



# Management's Discussion and Analysis Q3-15

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 - Q3-15

(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 nine months ended September 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 November 5, 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](http://www.sedar.com) or on our web site at [www.artisreit.com](http://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

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. "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. 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.

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## OVERVIEW

Artis is one of the largest diversified commercial real estate investment trusts in Canada and is an unincorporated closed-end real estate investment trust, created under, and governed by, the laws of the Province of Manitoba. The REIT was created pursuant to the Declaration of Trust dated November 8, 2004, as most recently amended and restated on 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 November 5, 2015, there were 138,450,436 units, 2,322,500 options, 13,650,000 preferred units, 331,373 restricted units, and 12,356 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 21 properties with a LEED certification, 36 properties with a Building Owners and Managers Association (BOMA) Building Environmental Standards (BEST) certification, and 23 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 redevelopment 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.

*Development Strategy:*

Artis seeks opportunities to participate in new development projects both independently and by way of partnership arrangements in its target markets in Canada and the U.S. Development projects provide an opportunity for Artis to build and own new generation real estate and are considered in circumstances where the return on a development project is higher than that of an existing property acquisition. Artis' development projects, which include intensification of properties in its existing portfolio and the acquisition of land for the purpose of new development, contribute to its overall growth strategy, both internal and external.

*U.S. Investment Strategy:*

Artis expanded its external growth strategy in 2010 to include the acquisition of commercial land and properties in the U.S., with a primary emphasis on Arizona, Minnesota and Colorado. This strategy, which 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. In Q3-15, 28.0% of Artis' Property NOI is generated by our U.S. assets, including properties held in joint venture arrangements. Due to our success in these markets, our goal, through a disciplined expansion approach, which includes both property acquisitions and developments, is to increase our U.S. target weighting to 35.0% of total Property NOI.

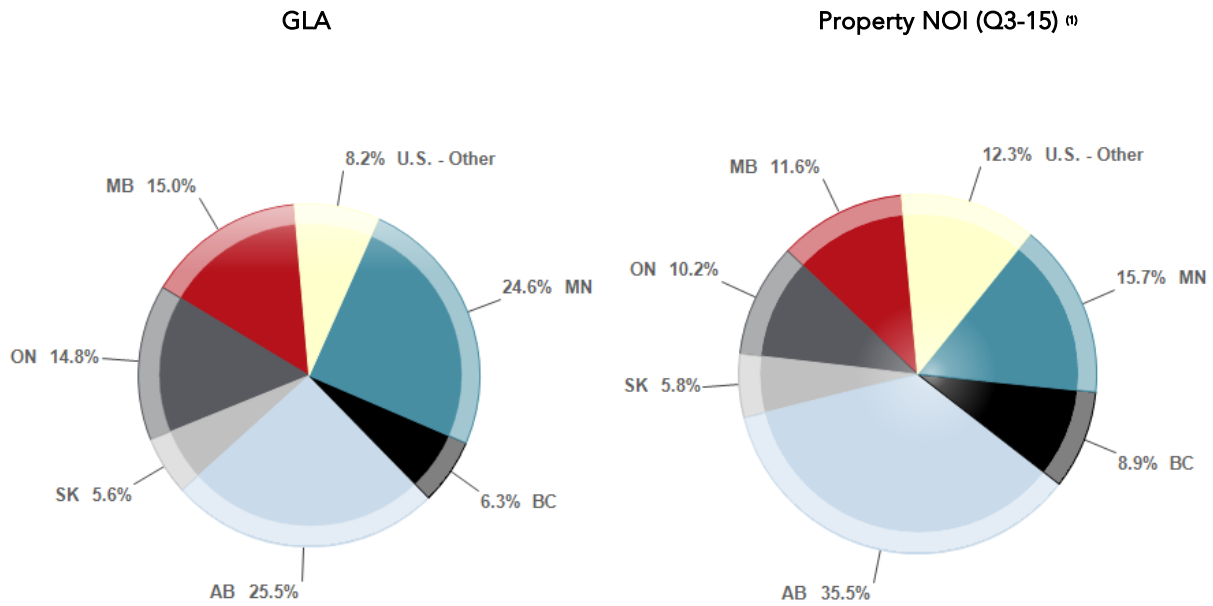
*Canadian Investment Strategy:*

Artis' Canadian portfolio represents 72.0% of Q3-15 Property NOI, including properties held in joint venture arrangements. We will continue to monitor investment opportunities, including both property acquisitions and development opportunities, in our Canadian target markets that will further improve the diversity, stability and quality of our portfolio.

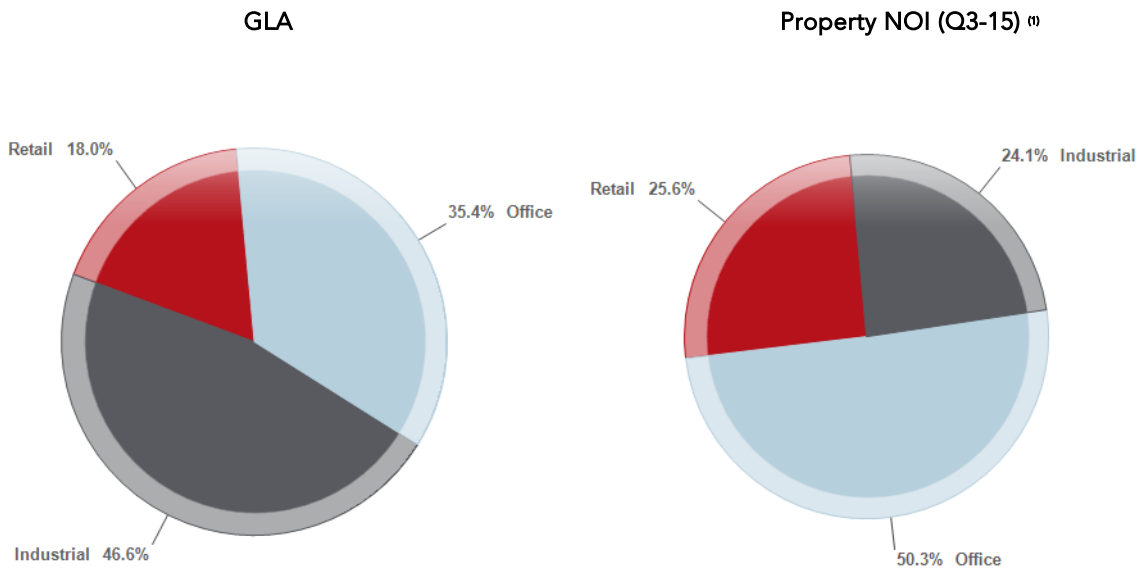
**PORTFOLIO SUMMARY**

At September 30, 2015, the REIT's portfolio was comprised of 255 commercial properties totaling approximately 26.2 million square feet (S.F.) of gross leasable area ("GLA").

**Diversification by Geographical Region**



**Diversification by Asset Class**



<sup>(1)</sup> Including properties held in joint venture arrangements.

Portfolio by Asset Class as at September 30, 2015 (in 000's of S.F.) <sup>(1)</sup>

Asset Class	City	Province / State	Number of Properties	Owned Share of GLA	% of Portfolio GLA	% Occupied	% Committed <sup>(2)</sup>
<b>Canadian Portfolio:</b>							
Industrial	Airdrie	AB	1	28	0.1 %	100.0 %	100.0 %
	Calgary	AB	9	670	2.6 %	96.5 %	96.5 %
	Edmonton Capital Region	AB	11	1,281	4.9 %	91.3 %	91.3 %
	Greater Toronto Area	ON	30	2,499	9.5 %	95.2 %	95.2 %
	Greater Vancouver Regional District	BC	2	98	0.4 %	100.0 %	100.0 %
	Red Deer	AB	1	126	0.5 %	100.0 %	100.0 %
	Regina	SK	2	143	0.5 %	100.0 %	100.0 %
	Saskatoon	SK	5	326	1.2 %	100.0 %	100.0 %
	Winnipeg	MB	28	1,560	6.0 %	86.4 %	91.2 %
<b>Industrial total</b>			<b>89</b>	<b>6,731</b>	<b>25.7 %</b>	<b>93.1 %</b>	<b>94.2 %</b>
Office	Calgary	AB	20	2,539	9.7 %	86.1 %	92.2 %
	Edmonton Capital Region	AB	1	48	0.2 %	91.7 %	91.7 %
	Greater Toronto Area	ON	7	1,085	4.1 %	88.4 %	89.8 %
	Greater Vancouver Regional District	BC	4	508	1.9 %	94.7 %	96.1 %
	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 %	75.6 %	75.6 %
	Saskatoon	SK	1	64	0.2 %	100.0 %	100.0 %
	Winnipeg	MB	10	1,517	5.8 %	91.2 %	91.6 %
<b>Office total</b>			<b>48</b>	<b>6,264</b>	<b>23.9 %</b>	<b>89.1 %</b>	<b>92.1 %</b>
Retail	Calgary	AB	7	531	2.0 %	96.5 %	96.7 %
	Cranbrook	BC	1	288	1.1 %	97.4 %	97.4 %
	Edmonton Capital Region	AB	6	504	1.9 %	89.9 %	98.1 %
	Edson	AB	1	20	0.1 %	100.0 %	100.0 %
	Estevan	SK	2	174	0.7 %	93.4 %	93.4 %
	Fort McMurray	AB	8	194	0.7 %	100.0 %	100.0 %
	Grande Prairie	AB	6	378	1.4 %	92.9 %	93.3 %
	Greater Vancouver Regional District	BC	1	165	0.6 %	95.4 %	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 %	50.8 %	52.4 %
	Regina	SK	8	554	2.1 %	88.5 %	93.7 %
	Saskatoon	SK	3	219	0.8 %	99.2 %	100.0 %
	Westbank / West Kelowna	BC	3	433	1.7 %	99.6 %	99.6 %
	Whistler	BC	1	31	0.1 %	88.0 %	97.1 %
	Winnipeg	MB	6	645	2.6 %	96.8 %	98.4 %
<b>Retail total</b>			<b>58</b>	<b>4,425</b>	<b>16.9 %</b>	<b>94.3 %</b>	<b>96.3 %</b>
<b>Total Canadian portfolio</b>			<b>195</b>	<b>17,420</b>	<b>66.5 %</b>	<b>92.0 %</b>	<b>93.9 %</b>
<b>U.S. Portfolio:</b>							
Industrial	Phoenix Metropolitan Area	AZ	1	99	0.4 %	100.0 %	100.0 %
	Twin Cities Area	MN	31	4,664	17.8 %	95.6 %	95.8 %
<b>Industrial total</b>			<b>32</b>	<b>4,763</b>	<b>18.2 %</b>	<b>95.7 %</b>	<b>95.9 %</b>
Office	Greater Denver Area	CO	4	635	2.4 %	95.3 %	96.8 %
	New Hartford	NY	1	123	0.5 %	100.0 %	100.0 %
	Phoenix Metropolitan Area	AZ	6	1,002	3.8 %	99.6 %	99.6 %
	Tampa	FL	1	107	0.4 %	100.0 %	100.0 %
	Twin Cities Area	MN	5	1,148	4.4 %	88.8 %	92.6 %
<b>Office total</b>			<b>17</b>	<b>3,015</b>	<b>11.5 %</b>	<b>94.6 %</b>	<b>96.4 %</b>
Retail	Twin Cities Area	MN	7	298	1.1 %	97.8 %	98.2 %
<b>Total U.S. portfolio</b>			<b>56</b>	<b>8,076</b>	<b>30.8 %</b>	<b>95.4 %</b>	<b>96.2 %</b>
<b>Total Canadian and U.S.</b>			<b>251</b>	<b>25,496</b>	<b>97.3 %</b>	<b>93.1 %</b>	<b>94.6 %</b>

<sup>(1)</sup> Excluding properties held for redevelopment.

<sup>(2)</sup> Percentage committed is based on occupancy at September 30, 2015 plus commitments on vacant space.

**Properties Held for Redevelopment (in 000's of S.F.)**

Asset Class	City	Province / State	Number of Properties	Owned Share of GLA	% of Portfolio GLA	Property	% Committed <sup>(1)</sup>
Industrial	Winnipeg	MB	1	196	0.7 %	Inkster Business Centre	76.3 %
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 redevelopment			3	524	2.0 %		43.6 %

<sup>(1)</sup> Percentage committed is based on occupancy at September 30, 2015 plus commitments on vacant space.

Inkster Business Centre, an older generation industrial property in Winnipeg, Manitoba, is undergoing extensive redevelopment including reconfiguration of the building from a single tenant to a multi-tenant property. To date, 76.3% of the building has been leased to two tenants. Construction is underway to accommodate the tenancies, while redevelopment work on the remainder of the vacant space continues.

Crosstown North, an industrial building in the Twin Cities Area, Minnesota, is a cross-dock distribution facility designed to accommodate a single tenant. Artis anticipates that significant redevelopment work will be required to retrofit this property into a multi-use building. Artis continues to review development plans for this building, which is currently being marketed for lease.

Northpoint Industrial Building, an industrial property in the Twin Cities Area, Minnesota, was recently vacated by a large tenant, providing Artis an opportunity to redevelop this older generation property. Architectural plans and preliminary work to prepare the building for redevelopment is underway. This building, which can accommodate a single tenant or multiple tenants, is currently being marketed for lease.

**New Developments in Process (in 000's of S.F.)**

Asset Class	City	Province / State	Number of Properties	Owned Share of GLA <sup>(1)</sup>	% of Portfolio GLA	Property	% Completed	% Committed <sup>(2)</sup>
Industrial	Phoenix Metropolitan Area	AZ	1	187	0.7 %	Park Lucero I	100.0 %	23.5 %
Retail	Winnipeg	MB	-	-	-	2190 McGillivray Boulevard	97.5 %	100.0 %
Total new developments in process			1	187	0.7 %			

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

<sup>(2)</sup> Percentage committed is based on occupancy at September 30, 2015 plus commitments on vacant space.

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, in Q4-15.

**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. Site work and preleasing for this development opportunity is underway with the potential to develop approximately 135,000 square feet on this land.



Artis has a 90% ownership interest (in the form of a joint venture arrangement) in an office development project located along the I-10 on the west side of 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.

## 2015 – THIRD QUARTER HIGHLIGHTS

### PORTFOLIO GROWTH

Artis acquired eight commercial properties during Q3-15.

	Office		Retail		Industrial		Total	
	Number of Properties	S.F. (000's) <sup>(1)</sup>	Number of Properties	S.F. (000's) <sup>(1)</sup>	Number of Properties	S.F. (000's) <sup>(1)</sup>	Number of Properties	S.F. (000's) <sup>(1)</sup>
Portfolio properties at June 30, 2015	65	9,279	65	4,723	117	11,962	247	25,964
Acquisitions	-	-	-	-	8	243	8	243
Portfolio properties at September 30, 2015	65	9,279	65	4,723	125	12,205	255	26,207

<sup>(1)</sup> Based on owned share of total leasable area.

### Property Acquisitions

Property	Property Count	Acquisition Date	Location	Asset Class	Owned Share of GLA	Purchase Price
Graham Portfolio <sup>(1)</sup>	8	July 23, 2015	Various cities in BC, AB & SK	Industrial	243,105	\$74,034

<sup>(1)</sup> Artis acquired a 75% interest in this joint venture.

The above portfolio was acquired at an initial capitalization rate of 6.40% and represents an average capitalization rate over the 19-year lease term of 7.30%. Artis' interest in this portfolio includes a new 10-year mortgage in the amount of \$37,017, bearing interest at a fixed rate of 3.58% per annum.

In Q3-15, Artis acquired office development land in the Greater Denver Area, Colorado for US\$7,577. The purchase price for this land was settled with cash on hand.

## 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 September 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 September 25, 2015, Artis increased the unsecured revolving term credit facilities to an aggregate amount of \$300,000 and extended their maturity date to December 15, 2018. In Q3-15, Artis drew on its credit facilities in the amount of \$41,000 and US\$12,000.

## Debt Financing and Repayments

In Q3-15, Artis refinanced two maturing mortgages and obtained new mortgage financing on one previously unencumbered property, net of financing costs, for a total of \$12,407.

## DISTRIBUTIONS

Artis declared distributions of \$41,904 (YTD - \$125,025) to unitholders in Q3-15, of which \$8,078 (YTD - \$24,412) 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 months ended				Nine months ended			
	September 30,		Change	%	September 30,		Change	%
2015	2014	2015			2014			
Revenue	\$ 135,150	\$ 125,425	\$ 9,725	7.8 %	\$ 398,745	\$ 368,974	\$ 29,771	8.1 %
Property NOI	83,294	78,649	4,645	5.9 %	250,203	233,053	17,150	7.4 %
Net (loss) income	(23,447)	56,817	(80,264)	(141.3)%	20,196	141,275	(121,079)	(85.7)%
Basic (loss) income per common unit	(0.20)	0.39	(0.59)	(151.3)%	0.05	0.97	(0.92)	(94.8)%
Diluted (loss) income per common unit	(0.20)	0.38	(0.58)	(152.6)%	0.04	0.96	(0.92)	(95.8)%
Distributions to common unitholders	\$ 37,266	\$ 36,625	\$ 641	1.8 %	\$ 111,272	\$ 106,914	\$ 4,358	4.1 %
Distributions per common unit	0.27	0.27	-	- %	0.81	0.81	-	- %
FFO	\$ 55,166	\$ 49,189	\$ 5,977	12.2 %	\$ 162,442	\$ 143,846	\$ 18,596	12.9 %
FFO per unit	0.39	0.35	0.04	11.4 %	1.15	1.07	0.08	7.5 %
FFO after adjustments <sup>(1)</sup>	53,360	49,168	4,192	8.5 %	157,298	143,743	13,555	9.4 %
FFO per unit after adjustments <sup>(1)</sup>	0.38	0.35	0.03	8.6 %	1.12	1.07	0.05	4.7 %
FFO payout ratio after adjustments <sup>(1)</sup>	71.1 %	77.1 %		(6.0)%	72.3 %	75.7 %		(3.4)%
AFFO	\$ 47,208	\$ 42,129	\$ 5,079	12.1 %	\$ 140,779	\$ 122,717	\$ 18,062	14.7 %
AFFO per unit	0.34	0.31	0.03	9.7 %	1.01	0.92	0.09	9.8 %
AFFO after adjustments <sup>(1)</sup>	45,402	42,108	3,294	7.8 %	134,823	122,614	12,209	10.0 %
AFFO per unit after adjustments <sup>(1)</sup>	0.33	0.31	0.02	6.5 %	0.97	0.92	0.05	5.4 %
AFFO payout ratio after adjustments <sup>(1)</sup>	81.8 %	87.1 %		(5.3)%	83.5 %	88.0 %		(4.5)%

<sup>(1)</sup> Calculated after adjustments for lease terminations and non-recurring other income.

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 Q3-15.

	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
Secured mortgages and loans to GBV	38.8%	39.0%	40.6%	41.3%
Total long-term debt and bank indebtedness to GBV	49.1%	48.3%	49.2%	48.4%
Total assets	\$ 5,676,233	\$ 5,543,950	\$ 5,639,191	\$ 5,478,852
Total non-current financial liabilities	2,098,602	2,156,081	2,266,068	2,259,101

Artis' secured mortgages and loans to GBV ratio at September 30, 2015 decreased by 0.2% to 38.8% from 39.0% at June 30, 2015.

## ANALYSIS OF OPERATING RESULTS

### REVENUE AND PROPERTY NOI

	Three months ended			%	Nine months ended			%
	September 30, 2015	September 30, 2014	Change		September 30, 2015	September 30, 2014	Change	
Basic rent, parking and other revenue	\$ 92,556	\$ 84,773	\$ 7,783		\$ 271,269	\$ 250,274	\$ 20,995	
Operating cost and realty tax recoveries	44,957	42,343	2,614		131,120	122,833	8,287	
Amortization of tenant inducements	(3,558)	(2,733)	(825)		(9,923)	(7,714)	(2,209)	
Straight-line rent adjustments	1,025	1,021	4		1,959	3,478	(1,519)	
Lease termination income	170	21	149		4,320	103	4,217	
Revenue	135,150	125,425	9,725	7.8 %	398,745	368,974	29,771	8.1 %
Property operating expenses	51,856	46,776	5,080	10.9 %	148,542	135,921	12,621	9.3 %
Property NOI	\$ 83,294	\$ 78,649	\$ 4,645	5.9 %	\$ 250,203	\$ 233,053	\$ 17,150	7.4 %

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

Artis accounts for tenant inducements 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.

In Q3-15, Artis received non-recurring income from a settlement relating to an access restriction at a previously disposed retail property in British Columbia.

## 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 redevelopment.

	Three months ended				Nine months ended			
	September 30,		Change	%	September 30,		Change	%
	2015	2014			2015	2014		
Revenue	\$ 129,386	\$ 122,198			\$ 380,083	\$ 365,857		
Property operating expenses	50,860	47,141			146,104	138,694		
Property NOI	78,526	75,057	\$ 3,469	4.6 %	233,979	227,163	\$ 6,816	3.0 %
Add (deduct) non-cash revenue adjustments:								
Amortization of tenant inducements	3,540	2,736			10,012	7,683		
Straight-line rent adjustment	(1,032)	(950)			(1,686)	(3,445)		
Property NOI less non-cash revenue adjustments	\$ 81,034	\$ 76,843	\$ 4,191	5.5 %	\$ 242,305	\$ 231,401	\$ 10,904	4.7 %

Lease termination income related to significant tenants of \$103 (YTD - \$1,416) in Q3-15 compared to \$nil (YTD - \$nil) in Q3-14, 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 months ended				Nine months ended			
	September 30,		Change	%	September 30,		Change	%
	2015	2014			2015	2014		
Retail	\$ 19,174	\$ 18,439	\$ 735	4.0 %	\$ 57,530	\$ 55,704	\$ 1,826	3.3 %
Office	42,094	40,578	1,516	3.7 %	127,367	122,907	4,460	3.6 %
Industrial	19,766	17,826	1,940	10.9 %	57,408	52,790	4,618	8.7 %
Total	\$ 81,034	\$ 76,843	\$ 4,191	5.5 %	\$ 242,305	\$ 231,401	\$ 10,904	4.7 %

## Same Property NOI by Geographical Region

	Three months ended				Nine months ended			
	September 30,		Change	%	September 30,		Change	%
	2015	2014			2015	2014		
Alberta	\$ 29,455	\$ 29,812	\$ (357)	(1.2)%	\$ 89,678	\$ 89,383	\$ 295	0.3 %
British Columbia	6,057	5,914	143	2.4 %	18,623	18,159	464	2.6 %
Manitoba	10,010	10,141	(131)	(1.3)%	30,695	30,387	308	1.0 %
Ontario	8,912	9,581	(669)	(7.0)%	26,667	27,889	(1,222)	(4.4)%
Saskatchewan	4,475	4,422	53	1.2 %	13,549	13,134	415	3.2 %
Minnesota	12,339	9,308	3,031	32.6 %	34,474	28,753	5,721	19.9 %
U.S. - Other	9,786	7,665	2,121	27.7 %	28,619	23,696	4,923	20.8 %
Total	\$ 81,034	\$ 76,843	\$ 4,191	5.5 %	\$ 242,305	\$ 231,401	\$ 10,904	4.7 %

## Same Property NOI by Country

	Three months ended September 30,				Nine months ended September 30,			
	2015	2014	Change	% Change	2015	2014	Change	% Change
Canada	\$ 58,909	\$ 59,870	\$ (961)	(1.6)%	\$ 179,212	\$ 178,952	\$ 260	0.1 %
U.S.	22,125	16,973	5,152	30.4 %	63,093	52,449	10,644	20.3 %
Total	\$ 81,034	\$ 76,843	\$ 4,191	5.5 %	\$ 242,305	\$ 231,401	\$ 10,904	4.7 %

Artis' U.S. portfolio achieved an increase in Q3-15 of US\$1,314 (YTD - US\$2,141), or 8.4% (YTD - 4.5%) before the impact of foreign exchange.

Artis' Calgary office portfolio decreased \$927 (YTD - \$935), or 6.1% (YTD - 2.1%) in Q3-15. Approximately \$483 of this decrease can be attributed to the vacating of AMEC Americas Ltd. Their space has been leased to a new tenant commencing in 2016.

## Same Property Occupancy Comparisons

Geographical Region	As at September 30,		Asset Class	As at September 30,	
	2015	2014		2015	2014
Alberta	90.3 %	95.5 %	Retail	94.5 %	93.6 %
British Columbia	94.9 %	93.7 %	Office	91.5 %	94.4 %
Manitoba	90.3 %	93.4 %	Industrial	94.1 %	94.2 %
Ontario	93.6 %	96.0 %	Total	93.2 %	94.2 %
Saskatchewan	94.8 %	89.6 %			
Minnesota	95.4 %	92.4 %			
U.S. - Other	99.0 %	96.3 %			
Total	93.2 %	94.2 %			

## PROPERTY NOI BY ASSET CLASS

In Q3-15, revenues and Property NOI increased for all segments of the portfolio in comparison to Q3-14. The growth is primarily attributable to acquisitions during 2014, same property revenue growth and the impact of foreign exchange.

	Three months ended September 30,					
	2015			2014		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 33,318	\$ 71,588	\$ 30,198	\$ 27,879	\$ 69,739	\$ 27,671
Property operating expenses	11,208	30,190	10,458	9,124	28,660	8,992
Property NOI	\$ 22,110	\$ 41,398	\$ 19,740	\$ 18,755	\$ 41,079	\$ 18,679
Share of Property NOI	26.6%	49.7%	23.7%	23.9%	52.3%	23.8%

	Nine months ended September 30,					
	2015			2014		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 96,299	\$ 213,558	\$ 88,755	\$ 82,887	\$ 202,275	\$ 83,591
Property operating expenses	30,340	86,993	31,209	26,398	81,383	28,140
Property NOI	\$ 65,959	\$ 126,565	\$ 57,546	\$ 56,489	\$ 120,892	\$ 55,451
Share of Property NOI	26.4%	50.6%	23.0%	24.3%	51.9%	23.8%

## PROPERTY NOI BY GEOGRAPHICAL REGION

In Q3-15, revenues and Property NOI increased in British Columbia, Manitoba, Saskatchewan, Minnesota and U.S. - Other in comparison to Q3-14. The growth is primarily attributable to acquisitions during 2014, same property revenue growth and the impact of foreign exchange. In Q3-15, Property NOI decreased in Ontario primarily due a large tenant going bankrupt at Concorde Corporate Centre and in Alberta primarily due to an expiring lease at Heritage Square. All of the vacated space at Heritage Square has been leased to a new tenant commencing in 2016.

## Three months ended September 30, 2015

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 46,337	\$ 11,656	\$ 17,641	\$ 15,684	\$ 7,203	\$ 23,857	\$ 12,726
Property operating expenses	16,389	4,070	7,842	6,843	2,434	10,312	3,966
Property NOI	\$ 29,948	\$ 7,586	\$ 9,799	\$ 8,841	\$ 4,769	\$ 13,545	\$ 8,760
Share of Property NOI	36.0%	9.1%	11.8%	10.6%	5.7%	16.3%	10.5%

## Three months ended September 30, 2014

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 45,372	\$ 10,098	\$ 17,109	\$ 15,614	\$ 6,760	\$ 19,869	\$ 10,467
Property operating expenses	15,047	3,619	7,431	5,894	2,264	8,831	3,690
Property NOI	\$ 30,325	\$ 6,479	\$ 9,678	\$ 9,720	\$ 4,496	\$ 11,038	\$ 6,777
Share of Property NOI	38.6%	8.3%	12.3%	12.4%	5.7%	14.1%	8.6%

## Nine months ended September 30, 2015

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 138,549	\$ 31,756	\$ 53,296	\$ 45,462	\$ 23,922	\$ 68,919	\$ 36,708
Property operating expenses	46,331	11,446	23,194	19,345	6,878	30,043	11,305
Property NOI	\$ 92,218	\$ 20,310	\$ 30,102	\$ 26,117	\$ 17,044	\$ 38,876	\$ 25,403
Share of Property NOI	37.0%	8.1%	12.0%	10.4%	6.8%	15.5%	10.2%

## Nine months ended September 30, 2014

	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	\$ 133,175	\$ 30,272	\$ 51,869	\$ 46,568	\$ 19,549	\$ 55,448	\$ 31,872
Property operating expenses	42,755	10,926	23,412	17,654	6,460	24,223	10,491
Property NOI	\$ 90,420	\$ 19,346	\$ 28,457	\$ 28,914	\$ 13,089	\$ 31,225	\$ 21,381
Share of Property NOI	38.9%	8.3%	12.2%	12.4%	5.6%	13.4%	9.2%

## PORTFOLIO OCCUPANCY

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

### Occupancy Report by Asset Class

	Q3-15 % Committed <sup>(1)</sup>	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14
Retail	96.4 %	94.5 %	94.5 %	95.1 %	95.9 %	97.5 %
Office	93.5 %	90.9 %	93.0 %	93.7 %	93.9 %	94.5 %
Industrial	94.9 %	94.2 %	94.2 %	95.5 %	94.7 %	93.6 %
Total portfolio	94.6 %	93.1 %	93.8 %	94.7 %	94.6 %	94.6 %

<sup>(1)</sup> Percentage committed is based on occupancy at September 30, 2015 plus commitments on vacant space.

### Occupancy Report by Geographical Region

	Q3-15 % Committed <sup>(1)</sup>	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14
Canada:						
Alberta	93.6 %	90.6 %	94.0 %	94.6 %	95.7 %	95.5 %
British Columbia	95.6 %	95.0 %	94.5 %	96.8 %	97.1 %	96.8 %
Manitoba	92.6 %	90.2 %	90.2 %	93.1 %	93.5 %	95.0 %
Ontario	94.0 %	93.6 %	92.7 %	95.1 %	95.7 %	96.0 %
Saskatchewan	96.9 %	94.8 %	94.3 %	94.0 %	93.1 %	98.6 %
U.S.:						
Minnesota	95.3 %	94.5 %	94.7 %	94.6 %	92.7 %	90.9 %
Other	98.8 %	98.3 %	98.3 %	96.5 %	96.5 %	96.3 %
Total portfolio	94.6 %	93.1 %	93.8 %	94.7 %	94.6 %	94.6 %

<sup>(1)</sup> Percentage committed is based on occupancy at September 30, 2015 plus commitments on vacant space.

## PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

### Renewal Summary

	Three months ended		Nine months ended	
	2015	September 30, 2014	2015	September 30, 2014
Leasable area renewed	804,011	386,995	1,625,577	1,047,542
Increase in weighted-average rental rate	3.0 %	2.7 %	5.9 %	2.6 %

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.) <sup>(1)</sup>

	Current Vacancy	Monthly Tenants <sup>(2)</sup>	2015	2016	2017	2018	2019 & later	Total
Office - uncommitted	607,072	120,281	110,547	702,607	1,003,391	958,251	4,931,474	8,433,623
Office - committed	234,914	-	415,469	158,006	1,693	19,564	15,491	845,137
<b>Total office</b>	<b>841,986</b>	<b>120,281</b>	<b>526,016</b>	<b>860,613</b>	<b>1,005,084</b>	<b>977,815</b>	<b>4,946,965</b>	<b>9,278,760</b>
Retail - uncommitted	169,206	28,071	32,924	351,253	370,601	561,867	2,727,681	4,241,603
Retail - committed	89,174	-	67,193	182,140	115,188	5,801	22,124	481,620
<b>Total retail</b>	<b>258,380</b>	<b>28,071</b>	<b>100,117</b>	<b>533,393</b>	<b>485,789</b>	<b>567,668</b>	<b>2,749,805</b>	<b>4,723,223</b>
Industrial- uncommitted	1,026,753	71,037	242,382	2,043,393	1,827,490	1,075,339	4,720,966	11,007,360
Industrial- committed	155,507	-	474,962	432,514	134,895	-	-	1,197,878
<b>Total industrial</b>	<b>1,182,260</b>	<b>71,037</b>	<b>717,344</b>	<b>2,475,907</b>	<b>1,962,385</b>	<b>1,075,339</b>	<b>4,720,966</b>	<b>12,205,238</b>
<b>Total - uncommitted</b>	<b>1,803,031</b>	<b>219,389</b>	<b>385,853</b>	<b>3,097,253</b>	<b>3,201,482</b>	<b>2,595,457</b>	<b>12,380,121</b>	<b>23,682,586</b>
<b>Total - committed</b>	<b>479,595</b>	<b>-</b>	<b>957,624</b>	<b>772,660</b>	<b>251,776</b>	<b>25,365</b>	<b>37,615</b>	<b>2,524,635</b>
<b>Total portfolio</b>	<b>2,282,626</b>	<b>219,389</b>	<b>1,343,477</b>	<b>3,869,913</b>	<b>3,453,258</b>	<b>2,620,822</b>	<b>12,417,736</b>	<b>26,207,221</b>

<sup>(1)</sup> Based on owned share of total leasable area.

<sup>(2)</sup> 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 September 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 certain segments of the Alberta 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

Canadian Portfolio <sup>(1)</sup>:

	2015	2016	2017	2018	2019 & later	Total
<b>Office</b>						
In-place rents	\$ 16.88	\$ 18.91	\$ 20.91	\$ 18.90	\$ 17.57	\$ 18.19
Market rents	16.82	17.78	18.84	19.22	18.88	18.59
Change	(0.3)%	(6.0)%	(9.9)%	1.7 %	7.4 %	2.2 %
Revenue impact <sup>(2)</sup>	\$ (25)	\$ (882)	\$ (1,123)	\$ 199	\$ 4,038	\$ 2,207
<b>Retail</b>						
In-place rents	\$ 19.37	\$ 20.82	\$ 16.01	\$ 23.34	\$ 18.44	\$ 19.11
Market rents	21.99	24.26	16.97	24.44	19.18	20.26
Change	13.5 %	16.5 %	6.0 %	4.8 %	4.0 %	6.0 %
Revenue impact <sup>(2)</sup>	\$ 262	\$ 1,567	\$ 413	\$ 600	\$ 1,921	\$ 4,763
<b>Industrial</b>						
In-place rents	\$ 7.38	\$ 8.74	\$ 6.88	\$ 6.00	\$ 9.95	\$ 8.51
Market rents	7.67	9.03	7.03	6.29	10.07	8.70
Change	3.9 %	3.2 %	2.2 %	4.8 %	1.2 %	2.2 %
Revenue impact <sup>(2)</sup>	\$ 118	\$ 364	\$ 191	\$ 187	\$ 324	\$ 1,184
<b>Total Canadian portfolio</b>						
In-place rents	\$ 13.05	\$ 14.07	\$ 12.04	\$ 15.60	\$ 15.40	\$ 14.60
Market rents	13.42	14.48	11.81	16.14	16.14	15.11
Change	2.9 %	3.0 %	(1.9)%	3.5 %	4.9 %	3.5 %
Revenue impact <sup>(2)</sup>	\$ 355	\$ 1,049	\$ (519)	\$ 986	\$ 6,283	\$ 8,154

<sup>(1)</sup> Based on owned share of total leasable area.

<sup>(2)</sup> 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.

U.S. Portfolio <sup>(1)</sup>:

	2015	2016	2017	2018	2019 & later	Total
<b>Office</b>						
In-place rents	\$ 20.30	\$ 20.85	\$ 17.35	\$ 18.38	\$ 20.20	\$ 19.54
Market rents	21.68	21.99	18.35	17.93	21.36	20.48
Change	6.8 %	5.5 %	5.7 %	(2.4)%	5.7 %	4.8 %
Revenue impact <sup>(2)</sup>	\$ 127	\$ 96	\$ 458	\$ (153)	\$ 2,147	\$ 2,675
<b>Retail</b>						
In-place rents	\$ -	\$ 15.35	\$ 15.78	\$ 16.73	\$ 21.01	\$ 18.15
Market rents	-	15.46	15.48	16.75	21.43	18.32
Change	- %	0.7 %	(1.9)%	0.2 %	2.0 %	0.9 %
Revenue impact <sup>(2)</sup>	\$ -	\$ 8	\$ (16)	\$ 1	\$ 56	\$ 49
<b>Industrial</b>						
In-place rents	\$ 4.95	\$ 4.82	\$ 4.38	\$ 4.63	\$ 6.16	\$ 5.33
Market rents	4.92	4.86	4.96	4.76	6.34	5.52
Change	(0.7)%	0.8 %	13.1 %	2.9 %	2.9 %	3.4 %
Revenue impact <sup>(2)</sup>	\$ (10)	\$ 45	\$ 399	\$ 56	\$ 362	\$ 852
<b>Total U.S. portfolio</b>						
In-place rents	\$ 8.45	\$ 6.43	\$ 9.83	\$ 11.03	\$ 13.15	\$ 11.00
Market rents	8.74	6.54	10.53	10.91	13.78	11.46
Change	3.4 %	1.7 %	7.1 %	(1.1)%	4.9 %	4.2 %
Revenue impact <sup>(2)</sup>	\$ 117	\$ 149	\$ 841	\$ (96)	\$ 2,565	\$ 3,576

<sup>(1)</sup> Based on owned share of total leasable area.

<sup>(2)</sup> 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.

Total Canadian and U.S. Portfolio <sup>(1)</sup>:

	2015	2016	2017	2018	2019 & later	Total
<b>Office</b>						
In-place rents	\$ 17.48	\$ 19.10	\$ 19.27	\$ 18.72	\$ 18.56	\$ 18.65
Market rents	17.67	18.19	18.61	18.76	19.81	19.24
Change	1.1 %	(4.8)%	(3.4)%	0.3 %	6.7 %	3.2 %
Revenue impact <sup>(2)</sup>	\$ 102	\$ (786)	\$ (665)	\$ 46	\$ 6,185	\$ 4,882
<b>Retail</b>						
In-place rents	\$ 19.37	\$ 20.01	\$ 15.99	\$ 23.04	\$ 18.57	\$ 19.05
Market rents	21.99	22.97	16.80	24.10	19.28	20.13
Change	13.5 %	14.8 %	5.1 %	4.6 %	3.9 %	5.7 %
Revenue impact <sup>(2)</sup>	\$ 262	\$ 1,575	\$ 397	\$ 601	\$ 1,977	\$ 4,812
<b>Industrial</b>						
In-place rents	\$ 6.33	\$ 6.86	\$ 5.99	\$ 5.46	\$ 8.32	\$ 7.16
Market rents	6.48	7.02	6.29	5.69	8.47	7.35
Change	2.4 %	2.4 %	5.0 %	4.1 %	1.8 %	2.6 %
Revenue impact <sup>(2)</sup>	\$ 108	\$ 409	\$ 590	\$ 243	\$ 686	\$ 2,036
<b>Total Canadian and U.S. portfolio</b>						
In-place rents	\$ 11.66	\$ 11.39	\$ 11.26	\$ 14.22	\$ 14.67	\$ 13.42
Market rents	12.02	11.70	11.36	14.56	15.38	13.91
Change	3.0 %	2.7 %	0.8 %	2.4 %	4.9 %	3.7 %
Revenue impact <sup>(2)</sup>	\$ 472	\$ 1,198	\$ 322	\$ 890	\$ 8,848	\$ 11,730

<sup>(1)</sup> Based on owned share of total leasable area.

<sup>(2)</sup> 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 September 30, 2015 are estimated to be 3.7% above in-place rents across the portfolio compared to 4.0% at June 30, 2015. Today's market rents for the 2015 and 2016 lease expiries are estimated to be 3.0% and 2.7%, respectively, above in-place rents.

Lease Expiries by Geographical Region (in S.F.) <sup>(1)</sup>

	Current Vacancy	Monthly Tenants <sup>(2)</sup>	2015	2016	2017	2018	2019 & later	Total
AB - uncommitted	427,720	48,570	66,968	926,408	525,406	738,090	3,450,655	6,183,817
AB - committed	198,602	-	223,808	70,093	3,520	-	2,218	498,241
Total Alberta	626,322	48,570	290,776	996,501	528,926	738,090	3,452,873	6,682,058
BC - uncommitted	73,126	21,112	1,284	112,104	88,277	125,578	908,275	1,329,756
BC - committed	10,759	-	58,166	150,710	106,393	1,534	8,037	335,599
Total British Columbia	83,885	21,112	59,450	262,814	194,670	127,112	916,312	1,665,355
MB - uncommitted	322,509	37,014	46,842	394,917	512,286	581,644	1,522,271	3,417,483
MB - committed	137,137	-	296,095	57,275	-	2,095	8,522	501,124
Total Manitoba	459,646	37,014	342,937	452,192	512,286	583,739	1,530,793	3,918,607
ON - uncommitted	231,619	78,496	58,454	393,859	657,648	187,475	1,742,065	3,349,616
ON - committed	15,000	-	166,393	324,640	1,793	12,633	-	520,459
Total Ontario	246,619	78,496	224,847	718,499	659,441	200,108	1,742,065	3,870,075
SK - uncommitted	46,317	14,007	9,915	53,791	341,286	173,794	739,070	1,378,180
SK - committed	30,552	-	11,641	31,765	5,275	4,267	18,838	102,338
Total Saskatchewan	76,869	14,007	21,556	85,556	346,561	178,061	757,908	1,480,518
MN - uncommitted	534,093	13,962	200,572	1,172,595	752,301	630,073	2,621,299	5,924,895
MN - committed	52,876	-	188,554	132,091	134,795	4,836	-	513,152
Total Minnesota	586,969	13,962	389,126	1,304,686	887,096	634,909	2,621,299	6,438,047
U.S. - Other - uncommitted	167,647	6,228	1,818	43,579	324,278	158,803	1,396,486	2,098,839
U.S. - Other - committed	34,669	-	12,967	6,086	-	-	-	53,722
Total U.S. - Other	202,316	6,228	14,785	49,665	324,278	158,803	1,396,486	2,152,561
Total - uncommitted	1,803,031	219,389	385,853	3,097,253	3,201,482	2,595,457	12,380,121	23,682,586
Total - committed	479,595	-	957,624	772,660	251,776	25,365	37,615	2,524,635
Total portfolio	2,282,626	219,389	1,343,477	3,869,913	3,453,258	2,620,822	12,417,736	26,207,221

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

Market Rents by Geographical Region <sup>(1)</sup>

	2015	2016	2017	2018	2019 & later	Total
<b>Alberta</b>						
In-place rents	\$ 17.36	\$ 18.29	\$ 20.55	\$ 20.56	\$ 18.21	\$ 18.68
Market rents	16.53	18.65	18.48	20.79	19.44	19.25
Change	(4.8)%	1.9 %	(10.0)%	1.1 %	6.8 %	3.1 %
Revenue impact <sup>(2)</sup>	\$ (243)	\$ 355	\$ (1,091)	\$ 170	\$ 4,251	\$ 3,442
<b>British Columbia</b>						
In-place rents	\$ 19.64	\$ 19.15	\$ 11.59	\$ 25.21	\$ 13.62	\$ 15.47
Market rents	18.93	19.54	11.67	25.24	13.94	15.71
Change	(3.6)%	2.0 %	0.6 %	0.1 %	2.4 %	1.5 %
Revenue impact <sup>(2)</sup>	\$ (42)	\$ 101	\$ 15	\$ 3	\$ 294	\$ 371
<b>Manitoba</b>						
In-place rents	\$ 11.89	\$ 10.48	\$ 12.03	\$ 8.07	\$ 14.47	\$ 12.23
Market rents	13.43	11.62	12.42	8.94	14.87	12.92
Change	12.9 %	10.9 %	3.2 %	10.8 %	2.8 %	5.7 %
Revenue impact <sup>(2)</sup>	\$ 526	\$ 517	\$ 200	\$ 507	\$ 620	\$ 2,370
<b>Ontario</b>						
In-place rents	\$ 7.16	\$ 8.06	\$ 6.72	\$ 9.83	\$ 11.41	\$ 9.50
Market rents	7.19	7.99	6.78	10.98	11.83	9.77
Change	0.4 %	(0.8)%	0.9 %	11.6 %	3.7 %	2.9 %
Revenue impact <sup>(2)</sup>	\$ 7	\$ (48)	\$ 41	\$ 229	\$ 738	\$ 967
<b>Saskatchewan</b>						
In-place rents	\$ 16.37	\$ 18.65	\$ 9.43	\$ 19.35	\$ 15.76	\$ 14.83
Market rents	21.32	20.11	10.34	19.78	16.26	15.55
Change	30.2 %	7.9 %	9.7 %	2.2 %	3.2 %	4.9 %
Revenue impact <sup>(2)</sup>	\$ 107	\$ 125	\$ 316	\$ 76	\$ 380	\$ 1,004
<b>Minnesota</b>						
In-place rents	\$ 7.72	\$ 5.85	\$ 6.24	\$ 9.76	\$ 8.53	\$ 7.66
Market rents	7.97	5.88	6.90	9.47	8.64	7.80
Change	3.2 %	0.5 %	10.6 %	(3.0)%	1.3 %	1.8 %
Revenue impact <sup>(2)</sup>	\$ 95	\$ 35	\$ 587	\$ (185)	\$ 286	\$ 818
<b>U.S. - Other</b>						
In-place rents	\$ 27.67	\$ 21.68	\$ 19.67	\$ 16.09	\$ 21.80	\$ 21.02
Market rents	29.15	23.96	20.45	16.66	23.44	22.44
Change	5.4 %	10.5 %	4.0 %	3.5 %	7.5 %	6.8 %
Revenue impact <sup>(2)</sup>	\$ 22	\$ 113	\$ 254	\$ 90	\$ 2,279	\$ 2,758
<b>Total portfolio</b>						
In-place rents	\$ 11.66	\$ 11.39	\$ 11.26	\$ 14.22	\$ 14.67	\$ 13.42
Market rents	12.02	11.70	11.36	14.56	15.38	13.91
Change	3.0 %	2.7 %	0.8 %	2.4 %	4.9 %	3.7 %
Revenue impact <sup>(2)</sup>	\$ 472	\$ 1,198	\$ 322	\$ 890	\$ 8,848	\$ 11,730

<sup>(1)</sup> Based on owned share of total leasable area.

<sup>(2)</sup> 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 September 30, 2015, the five largest segments of the REIT's portfolio (by Property NOI) are Calgary office, Twin Cities Area industrial, Phoenix Metropolitan Area office, Winnipeg office and Twin Cities Area office.

The Calgary office segment represents 15.9% of the Q3-15 Property NOI and 9.7% of the overall portfolio by GLA. 41.3% of the Calgary office GLA is located downtown, 22.6% is beltline and 36.1% is suburban. Overall direct vacancy in the Calgary office market, as reported by CBRE, was 9.1% at September 30, 2015, compared to 8.6% at June 30, 2015. At September 30, 2015, the Calgary office segment of Artis' portfolio was 86.1% occupied, compared to 93.2% at June 30, 2015. Approximately 6.0% of this decline in occupancy can be attributed to the vacating of AMEC Americas Ltd.; however, all of the space vacated by AMEC Americas Ltd. has been leased to a new tenant pursuant to a lease commencing in 2016. During the remainder of 2015, 131,742 square feet comes up for renewal, which represents 0.5% of the total portfolio GLA; 81.3% has been renewed or committed to new leases. Approximately 46.5% of the Calgary office GLA expires in 2019 or later. Artis' largest 10 Calgary office tenants by GLA (including a new tenant at Heritage Square with a lease scheduled to commence in 2016) account for nearly half of the Artis' Calgary office space with a weighted-average lease term of 6.1 years. The average size of Artis' Calgary office tenants is approximately 9,500 square feet.

Lease Expiries for Calgary Office Segment (in S.F.) <sup>(1)</sup>:

	Current Vacancy	Monthly Tenants <sup>(2)</sup>	2015	2016	2017	2018	2019 & later	Total
Downtown - uncommitted	130,040	17,829	15,706	199,900	205,283	128,691	311,535	1,008,984
Downtown - committed	4,452	-	13,133	21,820	-	-	-	39,405
<b>Total downtown</b>	<b>134,492</b>	<b>17,829</b>	<b>28,839</b>	<b>221,720</b>	<b>205,283</b>	<b>128,691</b>	<b>311,535</b>	<b>1,048,389</b>
Beltline - uncommitted	26,339	102	-	43,185	5,613	109,555	383,267	568,061
Beltline - committed	6,462	-	-	-	-	-	-	6,462
<b>Total beltline</b>	<b>32,801</b>	<b>102</b>	<b>-</b>	<b>43,185</b>	<b>5,613</b>	<b>109,555</b>	<b>383,267</b>	<b>574,523</b>
Suburban - uncommitted	42,713	8,337	8,973	38,964	48,332	43,525	486,795	677,639
Suburban - committed	144,119	-	93,930	-	-	-	-	238,049
<b>Total suburban</b>	<b>186,832</b>	<b>8,337</b>	<b>102,903</b>	<b>38,964</b>	<b>48,332</b>	<b>43,525</b>	<b>486,795</b>	<b>915,688</b>
<b>Total - uncommitted</b>	<b>199,092</b>	<b>26,268</b>	<b>24,679</b>	<b>282,049</b>	<b>259,228</b>	<b>281,771</b>	<b>1,181,597</b>	<b>2,254,684</b>
<b>Total - committed</b>	<b>155,033</b>	<b>-</b>	<b>107,063</b>	<b>21,820</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>283,916</b>
<b>Total Calgary office</b>	<b>354,125</b>	<b>26,268</b>	<b>131,742</b>	<b>303,869</b>	<b>259,228</b>	<b>281,771</b>	<b>1,181,597</b>	<b>2,538,600</b>

<sup>(1)</sup> Based on owned share of total leasable area.

<sup>(2)</sup> Includes holdovers and renewals where term has not been negotiated.

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

	Current Vacancy	Monthly Tenants <sup>(2)</sup>	2015	2016	2017	2018	2019 & later	Total
Other - uncommitted	407,980	94,013	85,868	420,558	744,163	676,480	3,749,877	6,178,939
Other - committed	79,881	-	308,406	136,186	1,693	19,564	15,491	561,221
<b>Total other office</b>	<b>487,861</b>	<b>94,013</b>	<b>394,274</b>	<b>556,744</b>	<b>745,856</b>	<b>696,044</b>	<b>3,765,368</b>	<b>6,740,160</b>

<sup>(1)</sup> Based on owned share of total leasable area.

<sup>(2)</sup> Includes holdovers and renewals where term has not been negotiated.

Market Rents for Calgary Office Segment <sup>(1)</sup>:

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
<b>Downtown</b>						
In-place rents	\$ 20.18	\$ 24.73	\$ 26.09	\$ 21.13	\$ 23.44	\$ 23.93
Market rents	18.53	19.04	19.98	21.83	23.59	21.22
Change	(8.2)%	(23.0)%	(23.4)%	3.3 %	0.6 %	(11.3)%
Revenue impact <sup>(2)</sup>	\$ (48)	\$ (1,260)	\$ (1,252)	\$ 91	\$ 47	\$ (2,422)
<b>Beltline</b>						
In-place rents	\$ -	\$ 27.12	\$ 25.50	\$ 27.79	\$ 16.88	\$ 19.99
Market rents	-	23.03	24.50	24.81	23.45	23.71
Change	- %	(15.1)%	(3.9)%	(10.7)%	38.9 %	18.6 %
Revenue impact <sup>(2)</sup>	\$ -	\$ (177)	\$ (6)	\$ (326)	\$ 2,520	\$ 2,011
<b>Suburban</b>						
In-place rents	\$ 20.17	\$ 16.22	\$ 16.09	\$ 17.62	\$ 23.10	\$ 21.51
Market rents	16.99	15.42	16.67	17.31	23.79	21.50
Change	(15.8)%	(4.9)%	3.6 %	(1.8)%	3.0 %	(0.1)%
Revenue impact <sup>(2)</sup>	\$ (327)	\$ (31)	\$ 28	\$ (14)	\$ 335	\$ (9)
<b>Total Calgary Office</b>						
In-place rents	\$ 20.17	\$ 23.98	\$ 24.21	\$ 23.18	\$ 21.17	\$ 22.13
Market rents	17.33	19.14	19.46	22.29	23.63	21.94
Change	(14.1)%	(20.2)%	(19.6)%	(3.8)%	11.6 %	(0.9)%
Revenue impact <sup>(2)</sup>	\$ (375)	\$ (1,468)	\$ (1,230)	\$ (249)	\$ 2,902	\$ (420)

<sup>(1)</sup> Based on owned share of total leasable area.

<sup>(2)</sup> 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 <sup>(1)</sup>:

	2015	2016	2017	2018	2019 & later	Total
<b>Other office</b>						
In-place rents	\$ 16.58	\$ 16.44	\$ 17.56	\$ 16.91	\$ 17.74	\$ 17.43
Market rents	17.79	17.67	18.31	17.34	18.61	18.29
Change	7.3 %	7.5 %	4.3 %	2.5 %	4.9 %	4.9 %
Revenue impact <sup>(2)</sup>	\$ 477	\$ 682	\$ 565	\$ 295	\$ 3,283	\$ 5,302

<sup>(1)</sup> Based on owned share of total leasable area.

<sup>(2)</sup> 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.

The Twin Cities Area industrial segment represents 8.1% of the Q3-15 Property NOI and 19.1% of the overall portfolio by GLA. Direct vacancy in this industrial market, as reported by CBRE, changed from 5.0% at June 30, 2015 to 5.5% at September 30, 2015, with 825,855 square feet of positive absorption reported for the quarter. As per CBRE, this was the 21<sup>st</sup> consecutive quarter of positive absorption for this market. Average asking market lease rate was \$5.19 per square foot, increased from \$5.11 per square foot at June 30, 2015. Occupancy in this segment of the portfolio, excluding properties held for redevelopment, was 95.6% at September 30, 2015, compared to 95.8% at June 30, 2015. During the remainder of 2015, 311,760 square feet comes up for renewal, which represents 1.2% of the total portfolio GLA; commitments are in place for 48.4% of the expiring space.

The Phoenix office segment represents 6.7% of the Q3-15 Property NOI and 3.8% of the overall portfolio by GLA. Average asking market lease rate was \$22.48 per square foot at September 30, 2015, increased from \$22.06 per square foot at June 30, 2015. Overall direct vacancy in the Phoenix office market, as reported by CBRE, was 20.0% at September 30, 2015, compared to 20.1% at June 30, 2015. Occupancy in this segment of the portfolio was 99.6% at September 30, 2015, consistent with 99.6% at June 30, 2015. During the remainder of 2015, 11,883 square feet comes up for renewal, which represents less than 0.1% of the total portfolio GLA; commitments are in place for 100.0% of the expiring space.

The Winnipeg office segment represents 6.6% of the Q3-15 Property NOI and 5.8% 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 Capital Commercial Real Estate, was 10.5% at September 30, 2015, compared to 10.4% at June 30, 2015. At September 30, 2015, the Winnipeg office segment of Artis' portfolio was 91.2% occupied, compared to 91.3% at June 30, 2015. During the remainder of 2015, 215,340 square feet comes up for renewal, which represents 0.8% of the total portfolio GLA; 83.9% has been renewed or committed to new leases. Approximately 48.2% of the Winnipeg office GLA expires in 2019 or later.

The Twin Cities Area office segment represents 6.0% of the Q3-15 Property NOI and 4.4% of the overall portfolio by GLA. Overall direct vacancy in this office market, as reported by CBRE, was 15.0% at September 30, 2015, down from 15.3% at June 30, 2015. CBRE reported 337,193 square feet of positive absorption for the quarter. At September 30, 2015, the Twin Cities Area office segment of Artis' portfolio was 88.8% occupied, compared to 89.7% at June 30, 2015. During the remainder of 2015, 77,366 square feet comes up for renewal, which represents 0.3% of the total portfolio GLA; 48.5% has been renewed or committed to new leases. Approximately 50.3% of the Twin Cities Area office GLA expires in 2019 or later.

## CORPORATE EXPENSES

	Three months ended September 30,				Nine months ended September 30,			
	2015	2014	Change	% Change	2015	2014	Change	% Change
Accounting, legal and consulting	\$ 495	\$ 316	\$ 179	56.6%	\$ 1,632	\$ 1,080	\$ 552	51.1%
Public company costs	356	307	49	16.0%	1,040	1,146	(106)	(9.2)%
Unit-based compensation	302	403	(101)	(25.1)%	1,142	1,262	(120)	(9.5)%
Salaries and benefits	862	862	-	-%	2,643	2,341	302	12.9%
Depreciation	183	143	40	28.0%	559	429	130	30.3%
General and administrative	530	436	94	21.6%	1,405	1,321	84	6.4%
<b>Total corporate expenses</b>	<b>\$ 2,728</b>	<b>\$ 2,467</b>	<b>\$ 261</b>	<b>10.6%</b>	<b>\$ 8,421</b>	<b>\$ 7,579</b>	<b>\$ 842</b>	<b>11.1%</b>

Corporate expenses in Q3-15 were \$2,728 (YTD - \$8,421) or 2.0% (YTD - 2.1%) of total revenues compared to \$2,467 (YTD - \$7,579) or 2.0% (YTD - 2.0%) of total revenues in Q3-14.

## INTEREST EXPENSE

	Three months ended September 30,				Nine months ended September 30,			
	2015	2014	Change	% Change	2015	2014	Change	% Change
Mortgages and other loans <sup>(1)</sup>	\$ 20,139	\$ 22,461	\$ (2,322)	(10.3)%	\$ 62,821	\$ 68,698	\$ (5,877)	(8.6)%
Debentures <sup>(1)</sup>	4,366	3,836	530	13.8%	13,067	10,078	2,989	29.7%
Other <sup>(1)</sup>	1,283	126	1,157	918.3%	2,629	473	2,156	455.8%
	\$ 25,788	\$ 26,423	\$ (635)	(2.4)%	\$ 78,517	\$ 79,249	\$ (732)	(0.9)%
Foreign exchange	1,729	523	1,206	230.6%	4,374	1,629	2,745	168.5%
<b>Total interest expense</b>	<b>\$ 27,517</b>	<b>\$ 26,946</b>	<b>\$ 571</b>	<b>2.1%</b>	<b>\$ 82,891</b>	<b>\$ 80,878</b>	<b>\$ 2,013</b>	<b>2.5%</b>

<sup>(1)</sup> 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 September 30, 2015 on mortgages and other loans secured by properties was 3.98%, decreased from 4.18% at December 31, 2014. The weighted-average nominal interest rate at September 30, 2015 decreased to 3.85% 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 2.94 times (YTD - 2.93 times) for Q3-15, compared to 2.84 times (YTD - 2.80 times) for Q3-14.

## **NET INCOME (LOSS) FROM INVESTMENTS IN JOINT VENTURES**

Artis recorded net income from investments in joint ventures of \$3,550 (YTD - net income of \$5,284) in Q3-15 compared to a net loss of \$472 (YTD - net income of \$117) in Q3-14. 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 \$1,265 (YTD - gain of \$757) in Q3-15, compared to a loss of \$1,362 (YTD - loss of \$2,287) in Q3-14.

## **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 Q3-15, the fair value loss on investment properties was \$65,608 (YTD - loss of \$120,604) compared to a gain of \$11,725 (YTD - gain of \$19,583) in Q3-14. 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 Q3-15 portfolio differs from the size and mix of the portfolio in Q3-14. As a result of oil price volatility, expected market rents in the Calgary office market were lowered, which contributed to the fair value loss in Q3-15. Capitalization rate expansion in the Calgary downtown office market also contributed to the fair value loss in Q3-15.

## **FOREIGN CURRENCY TRANSLATION LOSS**

In Q3-15, Artis 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 loss of \$9,913 (YTD - loss of \$16,823) in Q3-15, compared to a loss of \$4,834 (YTD - loss of \$17,595) in Q3-14. The foreign currency translation loss in Q3-15 is primarily due to the strengthening 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 Q3-15, \$1,248 (YTD - \$1,615) of transaction costs were expensed, compared to \$162 (YTD - \$1,646) in Q3-14. The transaction costs are attributable to the acquisition of investment properties and joint ventures.

## **(LOSS) GAIN ON FINANCIAL INSTRUMENTS**

Artis 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 loss on the fair value adjustment of the interest rate swaps outstanding of \$3,612 (YTD - loss of \$5,970) in Q3-15, compared to an unrealized gain of \$860 (YTD - loss of \$5,228) in Q3-14. The REIT anticipates holding the mortgages and interest rate swap contracts until maturity.

## **OTHER COMPREHENSIVE INCOME**

Other comprehensive income includes the unrealized foreign currency translation gain in Q3-15 of \$65,038 (YTD - gain of \$120,305) compared to a gain of \$32,513 (YTD - gain of \$41,378) in Q3-14. 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 months ended September 30, 2015	Nine months ended September 30, 2015	Year ended December 31, 2014	Year ended December 31, 2013
Cash flow from operations	\$ 62,497	\$ 173,045	\$ 204,705	\$ 194,507
Net (loss) income	(23,447)	20,196	197,886	191,155
Distributions declared	41,904	125,025	161,330	146,459
Excess of cash flow from operations over distributions declared	20,593	48,020	43,375	48,048
(Shortfall) excess of net (loss) income over distributions declared	(65,351)	(104,829)	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 13 consecutive quarters. The shortfall in 2015 of net (loss) 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 \$8,078 (YTD - \$24,412) of the \$41,904 (YTD - \$125,025) distributions declared to unitholders in Q3-15 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 (loss) income.

## Reconciliation of Cash Flows from Operations to FFO

000's, except per unit amounts	Three months ended		% Change	Nine months ended		% Change
	September 30, 2015	September 30, 2014		September 30, 2015	September 30, 2014	
Cash flow from operations	\$ 62,497	\$ 62,974		\$ 173,045	\$ 150,697	
Add (deduct):						
Depreciation of property and equipment	(183)	(143)		(559)	(429)	
Amortization of above- and below-market mortgages, net	316	450		1,129	1,368	
Straight-line rent adjustment	1,025	1,021		1,959	3,478	
Adjustment for investments in joint ventures	1,369	834		3,742	2,238	
Realized foreign currency translation loss	5,351	419		4,148	14,114	
Unrealized foreign currency loss from U.S. operations	(2,279)	(1,454)		(1,808)	(9,148)	
Unit-based compensation expense	(302)	(403)		(1,142)	(1,262)	
Accretion on liability component of debentures	185	153		529	309	
Amortization of financing costs included in interest	(770)	(748)		(2,315)	(2,248)	
Other long-term employee benefits	(407)	-		(1,204)	-	
Transaction costs on acquisitions	1,248	162		1,615	1,646	
Changes in non-cash operating items	(8,688)	(9,899)		(4,374)	(4,568)	
Incremental leasing costs	442	246		1,430	852	
Preferred unit distributions	(4,638)	(4,423)		(13,753)	(13,201)	
<b>FFO</b>	<b>\$ 55,166</b>	<b>\$ 49,189</b>	<b>12.2 %</b>	<b>\$ 162,442</b>	<b>\$ 143,846</b>	<b>12.9 %</b>
Add (deduct):						
Lease termination income received from tenants	(170)	(21)		(4,320)	(103)	
Non-recurring other income <sup>(1)</sup>	(1,636)	-		(1,636)	-	
Straight-line rent reversals due to lease terminations	-	-		812	-	
<b>FFO after adjustments</b>	<b>\$ 53,360</b>	<b>\$ 49,168</b>	<b>8.5 %</b>	<b>\$ 157,298</b>	<b>\$ 143,743</b>	<b>9.4 %</b>
FFO per unit						
Basic	\$ 0.40	\$ 0.36	11.1 %	\$ 1.18	\$ 1.09	8.3 %
Diluted	0.39	0.35	11.4 %	1.15	1.07	7.5 %
FFO per unit after adjustments						
Basic	\$ 0.39	\$ 0.36	8.3 %	\$ 1.15	\$ 1.09	5.5 %
Diluted	0.38	0.35	8.6 %	1.12	1.07	4.7 %
Weighted-average number of common units outstanding:						
Basic	137,919	135,563		137,275	131,373	
Diluted <sup>(2)</sup>	148,455	146,245		147,785	142,034	

<sup>(1)</sup> Income received from a settlement relating to an access restriction at a previously disposed property.

<sup>(2)</sup> 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 Q3-15, FFO after adjustments has increased due to acquisitions during 2014 and 2015, same property revenue growth and the impact of foreign exchange.

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 months ended September 30,	
	2015	2014
Basic units	137,919	135,563
Add:		
Options <sup>(1)</sup>	-	168
Debentures <sup>(1)</sup>	10,200	10,285
Restricted units <sup>(1)</sup>	329	229
Deferred units <sup>(1)</sup>	7	-
<b>Diluted units</b>	<b>148,455</b>	<b>146,245</b>

**Diluted FFO Reconciliation**

	Three months ended September 30,	
	2015	2014
FFO	\$ 55,166	\$ 49,189
Add:		
Options <sup>(1)</sup>	-	-
Debentures <sup>(1)</sup>	2,834	2,609
Restricted units <sup>(1)</sup>	(174)	(27)
Deferred units <sup>(1)</sup>	(5)	-
<b>Diluted FFO</b>	<b>\$ 57,821</b>	<b>\$ 51,771</b>

<sup>(1)</sup> All convertible debenture series, restricted units and deferred units are dilutive in Q3-15. All in-the-money options, convertible debenture series and restricted units are dilutive in Q3-14.

**Diluted Common Units Reconciliation**

	Nine months ended September 30,	
	2015	2014
Basic units	137,275	131,373
Add:		
Options <sup>(1)</sup>	10	166
Debentures <sup>(1)</sup>	10,200	10,285
Restricted units <sup>(1)</sup>	295	210
Deferred units <sup>(1)</sup>	5	-
<b>Diluted units</b>	<b>147,785</b>	<b>142,034</b>

**Diluted FFO Reconciliation**

	Nine months ended September 30,	
	2015	2014
FFO	\$ 162,442	\$ 143,846
Add:		
Options <sup>(1)</sup>	-	-
Debentures <sup>(1)</sup>	8,242	7,759
Restricted units <sup>(1)</sup>	(277)	4
Deferred units <sup>(1)</sup>	(7)	-
<b>Diluted FFO</b>	<b>\$ 170,400</b>	<b>\$ 151,609</b>

<sup>(1)</sup> 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 (Loss) Income to FFO**

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	% Change	2015	2014	% Change
Net (loss) income	\$ (23,447)	\$ 56,817		\$ 20,196	\$ 141,275	
Add (deduct):						
Tenant inducements amortized to revenue	3,558	2,733		9,923	7,714	
Fair value loss (gain) on investment properties	65,608	(11,725)		120,604	(19,583)	
Foreign currency translation loss	9,913	4,834		16,823	17,595	
Transaction costs on acquisitions	1,248	162		1,615	1,646	
Adjustment for investments in joint ventures	(1,130)	1,405		(366)	2,392	
Unrealized loss (gain) on financial instruments	3,612	(860)		5,970	5,156	
Incremental leasing costs	442	246		1,430	852	
Preferred unit distributions	(4,638)	(4,423)		(13,753)	(13,201)	
<b>FFO</b>	<b>\$ 55,166</b>	<b>\$ 49,189</b>	<b>12.2 %</b>	<b>\$ 162,442</b>	<b>\$ 143,846</b>	<b>12.9 %</b>
Add (deduct):						
Lease termination income received from tenants	(170)	(21)		(4,320)	(103)	
Non-recurring other income <sup>(1)</sup>	(1,636)	-		(1,636)	-	
Straight-line rent reversals due to lease terminations	-	-		812	-	
<b>FFO after adjustments</b>	<b>\$ 53,360</b>	<b>\$ 49,168</b>	<b>8.5 %</b>	<b>\$ 157,298</b>	<b>\$ 143,743</b>	<b>9.4 %</b>

<sup>(1)</sup> Income received from a settlement relating to an access restriction at a previously disposed property.

## 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 months ended			Nine months ended		
	September 30, 2015	September 30, 2014	% Change	September 30, 2015	September 30, 2014	% Change
FFO	\$ 55,166	\$ 49,189		\$ 162,442	\$ 143,846	
Add (deduct):						
Capital expenditures reserve	(1,406)	(1,280)		(4,107)	(3,761)	
Leasing costs reserve	(5,623)	(5,121)		(16,426)	(15,045)	
Straight-line rent adjustments <sup>(1)</sup>	(1,231)	(1,062)		(2,272)	(3,585)	
Unit-based compensation	302	403		1,142	1,262	
<b>AFFO</b>	<b>\$ 47,208</b>	<b>\$ 42,129</b>	<b>12.1 %</b>	<b>\$ 140,779</b>	<b>\$ 122,717</b>	<b>14.7 %</b>
Deduct:						
Lease termination income received from tenants	(170)	(21)		(4,320)	(103)	
Non-recurring other income <sup>(2)</sup>	(1,636)	-		(1,636)	-	
<b>AFFO after adjustments</b>	<b>\$ 45,402</b>	<b>\$ 42,108</b>	<b>7.8 %</b>	<b>\$ 134,823</b>	<b>\$ 122,614</b>	<b>10.0 %</b>
AFFO per unit						
Basic	\$ 0.34	\$ 0.31	9.7 %	\$ 1.03	\$ 0.93	10.8 %
Diluted	0.34	0.31	9.7 %	1.01	0.92	9.8 %
AFFO per unit after adjustments						
Basic	\$ 0.33	\$ 0.31	6.5 %	\$ 0.98	\$ 0.93	5.4 %
Diluted	0.33	0.31	6.5 %	0.97	0.92	5.4 %

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

<sup>(2)</sup> Income received from a settlement relating to an access restriction at a previously disposed property.

In Q3-15, 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

	September 30, 2015	December 31, 2014	Change
Non-current assets:			
Investment properties and investment properties under development	\$ 5,216,276	\$ 5,283,171	\$ (66,895)
Investments in joint ventures	169,133	98,072	71,061
Other non-current assets	19,656	21,644	(1,988)
Current assets:			
Cash, cash equivalents and cash held in trust	76,913	55,780	21,133
Investment properties held for sale	167,879	-	167,879
Other current assets	26,376	20,185	6,191
	<b>\$ 5,676,233</b>	<b>\$ 5,478,852</b>	<b>\$ 197,381</b>

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

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

	Investment properties	Investment properties under development	Investment properties held for sale	Total
Balance, December 31, 2014	\$ 5,201,489	\$ 81,682	\$ -	\$ 5,283,171
Additions:				
Capital expenditures	10,750	16,250	-	27,000
Leasing commissions	6,154	71	-	6,225
Dispositions	(50,371)	-	-	(50,371)
Reclassification of investment properties under development	67,426	(67,426)	-	-
Reclassification of investment property held for sale	(35,218)	-	35,218	-
Foreign currency translation gain	92,790	1,172	-	93,962
Straight-line rent adjustment	910	24	-	934
Tenant inducement additions, net of amortization	1,922	(107)	-	1,815
Fair value loss	(53,737)	(1,259)	-	(54,996)
Balance, June 30, 2015	5,242,115	30,407	35,218	5,307,740
Additions:				
Acquisition	10,149	-	-	10,149
Capital expenditures	9,042	7,456	52	16,550
Leasing commissions	4,050	93	714	4,857
Reclassification of investment properties under development	(2,377)	2,377	-	-
Reclassification of investment properties held for sale	(126,282)	-	126,282	-
Foreign currency translation gain	96,941	1,420	2,609	100,970
Straight-line rent adjustment	957	2	66	1,025
Tenant inducement additions, net of amortization	6,823	(49)	1,698	8,472
Fair value (loss) gain	(66,895)	47	1,240	(65,608)
Balance, September 30, 2015	<b>\$ 5,174,523</b>	<b>\$ 41,753</b>	<b>\$ 167,879</b>	<b>\$ 5,384,155</b>

Acquisitions:

The results of operations for the acquired properties are included in the REIT's accounts from the date of acquisition. Artis funded these acquisitions from cash on hand and from the proceeds of new or assumed mortgage financing. The acquisitions have been accounted for using the acquisition method.

	Three months ended				Nine months ended			
	September 30,		Change	% Change	September 30,		Change	% Change
	2015	2014			2015	2014		
Cash consideration	\$ 10,149	\$ 26,996	\$ (16,847)	(62.4)%	\$ 10,149	\$ 86,273	\$ (76,124)	(88.2)%
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	-	(11)	11	(100.0)%	-	40,224	(40,224)	(100.0)%
<b>Total</b>	<b>\$ 10,149</b>	<b>\$ 26,985</b>	<b>\$ (16,836)</b>	<b>(62.4)%</b>	<b>\$ 10,149</b>	<b>\$ 126,497</b>	<b>\$(116,348)</b>	<b>(92.0)%</b>

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 parking lot and exterior upgrades. Recoverable capital expenditures are recoverable from tenants in future periods.

	Three months ended				Nine months ended			
	September 30,		Change	% Change	September 30,		Change	% Change
	2015	2014			2015	2014		
Revenue enhancing	\$ 7,760	\$ 5,332	\$ 2,428	45.5 %	\$ 26,029	\$ 15,355	\$ 10,674	69.5 %
Recoverable from tenants	3,726	2,885	841	29.2 %	10,767	5,284	5,483	103.8 %
Non-recoverable	5,064	4,558	506	11.1 %	6,754	6,884	(130)	(1.9)%
<b>Total capital expenditures</b>	<b>\$ 16,550</b>	<b>\$ 12,775</b>	<b>\$ 3,775</b>	<b>29.5 %</b>	<b>\$ 43,550</b>	<b>\$ 27,523</b>	<b>\$ 16,027</b>	<b>58.2 %</b>

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. In Q3-15, the REIT paid a tenant inducement of \$3,411 and leasing commission of \$1,200 related to the PMC Sierra, Inc. renewal that commences October 1, 2015 for 12 years.

	Three months ended				Nine months ended			
	September 30,		Change	% Change	September 30,		Change	% Change
	2015	2014			2015	2014		
Tenant inducements	\$ 12,030	\$ 6,029	\$ 6,001	99.5 %	\$ 20,210	\$ 14,124	\$ 6,086	43.1 %
Leasing commissions	4,857	2,297	2,560	111.4 %	11,082	6,120	4,962	81.1 %
<b>Total</b>	<b>\$ 16,887</b>	<b>\$ 8,326</b>	<b>\$ 8,561</b>	<b>102.8 %</b>	<b>\$ 31,292</b>	<b>\$ 20,244</b>	<b>\$ 11,048</b>	<b>54.6 %</b>

Investment properties held for sale:

At September 30, 2015, the REIT had four office properties with a fair value of \$167,879 classified as held for sale. These properties were listed for sale with an external broker.

Foreign currency translation gain:

In Q3-15, the foreign currency translation gain on investment properties was \$100,970 (YTD - gain of \$194,932) due to the change in the period end US dollar to Canadian dollar exchange rate from 1.2474 at June 30, 2015 to 1.3394 at September 30, 2015.

Fair value (loss) gain on investment properties:

In Q3-15, the REIT recorded a loss on the fair value of investment properties of \$65,608 (YTD - loss of \$120,604), compared to a gain of \$11,725 (YTD - gain of \$19,583) in Q3-14. From December 31, 2014 to September 30, 2015, the REIT reflected approximately four basis points of expansion in the weighted-average capitalization rates across the portfolio. In comparison, from December 31, 2013 to September 30, 2014, the REIT reflected approximately one basis point of compression in the weighted-average capitalization rates across the portfolio.

The fair value loss for Q3-15 is primarily attributed to lowered expected market rents in the Calgary office market driven by oil price volatility as well as capitalization rate expansion in the Calgary downtown office market. Capitalization rate compression in Class A buildings in the Phoenix Metropolitan Area office market as well as capitalization rate compression in the Twin Cities Area industrial segment contributed to the fair value gain in Q3-14.

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.

	September 30, 2015			December 31, 2014		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
U.S.	8.25%	5.75%	6.59%	8.50%	6.00%	6.85%
Canada	7.75%	5.25%	6.35%	8.00%	5.25%	6.19%
Office total	8.25%	5.25%	6.41%	8.50%	5.25%	6.34%
Industrial:						
U.S.	8.00%	6.00%	6.90%	8.00%	6.00%	6.88%
Canada	7.75%	4.50%	6.35%	7.75%	4.50%	6.33%
Industrial total	8.00%	4.50%	6.52%	8.00%	4.50%	6.50%
Retail:						
U.S.	8.75%	6.00%	6.81%	8.75%	6.00%	7.12%
Canada	8.25%	5.50%	6.26%	8.25%	5.50%	6.24%
Retail total	8.75%	5.50%	6.29%	8.75%	5.50%	6.29%
Total:						
U.S. portfolio	8.75%	5.75%	6.71%	8.75%	6.00%	6.88%
Canadian portfolio	8.25%	4.50%	6.32%	8.25%	4.50%	6.23%
Total portfolio	8.75%	4.50%	6.41%	8.75%	4.50%	6.37%

**Investments in Joint Ventures**

At September 30, 2015, the REIT had \$169,133 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 in Q1-15 and the Graham Portfolio in Q3-15.

**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 September 30, 2015 is \$18,939 compared to \$20,748 at December 31, 2014.

## Cash and Cash Equivalents

At September 30, 2015, the REIT had \$70,571 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

	September 30, 2015	December 31, 2014	Change
Non-current liabilities:			
Mortgages and loans payable	\$ 1,691,306	\$ 1,868,857	\$ (177,551)
Senior unsecured debentures	199,604	199,527	77
Convertible debentures	205,291	189,573	15,718
Other non-current liabilities	2,401	1,144	1,257
Current liabilities:			
Current portion of mortgages and loans payable	514,663	393,197	121,466
Other current liabilities	117,046	97,249	19,797
Bank indebtedness	175,073	300	174,773
	\$ 2,905,384	\$ 2,749,847	\$ 155,537

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 September 30, 2015 was 38.8%, decreased from 41.3% at December 31, 2014.

	September 30, 2015	December 31, 2014	Change
GBV	\$ 5,678,584	\$ 5,480,644	\$ 197,940
Secured mortgages and loans	2,205,969	2,262,054	(56,085)
Secured mortgages and loans to GBV	38.8 %	41.3 %	(2.5)%
Preferred shares liability	\$ 353	\$ 300	\$ 53
Carrying value of debentures	404,895	389,100	15,795
Bank indebtedness	175,073	300	174,773
Total long-term debt and bank indebtedness	\$ 2,786,290	\$ 2,651,754	\$ 134,536
Total long-term debt and bank indebtedness to GBV	49.1 %	48.4 %	0.7 %

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 2.7 times at September 30, 2015, compared to 3.3 at December 31, 2014.

	September 30, 2015	December 31, 2014	Change
Unencumbered assets <sup>(1)</sup>	\$ 1,004,413	\$ 664,792	\$ 339,621
Senior unsecured debentures	199,604	199,527	77
Unsecured credit facilities	175,073	-	175,073
Total unsecured debt	\$ 374,677	\$ 199,527	\$ 175,150
Unencumbered assets to unsecured debt	2.7	3.3	(0.6)

<sup>(1)</sup> 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 Q3-15, \$14,849 (YTD - \$44,728) of principal repayments were made compared to \$14,519 (YTD - \$43,805) in Q3-14.

In Q3-15, Artis refinanced two maturing mortgages and obtained new mortgage financing on one previously unencumbered property, net of financing costs, for a total of \$12,407. The weighted-average interest rate on these three mortgages was 2.33% and the weighted-average term to maturity was 5.0 years.

The weighted-average term to maturity on all mortgages and loans payable at September 30, 2015 was 3.6 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 September 30, 2015, the REIT is a party to \$321,585 of unhedged variable rate mortgage debt compared to \$242,582 at December 31, 2014. This increase is primarily due to the renewal of a previously hedged mortgage in the amount of \$34,007 that now bears interest at a variable rate, the maturity of a swap on a previously hedged mortgage of \$15,039 and the effect of foreign exchange of \$34,790, which is partially offset by principal repayments during the period of \$4,833. The unhedged variable rate mortgage debt is 11.5% of total debt at September 30, 2015 compared to 9.1% at December 31, 2014.

## Senior Unsecured Debentures

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

	September 30, 2015				December 31, 2014			
	Issued	Maturity	Interest rate	Carrying value	Face value	Carrying value	Face value	
Series A	27-Mar-14 10-Sept-14	27-Mar-19	3.753%	\$ 199,604	\$ 200,000	\$ 199,527	\$ 200,000	

## Convertible Debentures

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

	September 30, 2015				December 31, 2014			
	Issued	Maturity	Interest rate	Carrying value	Face value	Carrying value	Face value	
Series F	22-Apr-10	30-June-20	6.00%	\$ 85,297	\$ 86,170	\$ 85,180	\$ 86,170	
Series G	21-Apr-11	30-June-18	5.75%	119,994	117,867	104,393	102,089	
				\$ 205,291	\$ 204,037	\$ 189,573	\$ 188,259	

The carrying value of convertible debentures has increased by \$15,718 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 \$13,106, of which \$12,443 was subsequently paid on October 15, 2015 and the remainder was paid on October 30, 2015. At September 30, 2015, there was \$175,073 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 \$41,844 between December 31, 2014 and September 30, 2015. The increase was primarily due to an unrealized foreign currency translation gain included in other comprehensive income of \$120,305, net income for the period of \$20,196 and the issuance of units for \$26,469. This increase was partially offset by distributions made to unitholders of \$125,333.

## LIQUIDITY AND CAPITAL RESOURCES

In Q3-15, Artis generated \$62,497 (YTD - \$173,045) of cash flows from operating activities. Cash flows from operations assisted in funding distributions to unitholders of \$41,772 (YTD - \$125,155). Cash of \$14,849 (YTD - \$44,728) was used for principal repayments on mortgages and loans.

Cash of \$33,437 (YTD - \$74,842) was used for capital building improvements, tenant inducements and leasing commissions in Q3-15.

At September 30, 2015, Artis had \$70,571 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 \$300,000, 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 September 30, 2015, the REIT had \$175,073 drawn on the facilities.

At September 30, 2015, the REIT has 52 unencumbered properties and 7 unencumbered parcels of development land, representing a fair value of \$1,004,413.

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 September 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	\$ 175,073	\$ 175,073	\$ -	\$ -	\$ -
Accounts payable and other liabilities <sup>(1)</sup>	88,476	88,476	-	-	-
Convertible debentures <sup>(2)</sup>	204,037	-	117,867	86,170	-
Senior unsecured debentures <sup>(2)</sup>	200,000	-	-	200,000	-
Mortgages and loans payable <sup>(1)</sup>	2,342,357	535,200	859,584	377,696	569,877
<b>Total</b>	<b>\$ 3,009,943</b>	<b>\$ 798,749</b>	<b>\$ 977,451</b>	<b>\$ 663,866</b>	<b>\$ 569,877</b>

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

<sup>(2)</sup> 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	\$ 146,680	7.2 %	\$ 15,504	\$ 162,184	4.08 %
2016	407,882	20.0 %	54,568	462,450	3.72 %
2017	547,255	26.8 %	42,488	589,743	4.21 %
2018	166,065	8.1 %	31,401	197,466	3.63 %
2019	153,672	7.5 %	29,609	183,281	3.27 %
2020 & later	619,559	30.4 %	127,674	747,233	3.37 %
Total	\$ 2,041,113	100.0 %	\$ 301,244	\$ 2,342,357	3.81 %
Weighted-average term to maturity in years					3.8

## SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13
Revenue	\$ 135,150	\$ 131,337	\$ 132,258	\$ 131,584	\$ 125,425	\$ 119,896	\$ 123,653	\$ 122,870
Property operating expenses	51,856	47,527	49,159	51,789	46,776	42,827	46,318	47,850
Net operating income	83,294	83,810	83,099	79,795	78,649	77,069	77,335	75,020
Other income (expenses):								
Corporate expenses	(2,728)	(2,831)	(2,862)	(2,682)	(2,467)	(2,582)	(2,530)	(2,704)
Interest expense	(27,517)	(27,478)	(27,896)	(27,668)	(26,946)	(27,342)	(26,590)	(26,443)
Interest income	335	335	363	442	464	521	391	412
Net income (loss) from investments in joint ventures	3,550	2,358	(624)	(4,104)	(472)	(165)	754	5,581
Fair value (loss) gain on investment properties	(65,608)	(6,430)	(48,566)	19,248	11,725	18,565	(10,707)	(56,588)
Foreign currency translation (loss) gain	(9,913)	3,637	(10,547)	(4,295)	(4,834)	(8,406)	(4,355)	(2,915)
Transaction costs	(1,248)	68	(435)	(844)	(162)	(1,396)	(88)	(314)
(Loss) gain on financial instruments	(3,612)	3,271	(5,629)	(3,281)	860	(2,792)	(3,224)	1,249
Net (loss) income	(23,447)	56,740	(13,097)	56,611	56,817	53,472	30,986	(6,702)
Other comprehensive income (loss):								
Unrealized foreign currency translation gain (loss)	65,038	(14,853)	70,119	25,466	32,513	(9,637)	18,502	14,563
Unrealized gain (loss) from remeasurements of net pension obligation	-	43	(42)	-	-	-	-	-
Comprehensive income	\$ 41,591	\$ 41,930	\$ 56,980	\$ 82,077	\$ 89,330	\$ 43,835	\$ 49,488	\$ 7,861
Net (loss) income per unit attributable to common unitholders:								
Basic	\$ (0.20)	\$ 0.38	\$ (0.13)	\$ 0.38	\$ 0.39	\$ 0.37	\$ 0.21	\$ (0.09)
Diluted	(0.20)	0.37	(0.13)	0.37	0.38	0.36	0.21	(0.09)
Secured mortgages and loans to GBV	38.8 %	39.0 %	40.6 %	41.3 %	41.4 %	42.8 %	44.1 %	45.4 %

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 (loss) income and per unit amounts are also impacted by the fair value gains and losses on investment properties.

## Reconciliation of GAAP Net (Loss) Income to FFO

000's, except per unit amounts	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13
Net (loss) income	\$ (23,447)	\$ 56,740	\$ (13,097)	\$ 56,611	\$ 56,817	\$ 53,472	\$ 30,986	\$ (6,702)
Add (deduct):								
Tenant inducements amortized into revenue	3,558	3,349	3,016	2,698	2,733	2,535	2,446	2,919
Fair value loss (gain) on investment properties	65,608	6,430	48,566	(19,248)	(11,725)	(18,565)	10,707	56,588
Foreign currency translation loss (gain)	9,913	(3,637)	10,547	4,295	4,834	8,406	4,355	2,915
Transaction costs on acquisitions	1,248	(68)	435	844	162	1,396	88	314
Adjustment for investments in joint ventures	(1,130)	(1,062)	1,826	5,123	1,405	1,085	(98)	(5,015)
Unrealized loss (gain) on financial instruments	3,612	(3,271)	5,629	3,281	(860)	2,792	3,224	(1,249)
Incremental leasing costs	442	544	444	472	246	275	331	-
Preferred unit distributions	(4,638)	(4,547)	(4,568)	(4,461)	(4,423)	(4,370)	(4,408)	(4,366)
<b>FFO</b>	<b>\$ 55,166</b>	<b>\$ 54,478</b>	<b>\$ 52,798</b>	<b>\$ 49,615</b>	<b>\$ 49,189</b>	<b>\$ 47,026</b>	<b>\$ 47,631</b>	<b>\$ 45,404</b>
Add (deduct):								
Lease termination income received from tenants	(170)	(3,340)	(810)	(73)	(21)	(82)	-	(219)
Non-recurring other income <sup>(1)</sup>	(1,636)	-	-	-	-	-	-	-
Straight-line rent reversals due to lease terminations	-	812	-	-	-	-	-	-
<b>FFO after adjustments</b>	<b>\$ 53,360</b>	<b>\$ 51,950</b>	<b>\$ 51,988</b>	<b>\$ 49,542</b>	<b>\$ 49,168</b>	<b>\$ 46,944</b>	<b>\$ 47,631</b>	<b>\$ 45,185</b>
FFO per unit								
Basic	\$ 0.40	\$ 0.40	\$ 0.39	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.37	\$ 0.36
Diluted	0.39	0.39	0.38	0.36	0.35	0.35	0.36	0.35
FFO per unit after adjustments								
Basic	\$ 0.39	\$ 0.38	\$ 0.38	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.37	\$ 0.36
Diluted	0.38	0.37	0.37	0.36	0.35	0.35	0.36	0.35
Weighted-average number of common units outstanding:								
Basic	137,919	137,275	136,618	136,055	135,563	131,098	127,369	126,728
Diluted <sup>(2)</sup>	148,455	147,799	147,192	146,600	146,245	141,773	138,034	137,322

<sup>(1)</sup> Income received from a settlement relating to an access restriction at a previously disposed property.

<sup>(2)</sup> Options, convertible debentures, restricted units and deferred units are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

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

## Reconciliation of FFO to AFFO

000's, except per unit amounts	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13
FFO after adjustments	\$ 53,360	\$ 51,950	\$ 51,988	\$ 49,542	\$ 49,168	\$ 46,944	\$ 47,631	\$ 45,185
Add (deduct):								
Capital expenditures reserve	(1,406)	(1,350)	(1,351)	(1,344)	(1,280)	(1,225)	(1,256)	(1,247)
Leasing costs reserve	(5,623)	(5,399)	(5,404)	(5,373)	(5,121)	(4,901)	(5,023)	(4,987)
Straight-line rent adjustments <sup>(1)</sup>	(1,231)	(905)	(948)	(1,232)	(1,062)	(1,165)	(1,358)	(1,200)
Unit-based compensation	302	298	542	378	403	386	473	489
AFFO after adjustments	\$ 45,402	\$ 44,594	\$ 44,827	\$ 41,971	\$ 42,108	\$ 40,039	\$ 40,467	\$ 38,240
AFFO per unit after adjustments								
Basic	\$ 0.33	\$ 0.32	\$ 0.33	\$ 0.31	\$ 0.31	\$ 0.31	\$ 0.32	\$ 0.30
Diluted	0.33	0.32	0.32	0.31	0.31	0.30	0.31	0.30
Weighted-average number of common units outstanding:								
Basic	137,919	137,275	136,618	136,055	135,563	131,098	127,369	126,728
Diluted <sup>(2)</sup>	148,119	147,475	146,819	146,256	145,848	141,383	137,654	137,154

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

<sup>(2)</sup> Convertible debentures are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

Adjusted AFFO and per unit results are impacted by acquisition and disposition activity and foreign exchange during the period.

## RELATED PARTY TRANSACTIONS

	Three months ended		Nine months ended	
	2015	September 30, 2014	2015	September 30, 2014
Property management fees	\$ 82	\$ 84	\$ 246	\$ 249
Capitalized leasing commissions	8	8	88	79
Capitalized project management fees	-	4	-	14
Capitalized building improvements	1,122	2,918	6,151	4,842
Capitalized development projects	4,064	3,559	8,886	9,192
Capitalized office furniture and fixtures	134	343	340	414
Capitalized tenant inducements	669	167	764	497
Property tax assessment consulting fees	900	29	1,276	366
Rental revenues	(71)	(42)	(155)	(126)

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 September 30, 2015 is \$28 (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 September 30, 2015 is \$2,654 (December 31, 2014, \$3,253).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction. The amount payable at September 30, 2015 is \$27 (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 September 30, 2015 is \$852 (December 31, 2014, \$nil).

The REIT collects office rents from Marwest Management and Fairtax Realty Advocates.

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 November 5, 2015 is as follows:

Units outstanding at September 30, 2015	138,258,274
Units issued (DRIP)	<u>192,162</u>
Units outstanding at November 5, 2015	<u>138,450,436</u>

The balance of options outstanding as of November 5, 2015 is as follows:

	Options outstanding	Options exercisable
\$14.10 options, issued June 17, 2011	814,500	814,500
\$16.36 options, issued April 13, 2012	<u>1,508,000</u>	<u>1,131,375</u>
	<u>2,322,500</u>	<u>1,945,875</u>

The balance of restricted units outstanding as of November 5, 2015 is 331,373. None of these restricted units have vested.

The balance of deferred units outstanding as of November 5, 2015 is 12,356. All of these deferred units have vested, but are not yet redeemable.

As of November 5, 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 in western Canada, as well as in the Greater Toronto Area (Ontario) and select markets in the U.S.

Scotiabank Global Forecast Update dated September 30, 2015 predicts that real GDP in Canada will grow 1.0% in 2015. Forecasted GDP growth in 2015 for British Columbia, Manitoba and Ontario is forecasted to be 1.9%, 1.9% and 2.0% respectively, which are well above the Canadian average. In 2016, GDP growth for these provinces is forecasted to be 2.2% in British Columbia, 2.1% in Manitoba and 2.3% in Ontario, well above the 2016 national forecast of 1.7%. GDP growth forecasted for Saskatchewan is 0.1% in 2015, while GDP for Alberta is forecasted to experience a decline of 1.5%. 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.

Scotiabank Global Forecast Update further forecasts that U.S. Real GDP will grow 2.5% in 2015 and 2.6% in 2016. 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 U.S. target markets (according to the United States Department of Labor), and decreased nationally from 5.9% to 5.1% 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 and 2016.

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 and into 2016. 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. 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. The Calgary office market, according to the CBRE Q3 2015 Canadian Cap Rate Survey showed a modest increase in capitalization rates, while other commercial real estate asset classes in Calgary remained stable or experienced a slight decline. Looking ahead, management expects that if the downturn in the commodity cycle continues, there may be some further capitalization rate expansion in related markets. 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 2016, 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 redevelopment 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 September 30, 2015, Artis had \$70,571 of cash and cash equivalents on hand and \$124,927 available on its revolving term credit facilities. Subsequent to September 30, 2015, the following transactions took place:

- The REIT drew \$47,000 on its revolving term credit facility and repaid US\$12,000.
- The REIT repaid six maturing mortgages in the amount of \$47,821.
- The REIT disposed of 605 Waterford, an office property located in the Twin Cities Area, Minnesota. The property was sold for US\$31,500.
- The REIT acquired Canadian Pacific Plaza, an office property located in the Twin Cities Area, Minnesota. The purchase price was US\$68,550 and was satisfied with cash on hand and assumed eight-year mortgage financing, bearing an effective interest rate of 3.39% per annum.
- The REIT disposed of Willingdon Green, an office property located in the Greater Vancouver Regional District, British Columbia. The property was sold for \$16,685.
- The REIT entered into an agreement with respect to the disposition of a retail property located in Alberta. The sale price of this property is \$2,700. The REIT anticipates that the disposition will close in November 2015.
- The REIT declared a monthly cash distribution of \$0.09 per unit for the month of October 2015.
- The REIT declared a quarterly cash distribution of \$0.3125 per Series G preferred unit for the quarter ending October 31, 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. 68.5% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 17.0% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At September 30, 2015, the REIT is a party to \$871,825 of variable rate debt, including bank indebtedness (December 31, 2014, \$637,842). At September 30, 2015, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$375,167 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 38.8%, down from 41.3% at December 31, 2014. The REIT's ratio of total long-term debt and bank indebtedness to GBV was 49.1%, compared to 48.4% at December 31, 2014. Approximately 7.2% 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 20.0% 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 2,196 tenant leases with a weighted-average term to maturity of 4.2 years. Approximately 60.1% 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 Graham Group Ltd., a construction solutions provider with revenues exceeding \$2 billion annually. Graham Group Ltd. provides general contracting, design-build, construction management and public-private partnership (P3) services in the commercial, industrial, infrastructure, earthworks and masonry sectors, and has offices throughout North America with over 1,300 employees.



**Top Twenty Tenants by Gross Revenue <sup>(1)</sup>**

Tenant	% of Total Gross Revenue <sup>(2)</sup>	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 %	7.4
Graham Group Ltd.	1.5 %	243	1.0 %	18.8
DirecTV, LLC	1.3 %	257	1.0 %	9.8
Stantec Consulting, Ltd.	1.1 %	129	0.5 %	7.8
Shoppers Drug Mart	1.0 %	164	0.6 %	7.6
Bellatrix Exploration Ltd.	1.0 %	94	0.4 %	8.3
TransAlta Corporation	1.0 %	336	1.3 %	7.7
Telvent Canada Ltd.	1.0 %	98	0.4 %	7.9
TD Canada Trust	0.9 %	134	0.5 %	4.8
CB Richard Ellis, Inc.	0.9 %	119	0.5 %	3.0
Home Depot	0.9 %	163	0.6 %	6.8
IHS Global Canada Ltd.	0.9 %	78	0.3 %	3.3
Canada Institute for Health Info.	0.8 %	92	0.4 %	9.9
Sobeys	0.8 %	198	0.8 %	4.4
Fairview Health Services	0.7 %	179	0.7 %	7.9
PMC Sierra, Inc.	0.7 %	134	0.5 %	12.0
Birchcliff Energy	0.7 %	59	0.2 %	2.2
3M Canada Company	0.7 %	319	1.3 %	4.5
Bell Canada	0.7 %	80	0.3 %	0.9
Cara Operations Limited	0.7 %	100	0.4 %	13.3
<b>Total</b>	<b>19.2%</b>	<b>3,298</b>	<b>12.9%</b>	<b>7.9</b>

<sup>(1)</sup> Excluding properties held for redevelopment.

<sup>(2)</sup> Total gross revenue is in Canadian and US dollars.

**Government Tenants by Gross Revenue <sup>(1)</sup>**

Tenant	% of Total Gross Revenue <sup>(2)</sup>	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 %	7.1
Provincial Government	2.9 %	465	1.9 %	3.4
Civic or Municipal Government	0.5 %	131	0.5 %	11.7
<b>Total</b>	<b>6.8 %</b>	<b>1,135</b>	<b>4.5 %</b>	<b>6.1</b>

Weighted-average term to maturity (entire portfolio)

4.2

<sup>(1)</sup> Excluding properties held for redevelopment.

<sup>(2)</sup> Total gross revenue is in Canadian and US dollars.

## LEASE ROLLOVER RISK

The value of investment properties and the stability of cash flows derived from those properties is dependent upon the level of occupancy and lease rates in those properties. Upon expiry of any lease, there is no assurance that a lease will be renewed on favourable terms, or at all; nor is there any assurance that a tenant can be replaced. A contraction in the Canadian or U.S. economy would negatively impact demand for space in 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	1.1 %	0.2 %	1.3 %	0.1 %	0.9 %	0.5%	1.4 %	0.1 %	5.1 %
2016	3.8 %	1.0 %	1.8 %	0.3 %	2.7 %	1.2%	5.0 %	0.2 %	14.8 %
2017	2.1 %	0.7 %	2.0 %	1.3 %	2.5 %	1.0%	3.2 %	1.2 %	13.0 %
2018	2.8 %	0.4 %	2.2 %	0.7 %	0.8 %	1.1%	2.4 %	0.6 %	9.9 %
2019	2.9 %	0.9 %	0.7 %	0.3 %	1.7 %	0.8%	2.1 %	0.9 %	9.5 %
2020	1.9 %	0.4 %	1.0 %	0.1 %	2.0 %	0.2%	2.1 %	0.7 %	8.2 %
2021 & later	8.3 %	2.3 %	3.8 %	2.4 %	2.9 %	3.5%	5.9 %	3.6 %	29.2 %
Month-to-month	0.2 %	0.1 %	0.1 %	0.1 %	0.3 %	0.1%	0.0 %	0.0 %	0.8 %
Vacant	2.4 %	0.3 %	1.4 %	0.3 %	1.0 %	1.3%	1.3 %	0.1 %	6.8 %
New development/ redevelopment	0.0 %	0.0 %	0.7 %	0.0 %	0.0 %	0.0%	1.2 %	0.8 %	2.7 %
<b>Total</b>	<b>25.5 %</b>	<b>6.3 %</b>	<b>15.0 %</b>	<b>5.6 %</b>	<b>14.8 %</b>	<b>9.7%</b>	<b>24.6 %</b>	<b>8.2 %</b>	<b>100.0 %</b>

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the office, retail and industrial asset classes. By city and asset class, the five largest segments of the REIT's portfolio (by Property NOI) are Calgary office, Twin Cities Area industrial, Phoenix Metropolitan Area office, Winnipeg office and Twin Cities Area office.

## 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 nine months ended September 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 September 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 September 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 nine months ended September 30, 2015.