	137,275	136,618	136,055	135,563	131,098	127,369	126,728	126,207
Diluted ⁽¹⁾	147,799	147,192	146,600	146,245	141,773	138,034	137,322	136,880
FFO after adjustments	\$ 51,950	\$ 51,988	\$ 49,542	\$ 49,168	\$ 46,944	\$ 47,631	\$ 45,185	\$ 45,387
Add (deduct):								
Capital expenditures reserve	(1,350)	(1,351)	(1,344)	(1,280)	(1,225)	(1,256)	(1,247)	(1,230)
Leasing costs reserve	(5,399)	(5,404)	(5,373)	(5,121)	(4,901)	(5,023)	(4,987)	(4,923)
Straight-line rent adjustments ⁽²⁾	(905)	(948)	(1,232)	(1,062)	(1,165)	(1,358)	(1,200)	(1,643)
Unit-based compensation	298	542	378	403	386	473	489	455
AFFO after adjustments	\$ 44,594	\$ 44,827	\$ 41,971	\$ 42,108	\$ 40,039	\$ 40,467	\$ 38,240	\$ 38,046
AFFO per unit after adjustments								
Basic	\$ 0.32	\$ 0.33	\$ 0.31	\$ 0.31	\$ 0.31	\$ 0.32	\$ 0.30	\$ 0.30
Diluted	\$ 0.32	\$ 0.32	\$ 0.31	\$ 0.31	\$ 0.30	\$ 0.31	\$ 0.30	\$ 0.30
Weighted-average number of common units outstanding:								
Basic	137,275	136,618	136,055	135,563	131,098	127,369	126,728	126,207
Diluted ⁽³⁾	147,475	146,819	146,256	145,848	141,383	137,654	137,154	136,802

⁽¹⁾ Options, convertible debentures, restricted units and deferred units are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

⁽²⁾ This includes straight-line rent adjustments included in the REIT's investments in joint ventures.

⁽³⁾ Convertible debentures are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

FFO, AFFO and per unit results are impacted by acquisition and disposition activity, foreign exchange and by lease termination income received from tenants during the period.

RELATED PARTY TRANSACTIONS

	Three month period ended June 30,		Six month period ended June 30,	
	2015	2014	2015	2014
Property management fees	\$ 82	\$ 82	\$ 164	\$ 165
Capitalized leasing commissions	59	69	80	71
Capitalized project management fees	-	-	-	10
Capitalized building improvements	2,264	787	5,029	1,924
Capitalized development projects	2,577	2,708	4,822	5,633
Capitalized office furniture and fixtures	52	6	206	71
Capitalized tenant inducements	55	329	95	330
Property tax assessment consulting fees	21	48	376	337
Rental revenues	(42)	(40)	(84)	(84)

The REIT incurred property management fees, leasing commission fees and project management fees under property management agreements with Marwest Management Canada Ltd. ("Marwest Management"), a company related to certain trustees and officers of the REIT, for three properties owned by the REIT. The amount payable at June 30, 2015 is \$29 (December 31, 2014, \$29).

The REIT incurred costs for building improvements, development projects and tenant inducements paid to Marwest Construction Ltd. ("Marwest Construction") and Marwest Development Corporation, companies related to certain trustees and officers of the REIT. The amount payable at June 30, 2015 is \$2,177 (December 31, 2014, \$3,253).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction. The amount payable at June 30, 2015 is \$nil (December 31, 2014, \$45).

The REIT incurred costs for property tax assessment consulting paid to Fairtax Realty Advocates, a company under control of close family members of key management personnel. The amount payable at June 30, 2015 is \$nil (December 31, 2014, \$nil).

The REIT collects office rents from Marwest Management.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

OUTSTANDING UNIT DATA

The balance of units outstanding as of August 6, 2015 is as follows:

Units outstanding at June 30, 2015	137,574,781
Units issued (DRIP)	214,418
Units issued on redemption of restricted units	6,174
Units outstanding at August 6, 2015	<u>137,795,373</u>

The balance of options outstanding as of August 6, 2015 is as follows:

	Options outstanding	Options exercisable
\$13.30 options, issued September 10, 2010	119,250	119,250
\$13.44 options, issued October 15, 2010	221,500	221,500
\$14.10 options, issued June 17, 2011	814,500	814,500
\$16.36 options, issued April 13, 2012	1,508,500	1,131,375
	<u>2,663,750</u>	<u>2,286,625</u>

The balance of restricted units outstanding as of August 6, 2015 is 326,702. None of these restricted units have vested.

The balance of deferred units outstanding as of August 6, 2015 is 6,665. All of these deferred units have vested, but are not yet redeemable.

As of August 6, 2015, the balance of Series A preferred units outstanding is 3,450,000, the balance of Series C preferred units outstanding is 3,000,000, the balance of Series E preferred units outstanding is 4,000,000 and the balance of Series G preferred units outstanding is 3,200,000.

OUTLOOK

Artis continues to target high quality retail, office and industrial assets primarily in western Canada, as well as in the Greater Toronto Area (Ontario) and select markets in the U.S.

Scotiabank Global Forecast Update dated June 26, 2015 predicts that real GDP in Canada will grow 1.6% in 2015. Forecasted GDP growth for Manitoba, British Columbia and Ontario is 2.3%, 2.3% and 2.5% respectively, which are well above the Canadian average. GDP growth forecast for Saskatchewan is 0.4% in 2015, while GDP for Alberta is forecast to experience a modest decline of 0.1%. Forecasts for these provinces remain conservative due to commodity price volatility. We anticipate occupancy and rents in Alberta and Saskatchewan (primarily the office markets) will be impacted in the short-to-medium term and are monitoring these markets closely. We anticipate that the weaker Canadian dollar will have a positive impact on the manufacturing sector, and on Canadian exports in general.

Scotiabank Global Forecast Update further forecasts that U.S. Real GDP will grow 2.3% in 2015. Management continues to monitor key economic indicators in our target markets, including year-over-year unemployment rates which have shown a healthy decline in all of our target markets (according to the United States Department of Labor), and decreased nationally from 6.1% to 5.3% year-over-year. Given the recovery of the U.S. economy resulting in the strengthening of the US dollar, healthy GDP growth expectations, and decline in unemployment rates, we anticipate there is further growth potential that will be realized in the remainder of 2015.

Artis continues to maintain its Investment Grade Credit Rating, BBB(low) with a Stable trend, from Dominion Bond Rating Service ("DBRS"). DBRS has also assigned a rating of Pfd-3(low) with a Stable trend to Artis' preferred units. Management anticipates, with this Investment Grade Credit Rating, the debt and equity markets will be receptive to new financing during the remainder of 2015. Management further predicts that interest rates will remain low in the short-to-medium term, with long-term interest rate increases coming at a slow, methodical pace and well-communicated by the central banks. Given today's low interest rates in both Canada and the U.S., Artis continues to view this as an opportune time to term-out debt, or to fix existing floating debt with interest rate swaps at very attractive low long-term financing rates. Management expects to maintain between 5% and 15% unhedged floating rate debt as a percentage of total debt.

Capitalization rates for commercial property have remained stable in recent months with a bias toward compression. Looking ahead, management expects that if the downturn in the commodity cycle continues, there may be some capitalization rate expansion in related markets, most notably in the Calgary office market. With respect to capitalization rates in the remainder of Artis' target markets, management does not anticipate any significant changes, but given the amount of capital seeking to invest in commercial real estate, the bias toward capitalization rate compression should continue. Artis will continue to selectively pursue accretive acquisition opportunities in its target markets in Canada and the U.S. in 2015, and when prudent, invest in high-yield development opportunities in those markets.

Management anticipates that, despite the impact of the recent decline in commodity prices and the ensuing impact on certain affected markets, overall real estate fundamentals in Canada and the U.S. will remain stable in 2015 and that Artis' properties will perform in line with the moderate growth expectations within its target markets. Artis will continue to focus on internal growth opportunities, by capitalizing on below-market rent opportunities, and selective re-development and repositioning of well-located assets in primary markets through property improvement projects, new construction and expansion of existing portfolio properties.

SUBSEQUENT EVENTS

As at June 30, 2015, Artis had \$57,970 of cash and cash equivalents on hand and \$82,000 available on its revolving term credit facilities. Subsequent to June 30, 2015, the following transactions took place:

- The REIT drew \$26,000 on its revolving term credit facility. This draw was used to purchase US dollars.

- The REIT acquired a 75% interest in the Graham Office & Industrial Portfolio, which is located in major markets in Western Canada. The total portfolio comprises of 432,200 square feet, and is fully leased for a term of 19 years, with rental increases every five years. The purchase price was \$74,034 and satisfied with cash and the proceeds of new 10-year mortgage financing of \$36,750, which bears an interest rate of 3.58% per annum. Management estimates the unlevered yield to be 6.4% in the first year of the lease term.
- The REIT financed a previously unencumbered retail property with new five-year mortgage financing in the amount of \$9,500, bearing interest at 2.73% per annum.
- The REIT refinanced a maturing mortgage on an industrial portfolio in the amount of US\$25,424 for a five-year term, bearing interest at LIBOR plus 2.00% per annum.
- The REIT declared a monthly cash distribution of \$0.09 per unit for the month of July 2015.
- The REIT declared a quarterly cash distribution of \$0.3125 per Series G preferred unit for the quarter ending July 31, 2015.
- The REIT entered into an agreement to purchase a commercial development site in Denver, Colorado suitable for a 320,000 square foot Class A office building. The site is located on the I-25, adjacent to the DirecTV Building the REIT already owns, with immediate connectivity to the neighbouring light rail transit system. The purchase price is \$7,577 and is expected to close in August 2015.

RISKS AND UNCERTAINTIES

REAL ESTATE OWNERSHIP

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 a significant majority of its properties, measured by GLA, located in the province of Alberta and in the state of Minnesota. As a result, our 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

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 revolving term 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. 69.3% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 18.8% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At June 30, 2015, the REIT is a party to \$782,787 of variable rate debt, including bank indebtedness (December 31, 2014, \$637,842). At June 30, 2015, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$408,225 of variable rate debt (December 31, 2014, \$394,960). 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.

The REIT's ratio of secured mortgages and loans to GBV was 39.0%, down from 41.3% at December 31, 2014. The REIT's ratio of total long-term debt and bank indebtedness to GBV was 48.3% compared to 48.4% at December 31, 2014. Approximately 9.2% of Artis' maturing mortgage debt, inclusive of the mortgages included in the REIT's investments in joint ventures, comes up for renewal in 2015, and 20.3% in 2016. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2015 and 2016 mortgage maturities.

CREDIT RISK AND TENANT CONCENTRATION

Artis is exposed to risks relating to tenants that may be unable to pay their contracted rents. Management mitigates this risk by seeking to acquire properties across several asset classes and geographical regions. As well, management seeks to acquire properties with strong tenant covenants in place. Artis' portfolio includes 2,180 tenant leases with a weighted-average term to maturity of 4.1 years. Approximately 61.6% of the REIT's gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is MTS Allstream Inc., a subsidiary of Manitoba Telecom Services Inc. which is one of Canada's leading national communication companies providing voice services, internet and data services, and television. Manitoba Telecom Services Inc. is a TSX listed entity with 2014 annual revenues in excess of \$1.6 billion. The second largest tenant by gross revenue is AMEC Americas Ltd., a global supplier of consultancy, engineering and project management services to energy, power and process industries with a market capitalization of over £3.0 billion. AMEC Americas Ltd. intends to vacate upon expiry of their lease; however, all of the space they are vacating has been leased to a new tenant commencing in 2016.

Top Twenty Tenants by Gross Revenue ⁽¹⁾

Tenant	% of Total Gross Revenue	Owned Share of GLA (in 000's of S.F.)	% of Total GLA	Weighted-Average Remaining Lease Term
MTS Allstream Inc.	1.9 %	322	1.2 %	7.7
AMEC Americas Ltd.	1.8 %	200	0.8 %	0.2
DirecTV, LLC	1.3 %	257	1.0 %	10.0
Shoppers Drug Mart	1.1 %	164	0.6 %	7.9
Bellatrix Exploration Ltd.	1.0 %	94	0.4 %	8.6
TransAlta Corporation	1.0 %	336	1.3 %	7.9
Telvent Canada Ltd.	1.0 %	98	0.4 %	8.2
TD Canada Trust	0.9 %	134	0.5 %	5.0
Stantec Consulting, Ltd.	0.9 %	98	0.4 %	7.5
CB Richard Ellis, Inc.	0.9 %	119	0.5 %	3.3
Home Depot	0.9 %	163	0.6 %	7.0
IHS Global Canada Ltd.	0.8 %	78	0.3 %	3.5
Sobeys	0.8 %	198	0.8 %	4.7
Canada Institute for Health Info.	0.8 %	92	0.4 %	10.2
Fairview Health Services	0.8 %	179	0.7 %	8.2
PMC Sierra, Inc.	0.7 %	134	0.5 %	1.3
Birchcliff Energy	0.7 %	59	0.2 %	2.4
3M Canada Company	0.7 %	319	1.2 %	4.8
Bell Canada	0.7 %	80	0.3 %	1.1
Cara Operations Limited	0.7 %	100	0.3 %	13.5
Total	19.4%	3,224	12.4%	6.3

Government Tenants by Gross Revenue ⁽¹⁾

Tenant	% of Total Gross Revenue	Owned Share of GLA (in 000's of S.F.)	% of Total GLA	Weighted-Average Remaining Lease Term
Federal Government	3.4 %	539	2.1 %	7.4
Provincial Government	2.9 %	468	1.8 %	3.0
Civic or Municipal Government	0.5 %	131	0.5 %	11.8
Total	6.8 %	1,138	4.4 %	6.1

Weighted-average term to maturity (entire portfolio) 4.1

⁽¹⁾ Excluding properties held for re-development.

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 retail, office 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					Calgary Office Only	U.S.		Total
	AB	BC	MB	SK	ON		MN	Other	
2015	2.5 %	0.3 %	1.7 %	0.7 %	1.3 %	1.3%	2.5 %	0.2 %	9.2 %
2016	3.8 %	1.0 %	1.7 %	0.3 %	2.8 %	1.1%	4.8 %	0.2 %	14.6 %
2017	2.0 %	0.7 %	1.9 %	0.9 %	2.4 %	1.0%	3.2 %	1.3 %	12.4 %
2018	2.8 %	0.5 %	2.2 %	0.6 %	0.7 %	1.1%	1.9 %	0.6 %	9.3 %
2019	3.1 %	0.9 %	0.7 %	0.3 %	1.7 %	0.8%	2.1 %	1.0 %	9.8 %
2020	1.5 %	0.3 %	0.8 %	0.2 %	1.7 %	0.1%	2.0 %	1.0 %	7.5 %
2021 & later	7.9 %	2.2 %	3.8 %	2.1 %	2.9 %	3.6%	5.6 %	3.2 %	27.7 %
Month-to-month	0.1 %	0.1 %	0.1 %	0.0 %	0.3 %	0.1%	0.1 %	0.0 %	0.7 %
Vacant	1.5 %	0.3 %	1.4 %	0.3 %	1.1 %	0.7%	1.3 %	0.1 %	6.0 %
New development/ re-development	0.0 %	0.0 %	0.8 %	0.0 %	0.0 %	0.0%	1.3 %	0.7 %	2.8 %
Total	25.2 %	6.3 %	15.1 %	5.4 %	14.9 %	9.8%	24.8 %	8.3 %	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 three largest segments of the REIT's portfolio (by Property NOI) are Calgary office properties, Winnipeg office properties and Twin Cities Area industrial properties.

TAX RISK

The Tax Act contains 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 year ended December 31, 2014 and the six months ended June 30, 2015. 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 two 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.

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 as well as the Series G debentures are held in US dollars to act as a natural hedge. The REIT's Series C preferred units are also denominated in US dollars.

OTHER RISKS

In addition to the specific risks identified above, Artis REIT is subject to a variety of other risks, including, but not limited to, risks posed by the illiquidity of real property investments, risk of general uninsured losses as well as potential risks arising from environmental matters.

The REIT may also be subject to risks arising from land leases for properties in which the REIT has an interest, public market risks, unitholder liability risks, risks pertaining to the availability of cash flow, risks related to fluctuations in cash distributions, changes in legislation, and risks relating to the REIT's reliance on key personnel.

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, 2014.

CHANGES IN ACCOUNTING POLICIES

New or Revised Accounting Standards Adopted During the Period

In November 2013, the IASB amended IAS 19 - *Employee Benefits*. The amendment clarifies the requirements that relate to how contributions should be attributed to periods of service, and is effective for annual periods beginning on or after July 1, 2014. This amendment did not result in a material impact on the consolidated financial statements.

Future Changes in Accounting Policies

In May 2014, the IASB amended IFRS 11 - *Joint Arrangements*. The amendment clarifies the accounting for acquisitions of interests in joint operations, and is effective for annual periods beginning on or after January 1, 2016. The REIT does not expect that this amendment will result in a material impact of the consolidated financial statements.

The IASB issued IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15") in May 2014. IFRS 15 provides a single, principles based five-step model to be applied to the recognition of revenue from contracts with customers. IFRS 15 replaces IAS 11 - *Construction Contracts*, IAS 18 - *Revenue*, IFRIC 13 - *Customer Loyalty Programmes*, IFRIC 15 - *Agreements for the Construction of Real Estate* and SIC 31 - *Revenue - Barter Transactions Involving Advertising Services*. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The REIT is currently evaluating the impact of this new standard.

In May 2014, the IASB amended IAS 16 - *Property, Plant and Equipment*. The amendment clarifies acceptable methods of depreciation and amortization, and is effective for annual periods beginning on or after January 1, 2016. The REIT does not expect that this amendment will result in a material impact of the consolidated financial statements.

The final version of IFRS 9 - *Financial Instruments* ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 establishes principles for the recognition, classification and measurement of financial assets and liabilities. IFRS 9 sets out a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of its financial assets. IFRS 9 retains most of the IAS 39 requirements for financial liabilities. The most significant change is when an entity elects to measure a financial liability at fair value, gains or losses due to changes in the credit risk of the instrument must be recognized in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The REIT is currently evaluating the impact of this new standard.

In December 2014, the IASB amended IAS 1 - *Presentation of Financial Statements*. The amendments were done under the IASB's Disclosure Initiative to improve presentation and disclosure requirements, and are effective for annual periods beginning on or after January 1, 2016. The REIT is currently evaluating the impact of these amendments.

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 and Chief Financial Officer 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, 2015, 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 material weaknesses in our internal control over financial reporting were identified.

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 Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of June 30, 2015, an evaluation was carried out, under the supervision of and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the design of the REIT's disclosure controls and procedures (as defined in NI 52-109). Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design of the REIT's disclosure controls and procedures were effective for the period ended June 30, 2015.