



Management's Discussion and Analysis Q2-16

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

Management's Discussion and Analysis - Q2-16

(In thousands of Canadian dollars, unless otherwise noted)

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Artis Real Estate Investment Trust should be read in conjunction with the REIT's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2016 and 2015, the audited annual consolidated financial statements for the years ended December 31, 2015 and 2014, and the notes thereto. Except where otherwise noted, "Artis", the "REIT", "we", "us" and "our" refers to Artis Real Estate Investment Trust and its consolidated operations. This MD&A has been prepared taking into account material transactions and events up to and including August 4, 2016. Additional information about Artis, including the REIT's most recent Annual Information Form, has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com or on our website at www.artisreit.com.

The REIT has properties included in its investment in joint ventures accounted for using the equity method. This MD&A is prepared including Artis' ownership of all its properties on a proportionate share basis ("Proportionate Share"). Management is of the view that presentation on a proportionate share basis is representative of Artis' performance, financial position and other operating metrics. Artis provides a reconciliation to its consolidated financial statements in the Analysis of Operating Results and Analysis of Financial Position sections of this MD&A. All figures presented are on a proportionate share basis except where otherwise noted. Refer to the Proportionate Share commentary under the Notice with Respect to Non-GAAP Measures below.

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 WITH RESPECT TO NON-GAAP MEASURES

Property Net Operating Income ("Property NOI"), Gross Book Value ("GBV"), Funds from Operations ("FFO"), Adjusted Funds from Operations ("AFFO") and Proportionate Share 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 less property operating expenses such as utilities, repairs and maintenance and realty taxes. 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 GBV based on the consolidated net book value of the consolidated assets of the REIT, adding back the amount of accumulated depreciation of property and equipment.

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.

Artis accounts for its joint ventures using the equity method in its consolidated financial statements in accordance with IFRS. Proportionate Share includes Artis' interest in joint ventures based on its percentage of ownership in addition to the amounts per its consolidated financial statements.

Property NOI, GBV, FFO, AFFO and Proportionate Share are not measures defined under IFRS. Property NOI, GBV, FFO and AFFO and Proportionate Share 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, GBV, FFO, AFFO and Proportionate Share as calculated by Artis may not be comparable to similar measures presented by other issuers.

TABLE OF CONTENTS

OVERVIEW	3
Primary Objective	3
Second Quarter Overview	3
Portfolio Summary	5
2016 - SECOND QUARTER HIGHLIGHTS	8
Portfolio Growth	8
Financing Activities	9
Distributions	9
SELECTED FINANCIAL INFORMATION	10
ANALYSIS OF OPERATING RESULTS	11
Revenue and Property NOI	13
Same Property NOI Analysis	13
Property NOI by Asset Class	15
Property NOI by Geographical Region	15
Portfolio Occupancy	16
Portfolio Leasing Activity and Lease Expiries	17
Corporate Expenses	25
Interest Expense	25
Fair Value Loss on Investment Properties	26
Foreign Currency Translation (Loss) Gain	26
Transaction Costs	26
Gain (Loss) on Financial Instruments	26
Other Comprehensive Income (Loss)	26
Income Tax	26
Funds from Operations	27
Adjusted Funds from Operations	29
ANALYSIS OF FINANCIAL POSITION	30
Assets	31
Liabilities	34
Unitholders' Equity	36
LIQUIDITY AND CAPITAL RESOURCES	36
Distributions	36
Capital Resources	36
Contractual Obligations	37
SUMMARIZED QUARTERLY INFORMATION	38
RELATED PARTY TRANSACTIONS	40
OUTSTANDING UNIT DATA	41
OUTLOOK	41
Subsequent Events	42
RISKS AND UNCERTAINTIES	43
Real Estate Ownership	43
Interest Rate and Debt Financing	43
Credit Risk and Tenant Concentration	43
Lease Rollover Risk	44
Tax Risk	45
Foreign Currency Risk	45
Other Risks	45
CRITICAL ACCOUNTING ESTIMATES	46
CHANGES IN ACCOUNTING POLICIES	46
CONTROLS AND PROCEDURES	46
Internal Controls over Financial Reporting	46
Disclosure Controls and Procedures	47

OVERVIEW

Artis is one of the largest diversified commercial real estate investment trusts in Canada and is an unincorporated closed-end real estate investment trust, created under, and governed by, the laws of the Province of Manitoba. The REIT was created pursuant to the Declaration of Trust dated November 8, 2004, as most recently amended and restated on August 2, 2012 (the "Declaration of Trust").

Certain of the REIT's securities are listed on the Toronto Stock Exchange (the "TSX"). The REIT's trust units ("units") trade under the symbol AX.UN, the REIT's preferred units trade under the symbols AX.PR.A, AX.PR.U, AX.PR.E, AX.PR.G and the REIT's Series F and Series G convertible debentures trade under the symbols AX.DB.F and AX.DB.U, respectively. As at August 4, 2016, there were 149,108,120 units, 1,476,000 options, 13,650,000 preferred units, 417,953 restricted units, and 34,941 deferred units of Artis outstanding (refer to the Outstanding Unit Data section for further details).

PRIMARY OBJECTIVE

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

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

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

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

SECOND QUARTER OVERVIEW

During the second quarter, we announced the acquisition of Madison Lifestyle Office Portfolio, comprising 16 Class A office properties in Madison, Wisconsin. Madison, the capital of Wisconsin, is a thriving secondary U.S. market, and is home to the largest university in the state, the University of Wisconsin-Madison. The properties range from one to 12 storeys in height and 30,000 to 360,000 square feet in size, totaling 1.7 million square feet of leasable area and an additional 8.3 acres of excess land. The acquisition of 14 of the properties closed on June 13, 2016, while the acquisition of the remaining two properties closed subsequent to the quarter, on August 1, 2016. Also during the second quarter, we disposed of three non-core assets, including two retail properties in British Columbia and one industrial property in Minnesota, and subsequent to the quarter entered into agreements to sell two retail properties in Alberta, one retail property in British Columbia and one industrial property in Minnesota. Madison Lifestyle Office Portfolio was acquired at a capitalization rate of 7.75%, while the weighted-average capitalization rate of the dispositions completed in the quarter is 6.61% (excluding the vacant property sold to an owner-occupier), which demonstrates the success of our capital recycling strategy. These transactions, which are expected to be accretive to FFO per unit and AFFO per unit, improve the quality and diversity of our real estate portfolio.

The acquisition of Madison Lifestyle Office Portfolio was partially financed by an equity offering pursuant to which 8,712,400 units were issued at a price of \$13.20 per unit for gross proceeds of \$115,004. Also during the quarter, we announced our intention to redeem all of the outstanding Series F convertible debentures which, at the time of the announcement, had an aggregate principal amount of \$86,170. The redemption was effective as of July 25, 2016.

The Alberta economy continues to be affected by low oil prices and the impact of the wildfires in Fort McMurray. Our eight retail properties in Fort McMurray sustained minimal (if any) damage resulting from the recent wildfires, and all tenants that were impacted have appropriate insurance coverage in place. Our property managers continue to work diligently with tenants and insurance providers to ensure the claims are handled properly and efficiently. As of August 4, 2016, 46 of our 52 tenants in Fort McMurray have re-opened for business. With respect to the economy in Alberta, Scotiabank's Global Outlook dated July 6, 2016, forecasts that real gross domestic product ("GDP") for the province will decline by 1.7% in 2016, following a 4.0% decline in 2015, and unemployment rates could climb to 7.8% this year. This economic downturn has had the biggest impact on our Calgary office properties, and we expect this to continue to be a challenge for us until commodity prices increase and stabilize. In the meantime we continue to closely monitor our Calgary office properties and Alberta portfolio in general, and are focused on minimizing risk and proactive new leasing and tenant retention initiatives.

Our U.S. assets, which account for 29.8% of Q2-16 Property NOI, continue to show strong performance. Due to the strength of our U.S. markets and the success of these assets, the Board of Trustees increased the target U.S. weighting to 40.0% of total Property NOI, to be met over time through disciplined expansion that will include both property acquisitions and new developments.

During the quarter, we increased our unsecured revolving credit facilities to an aggregate amount of \$500,000. The credit facilities provide us with access to a flexible source of capital at a low interest rate.

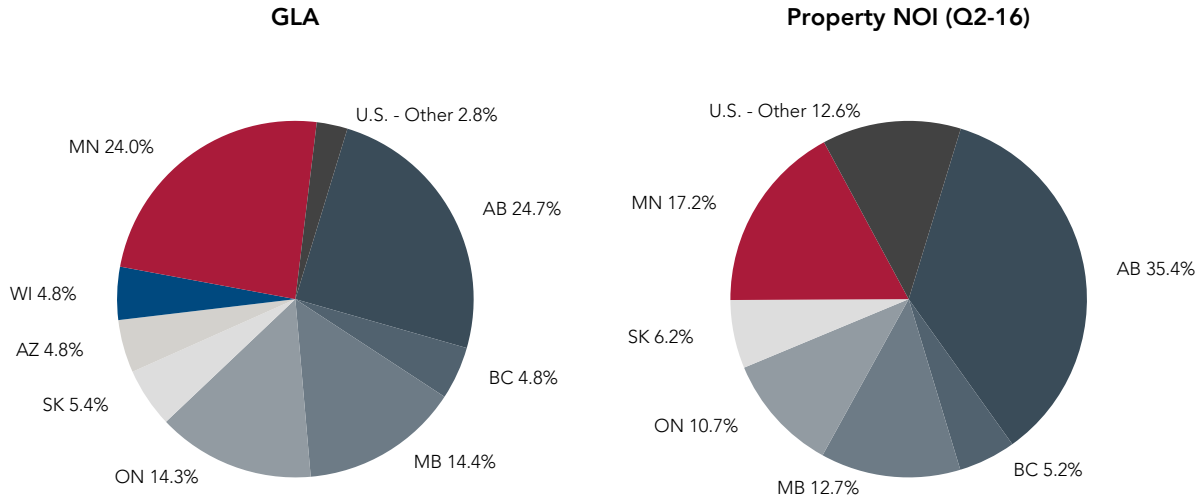
Corporate Sustainability Progress

Corporate sustainability remains a high priority for Artis. We are committed to improving the energy efficiency of our properties and reducing our environmental footprint. We have made significant progress with respect to sustainability and, as of June 30, 2016, have 21 properties with a LEED certification, 49 properties with a Building Owners and Managers Association (BOMA) Building Environmental Standards (BEST) certification, and 22 properties with an Energy Star certification. Corporate sustainability will continue to be a high priority for Artis in the future.

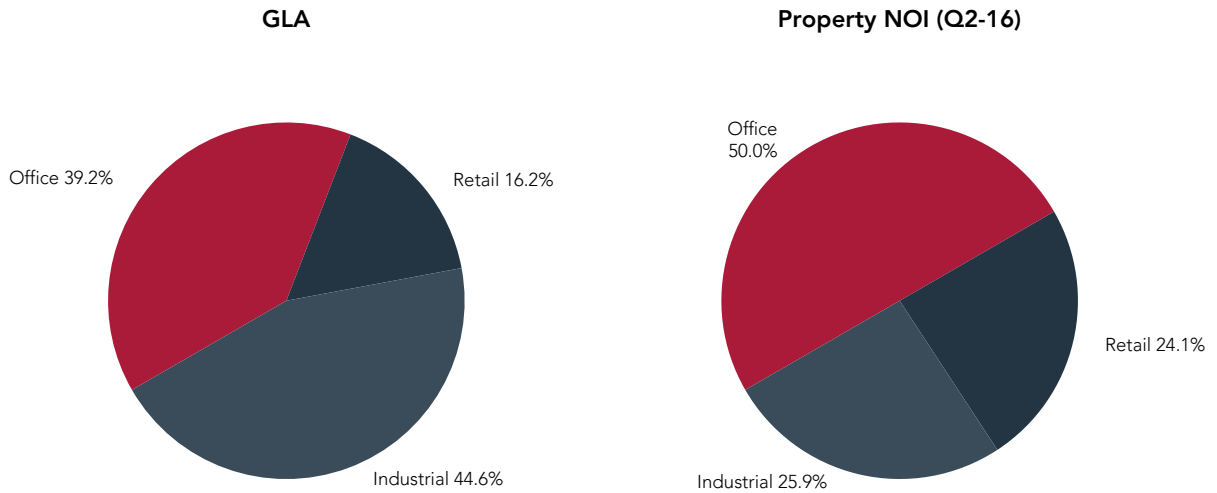
PORTFOLIO SUMMARY

At June 30, 2016, the REIT's portfolio comprised 263 commercial properties totaling approximately 27.1 million square feet ("S.F.") of gross leasable area ("GLA").

Diversification by Geographical Region



Diversification by Asset Class



Portfolio by Asset Class as at June 30, 2016 (in 000's of S.F.)⁽¹⁾

Asset class	City	Province / State	Property count	Owned share of GLA	% of portfolio GLA	% Occupied	% Committed ⁽²⁾
Canadian portfolio:							
Office	Calgary	AB	20	2,538	9.4%	86.9%	88.6%
	Greater Edmonton Area	AB	1	48	0.2%	91.7%	91.7%
	Greater Toronto Area	ON	7	1,085	4.0%	84.7%	84.7%
	Greater Vancouver Area	BC	3	462	1.7%	89.6%	90.3%
	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	0.5%	76.4%	78.4%
	Saskatoon	SK	1	64	0.2%	100.0%	100.0%
	Winnipeg	MB	10	1,517	5.6%	88.4%	89.8%
Office total			47	6,217	23.0%	87.7%	88.9%
Retail	Calgary	AB	7	531	2.0%	94.9%	95.8%
	Edson	AB	1	20	0.1%	100.0%	100.0%
	Estevan	SK	2	174	0.6%	90.8%	90.8%
	Fort McMurray	AB	8	194	0.7%	100.0%	100.0%
	Grande Prairie	AB	5	362	1.3%	90.4%	98.4%
	Greater Edmonton Area	AB	6	507	1.9%	98.5%	98.5%
	Greater Vancouver Area	BC	1	165	0.6%	94.8%	97.6%
	Lethbridge	AB	1	53	0.2%	100.0%	100.0%
	Medicine Hat	AB	1	162	0.6%	100.0%	100.0%
	Nanaimo	BC	3	74	0.3%	52.4%	52.4%
	Regina	SK	8	533	2.0%	96.2%	96.5%
	Saskatoon	SK	3	219	0.8%	100.0%	100.0%
	Westbank / West Kelowna	BC	3	433	1.6%	97.5%	97.5%
	Winnipeg	MB	6	649	2.4%	96.2%	97.4%
Retail total			55	4,076	15.1%	95.5%	96.6%
Industrial	Airdrie	AB	1	28	0.1%	79.7%	79.7%
	Calgary	AB	9	670	2.5%	91.9%	91.9%
	Greater Edmonton Area	AB	11	1,282	4.7%	97.2%	97.2%
	Greater Toronto Area	ON	30	2,503	9.2%	95.4%	96.8%
	Greater Vancouver Area	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	327	1.2%	100.0%	100.0%
	Winnipeg	MB	28	1,660	6.1%	96.2%	96.9%
Industrial total			89	6,837	25.2%	96.0%	96.7%
Total Canadian portfolio			191	17,130	63.3%	92.9%	93.8%
U.S. portfolio:							
Office	Greater Denver Area	CO	4	634	2.3%	94.9%	94.9%
	Madison	WI	14	1,306	4.8%	87.0%	87.2%
	Greater Phoenix Area	AZ	6	1,002	3.7%	99.6%	99.6%
	New Hartford	NY	1	123	0.5%	100.0%	100.0%
	Twin Cities Area	MN	5	1,336	4.9%	92.7%	92.7%
Office total			30	4,401	16.2%	93.1%	93.2%
Retail	Twin Cities Area	MN	7	298	1.1%	97.7%	97.7%
Industrial	Greater Phoenix Area	AZ	1	99	0.4%	100.0%	100.0%
	Twin Cities Area	MN	31	4,663	17.2%	96.0%	96.7%
Industrial total			32	4,762	17.6%	96.0%	96.8%
Total U.S. portfolio			69	9,461	34.9%	94.7%	95.1%
Total Canadian and U.S. portfolio			260	26,591	98.2%	93.5%	94.3%

⁽¹⁾ Excluding properties held for redevelopment and new developments in process.⁽²⁾ Percentage committed is based on occupancy at June 30, 2016, plus commitments on vacant space.

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

Asset class	City	Province / State	Property count	Owned share of GLA	% of portfolio GLA	Property	% Committed ⁽¹⁾
Industrial	Twin Cities Area	MN	1	208	0.8%	Northpoint Industrial Building	41.2%
Industrial	Winnipeg	MB	1	82	0.3%	2110-2130 Notre Dame Avenue	48.0%
Total properties held for redevelopment			2	290	1.1%		43.1%

⁽¹⁾ Percentage committed is based on occupancy at June 30, 2016, plus commitments on vacant space

Northpoint Industrial Building, an industrial property in the Twin Cities Area, Minnesota, was vacated by a large tenant, providing Artis with an opportunity to redevelop and reconfigure this older generation property to accommodate a single tenant or multiple tenants. Preliminary work is complete and architectural plans have been drawn for various tenant configurations. Leasing efforts are under way and the remainder of the redevelopment plans for this property will be decided based on future tenant requirements.

2110-2130 Notre Dame Avenue, an industrial property in Winnipeg, Manitoba, is undergoing an extensive redevelopment to modernize the building and improve parking, loading and general functionality of the property. Redevelopment work is under way and expected to be complete in Q4-16.

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

Asset class	City	Province / State	Property count	Owned share of GLA ⁽¹⁾	% of portfolio GLA	Property	% Completed	% Committed ⁽²⁾
Industrial	Greater Phoenix Area	AZ	1	187	0.7%	Park Lucero Phase I	100.0%	57.5%
Industrial	Houston	TX	—	—	—	Park 8Ninety Phase I	85.0%	—%
Industrial	Greater Toronto Area	ON	—	—	—	175 Westcreek Boulevard	7.4%	—%
Total new developments in process			1	187	0.7%			

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

⁽²⁾ Percentage committed is based on occupancy at June 30, 2016, plus commitments on vacant space.

Artis has a 90% ownership interest (in the form of joint venture arrangements) in Park Lucero, an industrial development on a 48 acre parcel of land in the Greater Phoenix Area, Arizona. Planning is under way for the development of Park Lucero Phase II and Park Lucero Phase III, which are each expected to comprise approximately 200,000 square feet. Park Lucero Phase I is complete and consists of three industrial buildings totaling 208,000 square feet. The entire project is expected to total 608,000 square feet when complete.

Artis owns a 127 acre parcel of development land called Park 8Ninety located in the Southwest industrial submarket in Houston, Texas, which is expected to be developed in several phases into 1,800,000 square feet of new generation industrial buildings. Artis has a 95% ownership interest in Park 8Ninety Phase I (in the form of a joint venture arrangement), which is under construction and expected to comprise three buildings totaling approximately 330,000 square feet. Construction of Park 8Ninety Phase I is anticipated to be complete in Q4-16.

In 2011, Artis acquired 201 Westcreek Boulevard, a 300,000 square foot industrial building with 10 acres of excess land available for future development in the Greater Toronto Area, Ontario. Construction of 175 Westcreek Boulevard, a new 130,000 square foot building which can accommodate one to three tenants has commenced and is expected to be complete in Q4-16.

New Development Initiatives

Artis owns a 12 acre parcel of land in Winnipeg, Manitoba called Linden Ridge Shopping Centre II, which is located adjacent to Linden Ridge Shopping Centre, a retail property also owned by Artis. A land lease has been negotiated with a national tenant for nine acres at the site. Artis has the potential to develop an additional 35,000 square feet on the remaining three acres at the property.

Artis owns a 10 acre parcel of land for future development in the Greater Denver Area, Colorado. The first phase of this multi-phase project is expected to include the development of a 120,000 square foot Class A office building. The site, which can accommodate a total development of 320,000 square feet, is located on the I-25 with immediate connectivity to the light rail transit system and is adjacent to the DirecTV Building, an office asset owned by Artis.

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 not been determined at this time.

Development plans are under way for a 40-storey mixed-use commercial/residential building near the corner of Portage Avenue and Main Street in Winnipeg, Manitoba. The site is located at 300 Main Street, which is adjacent to Artis' head office located at 360 Main Street. Additional information about this development is expected to be released later in 2016.

2016 - SECOND QUARTER HIGHLIGHTS

PORTFOLIO GROWTH

During Q2-16, Artis acquired a portfolio of 14 commercial properties and disposed of three commercial properties.

	Office		Retail		Industrial		Total	
	Property count	S.F. (000's) ⁽¹⁾	Property count	S.F. (000's) ⁽¹⁾	Property count	S.F. (000's) ⁽¹⁾	Property count	S.F. (000's) ⁽¹⁾
Portfolio properties at March 31, 2016	63	9,312	64	4,692	125	12,196	252	26,200
Acquisitions	14	1,306	—	—	—	—	14	1,306
Dispositions	—	—	(2)	(318)	(1)	(120)	(3)	(438)
Portfolio properties at June 30, 2016	77	10,618	62	4,374	124	12,076	263	27,068

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

Property Acquisitions (in 000's of S.F.)

Property	Property count	Acquisition date	Location	Asset class	Owned share of GLA	Purchase price	Capitalization rate
Madison Lifestyle Office Portfolio ⁽¹⁾	14	June 13, 2016	Madison, WI	Office	1,306	\$ US194,000	7.75%

⁽¹⁾ Artis acquired the first tranche of this portfolio during the second quarter.

The first tranche of the Madison Lifestyle Office Portfolio was partially financed with new five-year mortgage debt in the amount of US\$106,700, bearing interest at USD LIBOR plus 2.10%. On August 1, 2016, Artis acquired the second tranche of this portfolio, which included the remaining two properties. The purchase price of the second tranche was US\$66,000 and was financed with cash on hand and new mortgage financing in the amount of US\$40,000, bearing interest at USD LIBOR plus 2.10%.

Property Dispositions

Property	Property count	Disposition date	Location	Asset class	Sale price	Capitalization rate
Tamarack Centre	1	April 28, 2016	Cranbrook, BC	Retail	\$ 41,500	6.67%
Whistler Hilton Retail Plaza ⁽¹⁾	1	May 2, 2016	Whistler, BC	Retail	28,730	6.53%
Crosstown North	1	May 19, 2016	Twin Cities Area, MN	Industrial	US 7,380	N/A ⁽²⁾

⁽¹⁾ Artis disposed of its 85% interest in this property.

⁽²⁾ Property was vacant at the time of disposition.

During Q2-16, Artis repaid \$15,666 and US\$4,980 of mortgage debt related to the disposition of the above properties.

FINANCING ACTIVITIES

Short Form Base Shelf Prospectus

On July 17, 2014, the REIT issued a short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of \$2,000,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. As at June 30, 2016, the REIT had issued senior unsecured debentures under one offering in the amount of \$75,000 and common units under one offering in the amount of \$115,004 under this short form base shelf prospectus.

Equity Offering

On June 17, 2016, under the July 17, 2014 short form base shelf prospectus, Artis issued 8,712,400 trust units at a price of \$13.20 per unit for gross proceeds of \$115,004. This included 1,136,400 units issued pursuant to the exercise of the underwriters' over-allotment option.

Redemption of Series F Convertible Debentures

On June 24, 2016, Artis delivered notice of redemption of the Series F convertible debentures with a face value of \$86,170 at June 30, 2016. This redemption took place on July 25, 2016.

Unsecured Revolving Term Credit Facilities

During Q2-16, Artis increased the aggregate amount of its revolving term credit facilities from \$300,000 to \$500,000. The maturity date of the additional \$200,000 is April 29, 2021. Artis drew a net balance of \$61,000 on its revolving term credit facilities during the quarter.

Debt Financing and Repayments

In Q2-16, Artis repaid four mortgages for a total of \$36,074. Artis refinanced two maturing mortgages and received upward financing on two mortgages, net of financing costs, for a total of \$13,081. In Q2-16, Artis drew on development loans in the amount of \$6,796.

DISTRIBUTIONS

Artis declared distributions of \$43,153 (YTD - \$85,363) to unitholders in Q2-16, of which \$8,416 (YTD - \$16,163) 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				Six months ended			
	2016	June 30, 2015	Change	% Change	2016	June 30, 2015	Change	% Change
Revenue	\$ 138,159	\$ 134,629	\$ 3,530	2.6 %	\$ 277,212	\$ 269,375	\$ 7,837	2.9 %
Property NOI	85,617	85,660	(43)	(0.1)%	170,913	170,192	721	0.4 %
Net income	8,617	56,740	(48,123)	(84.8)%	47,391	43,643	3,748	8.6 %
Basic income per common unit	0.03	0.38	(0.35)	(92.1)%	0.27	0.25	0.02	8.0 %
Diluted income per common unit	0.03	0.37	(0.34)	(91.9)%	0.27	0.25	0.02	8.0 %
Distributions to common unitholders	\$ 38,569	\$ 37,090	\$ 1,479	4.0 %	\$ 76,183	\$ 74,006	\$ 2,177	2.9 %
Distributions per common unit	0.27	0.27	—	— %	0.54	0.54	—	— %
FFO	\$ 54,556	\$ 54,478	\$ 78	0.1 %	\$ 108,164	\$ 107,276	\$ 888	0.8 %
FFO per unit	0.38	0.39	(0.01)	(2.6)%	0.76	0.76	—	— %
FFO after adjustments ⁽¹⁾	52,598	51,950	648	1.2 %	106,206	103,938	2,268	2.2 %
FFO per unit after adjustments ⁽¹⁾	0.37	0.37	—	— %	0.74	0.74	—	— %
FFO payout ratio after adjustments ⁽¹⁾	73.0%	73.0%	—	— %	73.0%	73.0%	—	— %
AFFO	\$ 45,749	\$ 47,934	\$ (2,185)	(4.6)%	\$ 90,453	\$ 93,571	\$ (3,118)	(3.3)%
AFFO per unit	0.32	0.34	(0.02)	(5.9)%	0.64	0.67	(0.03)	(4.5)%
AFFO after adjustments ⁽¹⁾	43,791	44,594	(803)	(1.8)%	88,495	89,421	(926)	(1.0)%
AFFO per unit after adjustments ⁽¹⁾	0.31	0.32	(0.01)	(3.1)%	0.63	0.64	(0.01)	(1.6)%
AFFO payout ratio after adjustments ⁽¹⁾	87.1%	84.4%	2.7	2.7 %	85.7%	84.4%	1.3	1.3 %

⁽¹⁾ Calculated after adjustments for lease terminations.

Revenue, Property NOI, FFO and AFFO were impacted by acquisitions, dispositions and completed (re)developments, lease termination income received from tenants and the impact of foreign exchange in 2015 and 2016. In 2016, AFFO was also impacted by a change in the calculation of Artis' leasing costs reserve.

	June 30, 2016	March 31, 2016	December 31, 2015
Consolidated financial statements debt to GBV:			
Secured mortgages and loans to GBV	39.5%	39.9%	39.9%
Total long-term debt and bank indebtedness to GBV	51.8%	51.7%	51.4%
Proportionate Share debt to GBV:			
Secured mortgages and loans to GBV	40.9%	41.3%	41.2%
Total long-term debt and bank indebtedness to GBV	52.9%	52.7%	52.4%
Total assets	\$ 5,848,913	\$ 5,584,575	\$ 5,651,280
Total non-current financial liabilities	2,105,162	2,150,368	2,227,769

ANALYSIS OF OPERATING RESULTS

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

	Three months ended June 30,						
	2016			2015			
	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	
Revenue	\$ 132,400	\$ 5,759	\$ 138,159	\$ 131,337	\$ 3,292	\$ 134,629	
Expenses:							
Property operating	28,466	1,632	30,098	27,335	1,001	28,336	
Realty taxes	21,557	887	22,444	20,192	441	20,633	
	50,023	2,519	52,542	47,527	1,442	48,969	
Net operating income	82,377	3,240	85,617	83,810	1,850	85,660	
Other income (expenses):							
Corporate expenses	(3,521)	—	(3,521)	(2,831)	—	(2,831)	
Interest expense	(27,193)	(1,067)	(28,260)	(27,478)	(670)	(28,148)	
Interest income	330	2	332	335	—	335	
Net income from investments in joint ventures	3,280	(3,280)	—	2,358	(2,358)	—	
Fair value (loss) gain on investment properties	(22,745)	1,105	(21,640)	(6,430)	1,178	(5,252)	
Foreign currency translation (loss) gain	(25,970)	—	(25,970)	3,637	—	3,637	
Transaction costs	(862)	—	(862)	68	—	68	
Gain on financial instruments	2,921	—	2,921	3,271	—	3,271	
Net income	8,617	—	8,617	56,740	—	56,740	
Other comprehensive income (loss) that may be reclassified to net income in subsequent periods:							
Unrealized foreign currency translation gain (loss)	25,519	507	26,026	(13,062)	(1,791)	(14,853)	
Unrealized foreign currency translation gain (loss) on joint ventures	507	(507)	—	(1,791)	1,791	—	
Other comprehensive (loss) income that will not be reclassified to net income in subsequent periods:							
Unrealized (loss) gain from remeasurements of net pension obligation	(35)	—	(35)	43	—	43	
	25,991	—	25,991	(14,810)	—	(14,810)	
Total comprehensive income	\$ 34,608	\$ —	\$ 34,608	\$ 41,930	\$ —	\$ 41,930	

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

	Six months ended June 30,						
	2016			2015			
	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	
Revenue	\$ 265,394	\$ 11,818	\$ 277,212	\$ 263,595	\$ 5,780	\$ 269,375	
Expenses:							
Property operating	57,230	3,305	60,535	56,013	1,773	57,786	
Realty taxes	43,801	1,963	45,764	40,673	724	41,397	
	101,031	5,268	106,299	96,686	2,497	99,183	
Net operating income	164,363	6,550	170,913	166,909	3,283	170,192	
Other income (expenses):							
Corporate expenses	(7,159)	—	(7,159)	(5,693)	—	(5,693)	
Interest expense	(54,469)	(2,164)	(56,633)	(55,374)	(1,041)	(56,415)	
Interest income	628	2	630	698	—	698	
Net income from investments in joint ventures	3,523	(3,523)	—	1,734	(1,734)	—	
Fair value loss on investment properties	(35,896)	(865)	(36,761)	(54,996)	(508)	(55,504)	
Foreign currency translation loss	(19,816)	—	(19,816)	(6,910)	—	(6,910)	
Transaction costs	(901)	—	(901)	(367)	—	(367)	
Loss on financial instruments	(2,882)	—	(2,882)	(2,358)	—	(2,358)	
Net income	47,391	—	47,391	43,643	—	43,643	
Other comprehensive (loss) income that may be reclassified to net income in subsequent periods:							
Unrealized foreign currency translation (loss) gain	(28,091)	(6,407)	(34,498)	45,425	9,841	55,266	
Unrealized foreign currency translation (loss) gain on joint ventures	(6,407)	6,407	—	9,841	(9,841)	—	
Other comprehensive (loss) income that will not be reclassified to net income in subsequent periods:							
Unrealized (loss) gain from remeasurements of net pension obligation	(26)	—	(26)	1	—	1	
	(34,524)	—	(34,524)	55,267	—	55,267	
Total comprehensive income	\$ 12,867	\$ —	\$ 12,867	\$ 98,910	\$ —	\$ 98,910	

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

REVENUE AND PROPERTY NOI

	Three months ended			% Change	Six months ended			% Change
	2016	June 30, 2015	Change		2016	June 30, 2015	Change	
Revenue:								
Basic rent, parking and other revenue	\$ 94,384	\$ 92,156	\$ 2,228		\$ 190,001	\$ 184,385	\$ 5,616	
Operating costs and realty tax recoveries	44,890	42,506	2,384		91,204	86,421	4,783	
Amortization of tenant inducements	(4,349)	(3,466)	(883)		(8,423)	(6,622)	(1,801)	
Straight-line rent adjustments	1,276	93	1,183		2,472	1,041	1,431	
Lease termination income	1,958	3,340	(1,382)		1,958	4,150	(2,192)	
	138,159	134,629	3,530	2.6 %	277,212	269,375	7,837	2.9%
Expenses:								
Property operating	30,098	28,336	1,762		60,535	57,786	2,749	
Realty taxes	22,444	20,633	1,811		45,764	41,397	4,367	
	52,542	48,969	3,573	7.3 %	106,299	99,183	7,116	7.2%
Property NOI	\$ 85,617	\$ 85,660	\$ (43)	(0.1)%	\$ 170,913	\$ 170,192	\$ 721	0.4%

Basic rent, parking, other revenue, operating cost and realty tax recoveries are revenues earned from tenants primarily 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 steps 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 costs related to interior and exterior maintenance, HVAC, insurance, utilities and property management expenses.

SAME PROPERTY NOI ANALYSIS

Same property comparison includes only stabilized investment properties owned on January 1, 2015, and excludes properties disposed of subsequent to January 1, 2015 and those held for redevelopment.

	Three months ended			% Change	Six months ended			% Change
	2016	June 30, 2015	Change		2016	June 30, 2015	Change	
Revenue	\$ 127,723	\$ 125,862			\$ 259,941	\$ 257,158		
Property operating and realty tax expenses	49,779	47,547			101,244	97,654		
Property NOI	77,944	78,315	\$ (371)	(0.5)%	158,697	159,504	\$ (807)	(0.5)%
Add (deduct) non-cash revenue adjustments:								
Amortization of tenant inducements	4,208	3,278			8,208	6,284		
Straight-line rent adjustments	(897)	(55)			(1,783)	(1,002)		
Property NOI less non-cash revenue adjustments	\$ 81,255	\$ 81,538	\$ (283)	(0.3)%	\$ 165,122	\$ 164,786	\$ 336	0.2 %

Lease termination income related to significant tenants of \$1,884 (YTD - \$1,884) in Q2-16, compared to \$624 (YTD - \$1,314) in Q2-15, 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				Six months ended			
	2016	June 30, 2015	Change	% Change	2016	June 30, 2015	Change	% Change
Office	\$ 40,764	\$ 42,867	\$ (2,103)	(4.9)%	\$ 82,599	\$ 86,449	\$ (3,850)	(4.5)%
Retail	19,566	19,263	303	1.6 %	40,436	39,433	1,003	2.5 %
Industrial	20,925	19,408	1,517	7.8 %	42,087	38,904	3,183	8.2 %
Total	\$ 81,255	\$ 81,538	\$ (283)	(0.3)%	\$ 165,122	\$ 164,786	\$ 336	0.2 %

Same Property NOI by Geographical Region

	Three months ended				Six months ended			
	2016	June 30, 2015	Change	% Change	2016	June 30, 2015	Change	% Change
Alberta	\$ 28,814	\$ 30,665	\$ (1,851)	(6.0)%	\$ 56,962	\$ 61,603	\$ (4,641)	(7.5)%
British Columbia	4,519	4,695	(176)	(3.7)%	10,242	10,323	(81)	(0.8)%
Manitoba	11,019	10,455	564	5.4 %	21,988	21,123	865	4.1 %
Ontario	9,029	8,798	231	2.6 %	18,198	17,902	296	1.7 %
Saskatchewan	4,815	4,721	94	2.0 %	9,656	9,289	367	4.0 %
Minnesota	13,517	13,062	455	3.5 %	27,886	26,047	1,839	7.1 %
U.S. - Other	9,542	9,142	400	4.4 %	20,190	18,499	1,691	9.1 %
Total	\$ 81,255	\$ 81,538	\$ (283)	(0.3)%	\$ 165,122	\$ 164,786	\$ 336	0.2 %
<i>Calgary office segment</i>	<i>12,811</i>	<i>14,881</i>	<i>(2,070)</i>	<i>(13.9)%</i>	<i>25,099</i>	<i>29,439</i>	<i>(4,340)</i>	<i>(14.7)%</i>
<i>Total excluding Calgary office segment</i>	<i>\$ 68,444</i>	<i>\$ 66,657</i>	<i>\$ 1,787</i>	<i>2.7 %</i>	<i>\$ 140,023</i>	<i>\$ 135,347</i>	<i>\$ 4,676</i>	<i>3.5 %</i>

Same Property NOI by Country

	Three months ended				Six months ended			
	2016	June 30, 2015	Change	% Change	2016	June 30, 2015	Change	% Change
Canada	\$ 58,196	\$ 59,334	\$ (1,138)	(1.9)%	\$ 117,046	\$ 120,240	\$ (3,194)	(2.7)%
U.S.	23,059	22,204	855	3.9 %	48,076	44,546	3,530	7.9 %
Total	\$ 81,255	\$ 81,538	\$ (283)	(0.3)%	\$ 165,122	\$ 164,786	\$ 336	0.2 %

Artis' U.S. portfolio decreased US\$164 (YTD - increased US\$29), or decreased 0.91% (YTD - increased 0.08%) in Q2-16 before the impact of foreign exchange.

Same Property Occupancy Report

Geographical Region	As at June 30,		Asset Class	As at June 30,	
	2016	2015		2016	2015
Alberta	91.8%	94.3%	Office	90.1%	93.7%
British Columbia	92.0%	92.7%	Retail	95.8%	94.4%
Manitoba	93.2%	88.2%	Industrial	95.9%	93.4%
Ontario	92.7%	92.7%			
Saskatchewan	97.4%	94.3%	Total	93.8%	93.7%
Arizona	99.6%	99.6%			
Minnesota	95.4%	96.0%			
U.S. - Other	95.1%	96.1%			
Total	93.8%	93.7%			

PROPERTY NOI BY ASSET CLASS

In Q2-16, revenues and Property NOI increased for the industrial segment in comparison to Q2-15. The growth is primarily attributable to acquisitions and completed (re)developments during 2015 and the impact of foreign exchange. In Q2-16, Property NOI decreased for the office segment primarily due to lease termination income received in Q2-15 and the dispositions of 1045 Howe Street, Willingdon Green, 605 Waterford Park and Mosaic Office Building. During the quarter, the retail segment decreased compared to the prior year due to lease termination income received in Q2-15 and the dispositions of Tamarack Centre and Whistler Hilton Retail Plaza.

	Three months ended June 30,					
	2016			2015		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	\$ 75,304	\$ 29,838	\$ 32,932	\$ 73,238	\$ 32,471	\$ 28,872
Property operating and realty tax expenses	32,533	9,222	10,787	29,194	9,580	10,195
Property NOI	\$ 42,771	\$ 20,616	\$ 22,145	\$ 44,044	\$ 22,891	\$ 18,677
Share of Property NOI	50.0%	24.1%	25.9%	51.5%	26.7%	21.8%

	Six months ended June 30,					
	2016			2015		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	\$ 150,086	\$ 60,853	\$ 66,136	\$ 147,730	\$ 62,981	\$ 58,577
Property operating and realty tax expenses	64,748	19,238	22,313	59,254	19,112	20,817
Property NOI	\$ 85,338	\$ 41,615	\$ 43,823	\$ 88,476	\$ 43,869	\$ 37,760
Share of Property NOI	49.9%	24.4%	25.7%	52.0%	25.8%	22.2%

PROPERTY NOI BY GEOGRAPHICAL REGION

In Q2-16, revenues and Property NOI increased in Manitoba, Ontario, Minnesota and U.S. - Other in comparison to Q2-15. The growth is primarily attributable to acquisitions and completed (re)developments during 2015 and 2016 and the impact of foreign exchange. In Q2-16, Property NOI decreased in Alberta primarily due to increased vacancy and lower rents in the Calgary office segment, in British Columbia primarily due to the dispositions of 1045 Howe, Willingdon Green, Tamarack Centre and Whistler Hilton Retail Plaza, and in Saskatchewan due to lease termination income received in Q2-15.

	Three months ended June 30, 2016							
	Canada					U.S.		
	AB	BC	MB	ON	SK	MN	Other	
Revenue	\$ 45,648	\$ 7,451	\$ 19,019	\$ 15,590	\$ 7,711	\$ 25,666	\$ 16,989	
Property operating and realty tax expenses	15,417	2,975	8,140	6,472	2,427	10,919	6,192	
Property NOI	\$ 30,231	\$ 4,476	\$ 10,879	\$ 9,118	\$ 5,284	\$ 14,747	\$ 10,797	
Share of Property NOI	35.4%	5.2%	12.7%	10.7%	6.2%	17.2%	12.6%	

Three months ended June 30, 2015								
	Canada					U.S.		
	AB	BC	MB	ON	SK	MN	Other	
Revenue	\$ 45,454	\$ 10,102	\$ 17,976	\$ 14,094	\$ 9,712	\$ 22,201	\$ 15,042	
Property operating and realty tax expenses	14,888	3,610	7,682	5,912	2,131	9,655	5,091	
Property NOI	\$ 30,566	\$ 6,492	\$ 10,294	\$ 8,182	\$ 7,581	\$ 12,546	\$ 9,951	
Share of Property NOI	35.6%	7.6%	12.0%	9.6%	8.9%	14.7%	11.6%	

Six months ended June 30, 2016								
	Canada					U.S.		
	AB	BC	MB	ON	SK	MN	Other	
Revenue	\$ 89,612	\$ 16,139	\$ 38,597	\$ 30,950	\$ 15,330	\$ 52,940	\$ 33,507	
Property operating and realty tax expenses	31,047	6,124	16,666	12,801	4,758	22,920	11,983	
Property NOI	\$ 58,565	\$ 10,015	\$ 21,931	\$ 18,149	\$ 10,572	\$ 30,020	\$ 21,524	
Share of Property NOI	34.3%	5.9%	12.8%	10.6%	6.2%	17.6%	12.6%	

Six months ended June 30, 2015								
	Canada					U.S.		
	AB	BC	MB	ON	SK	MN	Other	
Revenue	\$ 92,212	\$ 20,100	\$ 35,878	\$ 29,778	\$ 16,719	\$ 45,062	\$ 29,539	
Property operating and realty tax expenses	29,911	7,370	15,457	12,493	4,439	19,716	9,797	
Property NOI	\$ 62,301	\$ 12,730	\$ 20,421	\$ 17,285	\$ 12,280	\$ 25,346	\$ 19,742	
Share of Property NOI	36.6%	7.5%	12.0%	10.2%	7.2%	14.9%	11.6%	

PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at June 30, 2016, (excluding properties held for redevelopment and new developments in process), and the previous four periods, were as follows:

Occupancy Report by Asset Class

	Q2-16 % Committed ⁽¹⁾	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15
Office	90.6%	90.0%	89.7%	89.7%	90.9%	93.0%
Retail	96.7%	95.6%	96.8%	96.1%	94.5%	94.5%
Industrial	96.7%	96.0%	94.8%	93.8%	94.2%	94.2%
Total portfolio	94.3%	93.5%	93.3%	92.7%	93.1%	93.8%

⁽¹⁾ Percentage committed is based on occupancy at June 30, 2016, plus commitments on vacant space.

Occupancy Report by Geographical Region

	Q2-16 % Committed ⁽¹⁾	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15
Canada:						
Alberta	93.1%	91.9%	90.4%	90.2%	90.6%	94.0%
British Columbia	92.7%	92.1%	94.6%	94.1%	95.0%	94.5%
Manitoba	94.2%	93.1%	91.1%	89.1%	90.2%	90.2%
Ontario	93.6%	92.7%	92.8%	91.9%	93.6%	92.7%
Saskatchewan	97.6%	97.5%	98.0%	98.2%	94.8%	94.3%
U.S.:						
Arizona	99.6%	99.6%	99.6%	99.6%	99.6%	99.6%
Minnesota	95.9%	95.4%	95.2%	94.9%	94.5%	94.7%
Wisconsin	87.2%	87.0%	—%	—%	—%	—%
Other	95.7%	95.7%	96.7%	96.2%	96.5%	96.5%
Total portfolio	94.3%	93.5%	93.3%	92.7%	93.1%	93.8%

⁽¹⁾ Percentage committed is based on occupancy at June 30, 2016, plus commitments on vacant space.

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Leasable area renewed	417,174	429,311	1,260,637	821,566
Increase in weighted-average rental rate	1.6%	12.0%	4.4%	8.7%

Excluding the impact of Calgary office segment lease renewals, Artis' increase in the weighted-average rental rate for Q2-16 was 3.7% (YTD - increase of 4.9%).

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

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

	Current vacancy	Monthly tenants ⁽²⁾	2016	2017	2018	2019	2020 & later	Total
Office - uncommitted	992,852	52,734	388,010	1,133,255	1,043,700	1,283,175	5,229,344	10,123,070
Office - committed	73,894	—	287,036	91,455	21,064	12,725	8,835	495,009
Total office	1,066,746	52,734	675,046	1,224,710	1,064,764	1,295,900	5,238,179	10,618,079
Retail - uncommitted	143,927	14,147	191,266	351,349	534,731	357,194	2,587,194	4,179,808
Retail - committed	47,945	—	91,218	27,995	5,801	—	22,124	195,083
Total retail	191,872	14,147	282,484	379,344	540,532	357,194	2,609,318	4,374,891
Industrial - uncommitted	625,266	161,816	975,592	1,768,440	1,149,829	959,345	5,000,388	10,640,676
Industrial - committed	116,515	—	1,051,936	220,053	5,334	35,964	5,306	1,435,108
Total industrial	741,781	161,816	2,027,528	1,988,493	1,155,163	995,309	5,005,694	12,075,784
Total - uncommitted	1,762,045	228,697	1,554,868	3,253,044	2,728,260	2,599,714	12,816,926	24,943,554
Total - committed	238,354	—	1,430,190	339,503	32,199	48,689	36,265	2,125,200
Total portfolio	2,000,399	228,697	2,985,058	3,592,547	2,760,459	2,648,403	12,853,191	27,068,754

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

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

In-Place Rents

In-place rents reflect the weighted-average net annual rental rate per square foot as at June 30, 2016, for the leasable area expiring in the year indicated. In-place rents do not reflect either the average rate over the term of the lease or the rate in place in the year of expiry.

Market Rents

Market rents are estimates and are shown as a net annual rate per square foot. Artis reviews market rents across the portfolio on an on-going basis. 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 ⁽¹⁾

Canadian Portfolio:

	2016	2017	2018	2019	2020 & later	Total
Office						
In-place rents	\$ 15.53	\$ 20.39	\$ 19.16	\$ 16.68	\$ 18.22	\$ 18.10
Market rents	14.24	16.78	18.14	15.81	19.28	17.92
Change	(8.3)%	(17.7)%	(5.3)%	(5.2)%	5.8%	(1.0)%
Revenue impact ⁽²⁾	\$ (589)	\$ (2,119)	\$ (628)	\$ (721)	\$ 3,096	\$ (961)
Retail						
In-place rents	\$ 22.07	\$ 19.86	\$ 22.66	\$ 24.98	\$ 17.86	\$ 19.62
Market rents	26.55	20.57	23.63	24.49	18.59	20.54
Change	20.3 %	3.6 %	4.3 %	(2.0)%	4.1%	4.7 %
Revenue impact ⁽²⁾	\$ 1,244	\$ 231	\$ 514	\$ (169)	\$ 1,747	\$ 3,567
Industrial						
In-place rents	\$ 8.41	\$ 7.04	\$ 5.81	\$ 8.87	\$ 9.57	\$ 8.38
Market rents	8.74	7.18	5.97	8.77	9.74	8.55
Change	3.9 %	1.9 %	2.6 %	(1.2)%	1.8%	2.0 %
Revenue impact ⁽²⁾	\$ 368	\$ 176	\$ 119	\$ (48)	\$ 498	\$ 1,113
Total Canadian portfolio						
In-place rents	\$ 12.23	\$ 12.51	\$ 14.74	\$ 16.22	\$ 15.06	\$ 14.46
Market rents	12.78	11.73	14.74	15.65	15.71	14.69
Change	4.5 %	(6.2)%	— %	(3.5)%	4.3%	1.6 %
Revenue impact ⁽²⁾	\$ 1,023	\$ (1,712)	\$ 5	\$ (938)	\$ 5,341	\$ 3,719

U.S. Portfolio:

	2016	2017	2018	2019	2020 & later	Total
Office						
In-place rents	\$ 18.89	\$ 16.65	\$ 16.13	\$ 20.94	\$ 17.99	\$ 17.96
Market rents	18.25	18.10	16.65	22.76	19.05	19.02
Change	(3.4)%	8.7%	3.2 %	8.7 %	5.9%	5.9%
Revenue impact ⁽²⁾	\$ (139)	\$ 928	\$ 232	\$ 851	\$ 2,459	\$ 4,331
Retail						
In-place rents	\$ 21.81	\$ 13.74	\$ 21.11	\$ 18.35	\$ 15.03	\$ 15.26
Market rents	21.23	15.48	20.43	19.78	15.12	15.67
Change	(2.7)%	12.7%	(3.2)%	7.8 %	0.6%	2.7%
Revenue impact ⁽²⁾	\$ (2)	\$ 93	\$ (8)	\$ 17	\$ 19	\$ 119
Industrial						
In-place rents	\$ 4.79	\$ 4.49	\$ 5.13	\$ 5.53	\$ 5.97	\$ 5.39
Market rents	4.96	4.99	5.21	5.34	6.00	5.50
Change	3.6 %	11.1%	1.5 %	(3.5)%	0.5%	2.0%
Revenue impact ⁽²⁾	\$ 158	\$ 351	\$ 30	\$ (102)	\$ 60	\$ 497
Total U.S. portfolio						
In-place rents	\$ 7.55	\$ 10.40	\$ 11.21	\$ 12.81	\$ 12.40	\$ 11.42
Market rents	7.56	11.39	11.51	13.57	12.95	11.96
Change	0.2 %	9.5%	2.7 %	5.9 %	4.4%	4.8%
Revenue impact ⁽²⁾	\$ 17	\$ 1,372	\$ 254	\$ 766	\$ 2,538	\$ 4,947

⁽¹⁾ Based on owned share of total leasable area.⁽²⁾ This impact is based on the difference between the in-place rents and the market rents for the period in Canadian and US dollars. This excludes the impact of any straight-line rent adjustments on revenues.

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

	2016	2017	2018	2019	2020 & later	Total
Office						
In-place rents	\$ 16.61	\$ 18.44	\$ 17.89	\$ 18.22	\$ 18.12	\$ 18.04
Market rents	15.53	17.47	17.52	18.32	19.18	18.40
Change	(6.5)%	(5.3)%	(2.1)%	0.6 %	5.9%	2.0%
Revenue impact ⁽²⁾	\$ (728)	\$ (1,191)	\$ (396)	\$ 130	\$ 5,555	\$ 3,370
Retail						
In-place rents	\$ 22.07	\$ 19.00	\$ 22.63	\$ 24.76	\$ 17.63	\$ 19.32
Market rents	26.46	19.85	23.57	24.33	18.31	20.20
Change	19.9 %	4.5 %	4.1 %	(1.7)%	3.8%	4.6%
Revenue impact ⁽²⁾	\$ 1,242	\$ 324	\$ 506	\$ (152)	\$ 1,766	\$ 3,686
Industrial						
In-place rents	\$ 6.78	\$ 6.14	\$ 5.59	\$ 7.09	\$ 8.06	\$ 7.14
Market rents	7.04	6.41	5.72	6.94	8.17	7.29
Change	3.8 %	4.3 %	2.3 %	(2.1)%	1.4%	2.0%
Revenue impact ⁽²⁾	\$ 526	\$ 527	\$ 149	\$ (150)	\$ 558	\$ 1,610
Total Canadian and U.S. portfolio						
In-place rents	\$ 10.45	\$ 11.69	\$ 13.67	\$ 14.92	\$ 14.10	\$ 13.35
Market rents	10.80	11.60	13.77	14.85	14.71	13.70
Change	3.3 %	(0.8)%	0.7 %	(0.4)%	4.3%	2.6%
Revenue impact ⁽²⁾	\$ 1,040	\$ (340)	\$ 259	\$ (172)	\$ 7,879	\$ 8,666

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

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

Market rents at June 30, 2016, were estimated to be 2.6% above in-place rents across the portfolio, compared to 2.3% at March 31, 2016. Today's market rents for the 2016 and 2017 lease expiries are estimated to be 3.3% above and 0.8% below in-place rents, respectively. Market rents for the office portfolio in certain years are estimated to be below in-place rents due to the impact of the Calgary office segment. The retail portfolio is expected to be the strongest contributor to incremental rental revenue over the long-term.

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

	Current vacancy	Monthly tenants ⁽²⁾	2016	2017	2018	2019	2020 & later	Total
AB - uncommitted	457,031	50,640	552,491	594,152	741,058	700,256	3,260,593	6,356,221
AB - committed	80,202	—	175,856	19,467	—	35,964	2,218	313,707
Total Alberta	537,233	50,640	728,347	613,619	741,058	736,220	3,262,811	6,669,928
BC - uncommitted	94,614	3,384	42,567	70,585	111,077	196,175	744,518	1,262,920
BC - committed	8,012	—	9,731	5,598	1,534	5,271	8,037	38,183
Total British Columbia	102,626	3,384	52,298	76,183	112,611	201,446	752,555	1,301,103
MB - uncommitted	265,163	15,584	257,192	469,521	664,435	187,426	1,749,139	3,608,460
MB - committed	42,077	—	175,633	65,231	7,429	7,454	1,866	299,690
Total Manitoba	307,240	15,584	432,825	534,752	671,864	194,880	1,751,005	3,908,150
ON - uncommitted	247,117	38,324	103,871	615,705	207,430	428,761	1,699,690	3,340,898
ON - committed	34,120	—	476,884	8,424	14,133	—	—	533,561
Total Ontario	281,237	38,324	580,755	624,129	221,563	428,761	1,699,690	3,874,459
SK - uncommitted	34,655	8,800	22,713	344,721	175,123	75,652	735,225	1,396,889
SK - committed	1,572	—	32,062	5,275	4,267	—	18,838	62,014
Total Saskatchewan	36,227	8,800	54,775	349,996	179,390	75,652	754,063	1,458,903
AZ - uncommitted	83,618	1,500	—	293,223	17,106	110,525	746,476	1,252,448
AZ - committed	35,537	—	—	—	—	—	—	35,537
Total Arizona	119,155	1,500	—	293,223	17,106	110,525	746,476	1,287,985
MN - uncommitted	380,702	101,889	527,342	700,817	454,302	610,582	2,899,828	5,675,462
MN - committed	34,139	—	549,962	235,508	4,836	—	5,306	829,751
Total Minnesota	414,841	101,889	1,077,304	936,325	459,138	610,582	2,905,134	6,505,213
WI - uncommitted	166,629	7,277	22,004	133,023	204,149	140,100	621,539	1,294,721
WI - committed	2,695	—	8,916	—	—	—	—	11,611
Total Wisconsin	169,324	7,277	30,920	133,023	204,149	140,100	621,539	1,306,332
U.S. - Other - uncommitted	32,516	1,299	26,688	31,297	153,580	150,237	359,918	755,535
U.S. - Other - committed	—	—	1,146	—	—	—	—	1,146
Total U.S. - Other	32,516	1,299	27,834	31,297	153,580	150,237	359,918	756,681
Total - uncommitted	1,762,045	228,697	1,554,868	3,253,044	2,728,260	2,599,714	12,816,926	24,943,554
Total - committed	238,354	—	1,430,190	339,503	32,199	48,689	36,265	2,125,200
Total portfolio	2,000,399	228,697	2,985,058	3,592,547	2,760,459	2,648,403	12,853,191	27,068,754

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

Market Rents by Geographical Region ⁽¹⁾

	2016	2017	2018	2019	2020 & later	Total
Alberta						
In-place rents	\$ 16.92	\$ 19.09	\$ 20.10	\$ 19.90	\$ 17.65	\$ 18.28
Market rents	17.55	15.67	19.46	18.49	19.03	18.50
Change	3.7 %	(17.9)%	(3.2)%	(7.1)%	7.8 %	1.2 %
Revenue impact ⁽²⁾	\$ 458	\$ (2,100)	\$ (473)	\$ (1,037)	\$ 4,493	\$ 1,341
British Columbia						
In-place rents	\$ 19.83	\$ 20.83	\$ 23.24	\$ 17.61	\$ 12.58	\$ 15.28
Market rents	20.40	21.28	23.28	17.98	13.13	15.74
Change	2.9 %	2.2 %	0.2 %	2.1 %	4.4 %	3.1 %
Revenue impact ⁽²⁾	\$ 30	\$ 35	\$ 5	\$ 74	\$ 415	\$ 559
Manitoba						
In-place rents	\$ 10.36	\$ 12.29	\$ 7.45	\$ 10.27	\$ 14.47	\$ 12.11
Market rents	11.39	12.78	8.12	10.50	14.70	12.55
Change	9.9 %	3.9 %	8.9 %	2.3 %	1.6 %	3.7 %
Revenue impact ⁽²⁾	\$ 445	\$ 258	\$ 447	\$ 45	\$ 412	\$ 1,607
Ontario						
In-place rents	\$ 6.47	\$ 6.84	\$ 10.40	\$ 11.03	\$ 11.49	\$ 9.73
Market rents	6.39	6.85	10.66	11.08	11.28	9.64
Change	(1.3)%	0.2 %	2.6 %	0.5 %	(1.9)%	(0.9)%
Revenue impact ⁽²⁾	\$ (47)	\$ 7	\$ 59	\$ 24	\$ (363)	\$ (320)
Saskatchewan						
In-place rents	\$ 18.44	\$ 9.60	\$ 19.94	\$ 21.47	\$ 15.71	\$ 15.15
Market rents	20.94	9.85	19.75	20.88	16.22	15.52
Change	13.5 %	2.6 %	(0.9)%	(2.7)%	3.2 %	2.5 %
Revenue impact ⁽²⁾	\$ 137	\$ 88	\$ (33)	\$ (44)	\$ 384	\$ 532
Arizona						
In-place rents	\$ —	\$ 19.37	\$ 33.89	\$ 28.53	\$ 22.91	\$ 22.71
Market rents	—	21.05	34.50	31.97	24.15	24.27
Change	— %	8.7 %	1.8 %	12.1 %	5.4 %	6.8 %
Revenue impact ⁽²⁾	\$ —	\$ 495	\$ 10	\$ 380	\$ 925	\$ 1,810
Minnesota						
In-place rents	\$ 7.06	\$ 6.66	\$ 7.29	\$ 6.99	\$ 8.73	\$ 7.82
Market rents	6.97	7.42	7.51	6.86	8.74	7.93
Change	(1.2)%	11.4 %	3.0 %	(1.9)%	0.2 %	1.5 %
Revenue impact ⁽²⁾	\$ (91)	\$ 710	\$ 101	\$ (79)	\$ 42	\$ 683
Wisconsin						
In-place rents	\$ 13.30	\$ 14.21	\$ 14.80	\$ 14.11	\$ 13.72	\$ 14.01
Market rents	14.66	15.28	15.16	15.73	15.74	15.55
Change	10.2 %	7.5 %	2.4 %	11.5 %	14.8 %	11.0 %
Revenue impact ⁽²⁾	\$ 42	\$ 143	\$ 71	\$ 228	\$ 1,259	\$ 1,743
U.S. - Other						
In-place rents	\$ 20.05	\$ 22.37	\$ 15.60	\$ 23.69	\$ 17.99	\$ 18.94
Market rents	22.43	23.12	16.07	25.27	18.86	19.92
Change	11.9 %	3.4 %	3.0 %	6.7 %	4.8 %	5.2 %
Revenue impact ⁽²⁾	\$ 66	\$ 24	\$ 72	\$ 237	\$ 312	\$ 711
Total portfolio						
In-place rents	\$ 10.45	\$ 11.69	\$ 13.67	\$ 14.92	\$ 14.10	\$ 13.35
Market rents	10.80	11.60	13.77	14.85	14.71	13.70
Change	3.3 %	(0.8)%	0.7 %	(0.4)%	4.3 %	2.6 %
Revenue impact ⁽²⁾	\$ 1,040	\$ (340)	\$ 259	\$ (172)	\$ 7,879	\$ 8,666

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

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

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the office, retail and industrial asset classes. At June 30, 2016, the five largest segments of the REIT's portfolio (by Property NOI) were Calgary office, Twin Cities Area industrial, Twin Cities Area office, Winnipeg office and Greater Phoenix Area office.

The Calgary office segment represents 14.4% of the Q2-16 Property NOI and 9.4% 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 13.9% at June 30, 2016, compared to 12.1% at March 31, 2016. At June 30, 2016, the Calgary office segment of Artis' portfolio was 86.9% occupied, compared to 82.2% at March 31, 2016. During the remainder of 2016, 191,020 square feet comes up for renewal, which represents 0.7% of the total portfolio GLA; 16.6% had been renewed or committed to new leases at June 30, 2016. Approximately 48.8% of the Calgary office GLA expires in 2020 or later. Artis' largest 10 Calgary office tenants by GLA lease nearly half of Artis' Calgary office space with a weighted-average lease term of 5.7 years. The average size of Artis' Calgary office tenants is approximately 9,300 square feet.

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

	Current vacancy	Monthly tenants ⁽²⁾	2016	2017	2018	2019	2020 & later	Total
Downtown - uncommitted	187,679	12,420	141,473	212,998	117,409	124,270	201,856	998,105
Downtown - committed	24,998	—	25,487	—	—	—	—	50,485
Total downtown	212,677	12,420	166,960	212,998	117,409	124,270	201,856	1,048,590
Beltline - uncommitted	55,445	102	—	5,613	109,555	41,930	347,799	560,444
Beltline - committed	14,120	—	—	—	—	—	—	14,120
Total beltline	69,565	102	—	5,613	109,555	41,930	347,799	574,564
Suburban - uncommitted	47,208	1,609	17,767	50,464	44,132	50,433	688,563	900,176
Suburban - committed	4,207	—	6,293	4,652	—	—	—	15,152
Total suburban	51,415	1,609	24,060	55,116	44,132	50,433	688,563	915,328
Total - uncommitted	290,332	14,131	159,240	269,075	271,096	216,633	1,238,218	2,458,725
Total - committed	43,325	—	31,780	4,652	—	—	—	79,757
Total Calgary office	333,657	14,131	191,020	273,727	271,096	216,633	1,238,218	2,538,482

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

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

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

	Current vacancy	Monthly tenants ⁽²⁾	2016	2017	2018	2019	2020 & later	Total
Other - uncommitted	702,520	38,603	228,770	864,180	772,604	1,066,542	3,991,126	7,664,345
Other - committed	30,569	—	255,256	86,803	21,064	12,725	8,835	415,252
Total other office	733,089	38,603	484,026	950,983	793,668	1,079,267	3,999,961	8,079,597

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

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

Market Rents for Calgary Office Segment ⁽¹⁾:

The market rents reported in the below table are reflective of management's estimates for today's market rent rates. They do not allow for the impact of inflation. The Calgary office market rents for the next 24 months 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.

	2016	2017	2018	2019	2020 & later	Total
Downtown						
In-place rents	\$ 20.40	\$ 25.28	\$ 21.46	\$ 24.11	\$ 22.45	\$ 22.88
Market rents	14.53	14.74	18.70	20.37	23.52	18.27
Change	(28.8)%	(41.7)%	(12.9)%	(15.5)%	4.8 %	(20.2)%
Revenue impact ⁽²⁾	\$ (979)	\$ (2,245)	\$ (325)	\$ (465)	\$ 216	\$ (3,798)
Beltline						
In-place rents	\$ —	\$ 25.50	\$ 27.90	\$ 33.67	\$ 14.91	\$ 19.40
Market rents	—	22.00	22.68	25.65	22.80	23.00
Change	— %	(13.7)%	(18.7)%	(23.8)%	52.9 %	18.6 %
Revenue impact ⁽²⁾	\$ —	\$ (20)	\$ (571)	\$ (336)	\$ 2,745	\$ 1,818
Suburban						
In-place rents	\$ 14.76	\$ 16.44	\$ 17.67	\$ 18.58	\$ 21.69	\$ 20.78
Market rents	14.70	15.75	17.26	19.11	21.60	20.66
Change	(0.4)%	(4.2)%	(2.3)%	2.8 %	(0.5)%	(0.6)%
Revenue impact ⁽²⁾	\$ (1)	\$ (38)	\$ (18)	\$ 26	\$ (68)	\$ (99)
Total Calgary Office						
In-place rents	\$ 19.69	\$ 23.50	\$ 23.45	\$ 24.67	\$ 19.91	\$ 21.25
Market rents	14.55	15.09	20.08	21.10	22.25	20.30
Change	(26.1)%	(35.8)%	(14.4)%	(14.5)%	11.7 %	(4.5)%
Revenue impact ⁽²⁾	\$ (980)	\$ (2,303)	\$ (914)	\$ (775)	\$ 2,893	\$ (2,079)

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

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

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

	2016	2017	2018	2019	2020 & later	Total
Other office						
In-place rents	\$ 15.39	\$ 16.98	\$ 16.00	\$ 16.93	\$ 17.56	\$ 17.08
Market rents	15.91	18.15	16.65	17.76	18.23	17.82
Change	3.4%	6.9%	4.1%	5.0%	3.8%	4.4%
Revenue impact ⁽²⁾	\$ 252	\$ 1,112	\$ 518	\$ 905	\$ 2,662	\$ 5,449

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

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

The Twin Cities Area industrial segment represents 8.5% of the Q2-16 Property NOI and 17.2% of the overall portfolio by GLA. Direct vacancy in this industrial market, as reported by CBRE, decreased from 5.2% at March 31, 2016, to 5.0% at June 30, 2016, with 686,006 square feet of positive absorption reported for the quarter. As per CBRE, this was the 24th consecutive quarter of positive absorption for this market. The average asking market lease rate was \$5.52 per square foot at June 30, 2016, compared to \$5.57 per square foot at March 31, 2016. Occupancy in this segment of the portfolio, excluding properties held for redevelopment, was 96.0% at June 30, 2016, increased from 95.8% at March 31, 2016. During the remainder of 2016, 915,011 square feet comes up for renewal, which represents 3.4% of the total portfolio GLA; commitments were in place for 46.5% of the expiring space at June 30, 2016.

The Twin Cities Area office segment represents 7.2% of the Q2-16 Property NOI and 4.9% of the overall portfolio by GLA. Overall direct vacancy in this office market, as reported by CBRE, was 14.8% at June 30, 2016, down from 15.9% at March 31, 2016. At June 30, 2016, the Twin Cities Area office segment of Artis' portfolio was 92.7% occupied, increased from 92.6% at March 31, 2016. During the remainder of 2016, 157,882 square feet comes up for renewal, which represents 0.6% of the total portfolio GLA; 76.1% had been renewed or committed to new leases at June 30, 2016. Approximately 57.2% of the Twin Cities Area office GLA expires in 2020 or later.

The Winnipeg office segment represents 7.1% of the Q2-16 Property NOI and 5.6% of the overall portfolio by GLA. Artis' office properties are located in the downtown Winnipeg area, with several buildings at or adjacent to the intersection of Portage and Main. Overall direct vacancy in the Winnipeg office market, as reported by CBRE, decreased to 9.8% at June 30, 2016, compared to 10.5% at March 31, 2016. Occupancy in this segment of the portfolio was 88.4% at June 30, 2016, unchanged from March 31, 2016. During 2016, 152,901 square feet comes up for renewal, which represents 0.6% of the total portfolio GLA; 39.7% had been renewed or committed to new leases at June 30, 2016. Approximately 54.0% of the Winnipeg office GLA expires in 2020 or later.

The Greater Phoenix Area office segment represents 6.5% of the Q2-16 Property NOI and 3.7% of the overall portfolio by GLA. The average asking market lease rate was \$23.61 per square foot at June 30, 2016, up from \$22.90 at March 31, 2016. Overall direct vacancy in the Greater Phoenix Area office market, as reported by CBRE, was 18.1% at June 30, 2016, down from 19.3% at March 31, 2016. At June 30, 2016, the Greater Phoenix Area office segment of Artis' portfolio was 99.6% occupied, unchanged from March 31, 2016. Approximately 57.5% of the Greater Phoenix Area office GLA expires in 2020 or later. There are no leases expiring in Artis' Greater Phoenix Area office portfolio in 2016.

CORPORATE EXPENSES

	Three months ended				Six months ended			
	2016	June 30, 2015	Change	% Change	2016	June 30, 2015	Change	% Change
Accounting, legal and consulting	\$ 618	\$ 767	\$ (149)	(19.4)%	\$ 1,203	\$ 1,137	\$ 66	5.8%
Public company costs	415	345	70	20.3 %	987	684	303	44.3%
Unit-based compensation	777	298	479	160.7 %	1,431	840	591	70.4%
Salaries and benefits	946	861	85	9.9 %	1,933	1,781	152	8.5%
Depreciation of property and equipment	219	167	52	31.1 %	432	376	56	14.9%
General and administrative	546	393	153	38.9 %	1,173	875	298	34.1%
Total corporate expenses	\$ 3,521	\$ 2,831	\$ 690	24.4 %	\$ 7,159	\$ 5,693	\$ 1,466	25.8%

Corporate expenses in Q2-16 were \$3,521 (YTD - \$7,159), or 2.5% (YTD - 2.6%) of total revenues compared to \$2,831 (YTD - \$5,693), or 2.1% (YTD - 2.1%) of total revenues in Q2-15.

The unit-based compensation expense recorded in Q2-16 was \$777 (YTD - \$1,431) compared to \$298 (YTD - \$840) in Q2-15. A liability for unit-based compensation related to restricted and deferred units is recognized and measured initially at fair value. The liability is remeasured to fair value at each reporting date and at each settlement date. Any change in the fair value of the liability is recognized as compensation expense for the period. An increase in the value of the REIT's units as well as additional restricted and deferred units issued has caused an increase in the compensation expense for the period.

INTEREST EXPENSE

	Three months ended				Six months ended			
	2016	June 30, 2015	Change	% Change	2016	June 30, 2015	Change	% Change
Mortgages and other loans ⁽¹⁾	\$ 20,479	\$ 21,272	\$ (793)		\$ 40,795	\$ 43,559	\$ (2,764)	
Debentures ⁽¹⁾	4,343	4,360	(17)		8,706	8,701	5	
Other ⁽¹⁾	1,641	1,123	518		3,018	1,346	1,672	
	26,463	26,755	(292)	(1.1)%	52,519	53,606	(1,087)	(2.0)%
Foreign exchange	1,797	1,393	404		4,114	2,809	1,305	
Total interest expense	\$ 28,260	\$ 28,148	\$ 112	0.4 %	\$ 56,633	\$ 56,415	\$ 218	0.4 %

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

Interest expense on mortgages and other loans has decreased primarily due to the repayment of maturing mortgages in 2015 and 2016. 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 term of the debt.

The REIT's weighted-average effective rate at June 30, 2016, on mortgages and other loans secured by properties was 3.80%, decreased from 3.93% at December 31, 2015. The weighted-average nominal interest rate on mortgages and other loans secured by properties at June 30, 2016, decreased to 3.71% from 3.86% at December 31, 2015.

The REIT's interest coverage ratio, defined as total revenues less property operating and realty tax expenses, and corporate expenses divided by interest expense, was 2.92 times (YTD - 2.90 times) for Q2-16, compared to 2.95 times (YTD - 2.93 times) for Q2-15.

FAIR VALUE LOSS ON INVESTMENT PROPERTIES

The changes in fair value of investment properties, period-over-period, are recognized as fair value gains and losses in the consolidated statement of operations. Fair values of the investment properties are determined through either the discounted cash flow method or the overall capitalization method which are generally accepted appraisal methodologies. External valuations are performed for a selection of properties representing various geographical regions and asset classes across the REIT's portfolio. In Q2-16, the fair value loss on investment properties was \$21,640 (YTD - loss of \$36,761), compared to a loss of \$5,252 (YTD - loss of \$55,504) in Q2-15. 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 fair value loss in Q2-16 was largely due to continued downward pressure on market rents in the Calgary office segment as a result of the economic downturn.

FOREIGN CURRENCY TRANSLATION (LOSS) GAIN

In Q2-16, 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 \$25,970 (YTD - loss of \$19,816) in Q2-16, compared to a gain of \$3,637 (YTD - loss of \$6,910) in Q2-15. The foreign currency translation loss in Q2-16 relates primarily to foreign currency contracts settled during the quarter. The US proceeds from these contracts were primarily used to fund U.S. acquisitions during Q2-16.

TRANSACTION COSTS

During Q2-16, \$862 (YTD - \$901) of transaction costs were expensed compared to \$(68) (YTD - \$367) in Q2-15. The transaction costs are attributable to the acquisitions of investment properties and joint ventures.

GAIN (LOSS) 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 \$1,084 (YTD - loss of \$4,927) in Q2-16, compared to an unrealized gain of \$3,271 (YTD - loss of \$2,358) in Q2-15. The REIT anticipates holding the mortgages and interest rate swap contracts until maturity.

Artis recorded an unrealized gain of \$4,005 (YTD - gain of \$2,045) in Q2-16 on the fair value of outstanding foreign currency contracts.

OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) includes the unrealized foreign currency translation gain in Q2-16 of \$26,026 (YTD - loss of \$34,498) compared to a loss of \$14,853 (YTD - gain of \$55,266) in Q2-15. Foreign currency translation gains and losses relate to the REIT's net investments in foreign operations in the U.S.

INCOME TAX

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

The REIT's U.S. 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.

FUNDS FROM OPERATIONS ("FFO")

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

Reconciliation of Cash Flows from Operations to FFO

The following table reconciles cash flow from operations as found in the REIT's consolidated financial statements to FFO:

000's, except per unit amounts	Three months ended		% Change	Six months ended		% Change
	2016	June 30, 2015		2016	June 30, 2015	
Cash flow from operations	\$ 61,602	\$ 53,021		\$ 117,828	\$ 110,548	
Add (deduct):						
Depreciation of property and equipment	(219)	(167)		(432)	(376)	
Amortization of above- and below-market mortgages, net	545	400		1,095	813	
Straight-line rent adjustment	1,072	22		2,052	934	
Adjustment for investments in joint ventures	1,003	1,171		2,111	2,373	
Realized foreign currency translation loss (gain)	24,867	(536)		23,833	(1,203)	
Unrealized foreign currency (loss) gain from U.S. operations	(25,201)	1,443		(24,121)	471	
Unit-based compensation expense	(777)	(298)		(1,431)	(840)	
Accretion on liability component of debentures	187	172		386	344	
Amortization of financing costs included in interest	(819)	(778)		(1,589)	(1,545)	
Other long-term employee benefits	(421)	(402)		(897)	(797)	
Transaction costs on acquisitions	862	(68)		901	367	
Changes in non-cash operating items	(4,184)	4,501		(3,562)	4,314	
Incremental leasing costs	623	544		1,170	988	
Preferred unit distributions	(4,584)	(4,547)		(9,180)	(9,115)	
FFO	\$ 54,556	\$ 54,478	0.1 %	\$ 108,164	\$ 107,276	0.8 %
Add (deduct):						
Lease termination income	(1,958)	(3,340)		(1,958)	(4,150)	
Straight-line rent reversals due to lease terminations	—	812		—	812	
FFO after adjustments	\$ 52,598	\$ 51,950	1.2 %	\$ 106,206	\$ 103,938	2.2 %
FFO per unit:						
Basic	\$ 0.39	\$ 0.40	(2.5)%	\$ 0.77	\$ 0.78	(1.3)%
Diluted	0.38	0.39	(2.6)%	0.76	0.76	— %
FFO per unit after adjustments:						
Basic	\$ 0.37	\$ 0.38	(2.6)%	\$ 0.76	\$ 0.76	— %
Diluted	0.37	0.37	— %	0.74	0.74	— %
Weighted-average number of common units outstanding:						
Basic	141,191	137,275		140,203	136,948	
Diluted ⁽¹⁾	151,752	147,799		150,761	147,505	

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

In Q2-16, FFO after adjustments was impacted by acquisitions, dispositions, completed (re)developments and the impact of foreign exchange in 2015 and 2016.

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

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

	Diluted Common Units Reconciliation		Diluted FFO Reconciliation		
	Three months ended June 30,		Three months ended June 30,		
	2016	2015		2016	2015
Basic units	141,191	137,275	FFO	\$ 54,556	\$ 54,478
Add:			Add:		
Options ⁽¹⁾	—	37	Options ⁽¹⁾	—	—
Debentures ⁽¹⁾	10,200	10,200	Debentures ⁽¹⁾	2,775	2,714
Restricted units ⁽¹⁾	361	282	Restricted units ⁽¹⁾	132	(201)
Deferred units ⁽¹⁾	—	5	Deferred units ⁽¹⁾	—	(5)
Diluted units	151,752	147,799	Diluted FFO	\$ 57,463	\$ 56,986

⁽¹⁾ All convertible debenture series and restricted units are dilutive in Q2-16. All in-the-money options, convertible debenture series, restricted units and deferred units are dilutive in Q2-15.

	Diluted Common Units Reconciliation		Diluted FFO Reconciliation		
	Six months ended June 30,		Six months ended June 30,		
	2016	2015		2016	2015
Basic units	140,203	136,948	FFO	\$ 108,164	\$ 107,276
Add:			Add:		
Options ⁽¹⁾	—	72	Options ⁽¹⁾	—	—
Debentures ⁽¹⁾	10,200	10,200	Debentures ⁽¹⁾	5,630	5,412
Restricted units ⁽¹⁾	358	281	Restricted units ⁽¹⁾	172	(103)
Deferred units ⁽¹⁾	—	4	Deferred units ⁽¹⁾	—	(2)
Diluted units	150,761	147,505	Diluted FFO	\$ 113,966	\$ 112,583

⁽¹⁾ All convertible debenture series and restricted units are dilutive in 2016. All in-the-money options, convertible debenture series, restricted units and deferred units are dilutive in 2015.

Reconciliation of Net Income to FFO

	Three months ended June 30,			Six months ended June 30,		
	2016	2015	% Change	2016	2015	% Change
Net income	\$ 8,617	\$ 56,740		\$ 47,391	\$ 43,643	
Add (deduct):						
Tenant inducements amortized to revenue	4,349	3,465		8,423	6,621	
Fair value loss on investment properties	21,640	5,252		36,761	55,504	
Foreign currency translation loss (gain)	25,970	(3,637)		19,816	6,910	
Transaction costs on acquisitions	862	(68)		901	367	
Unrealized (gain) loss on financial instruments	(2,921)	(3,271)		2,882	2,358	
Incremental leasing costs	623	544		1,170	988	
Preferred unit distributions	(4,584)	(4,547)		(9,180)	(9,115)	
FFO	\$ 54,556	\$ 54,478	0.1%	\$ 108,164	\$ 107,276	0.8%
Add (deduct):						
Lease termination income	(1,958)	(3,340)		(1,958)	(4,150)	
Straight-line rent reversals due to lease terminations	—	812		—	812	
FFO after adjustments	\$ 52,598	\$ 51,950	1.2%	\$ 106,206	\$ 103,938	2.2%

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			Six months ended		
	2016	June 30, 2015	% Change	2016	June 30, 2015	% Change
FFO	\$ 54,556	\$ 54,478		\$ 108,164	\$ 107,276	
Add (deduct):						
Capital expenditures reserve	(1,384)	(1,350)		(2,778)	(2,701)	
Leasing costs reserve	(6,924)	(5,399)		(13,892)	(10,803)	
Straight-line rent adjustments	(1,276)	(93)		(2,472)	(1,041)	
Unit-based compensation expense	777	298		1,431	840	
AFFO	\$ 45,749	\$ 47,934	(4.6)%	\$ 90,453	\$ 93,571	(3.3)%
Deduct:						
Lease termination income	(1,958)	(3,340)		(1,958)	(4,150)	
AFFO after adjustments	\$ 43,791	\$ 44,594	(1.8)%	\$ 88,495	\$ 89,421	(1.0)%
AFFO per unit:						
Basic	\$ 0.32	\$ 0.35	(8.6)%	\$ 0.65	\$ 0.68	(4.4)%
Diluted	0.32	0.34	(5.9)%	0.64	0.67	(4.5)%
AFFO per unit after adjustments:						
Basic	\$ 0.31	\$ 0.32	(3.1)%	\$ 0.63	\$ 0.65	(3.1)%
Diluted	0.31	0.32	(3.1)%	0.63	0.64	(1.6)%
Weighted-average number of common units outstanding:						
Basic	141,191	137,275		140,203	136,948	
Diluted ⁽¹⁾	151,391	147,475		145,762	147,149	

⁽¹⁾ Convertible debentures are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

In Q2-16, AFFO was impacted by acquisitions, dispositions, completed (re)developments and the impact of foreign exchange in 2015 and 2016, and by a change in the calculation of Artis' leasing costs reserve in 2016.

ANALYSIS OF FINANCIAL POSITION

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

	June 30, 2016			December 31, 2015		
	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share
ASSETS						
Non-current assets:						
Investment properties	\$ 5,090,843	\$ 277,530	\$ 5,368,373	\$ 5,078,021	\$ 246,144	\$ 5,324,165
Investment properties under development	36,145	37,280	73,425	26,892	61,465	88,357
Investments in joint ventures	173,682	(173,682)	—	173,066	(173,066)	—
Property and equipment	3,390	—	3,390	3,586	—	3,586
Notes receivable	14,723	—	14,723	15,776	—	15,776
	5,318,783	141,128	5,459,911	5,297,341	134,543	5,431,884
Current assets:						
Investment properties held for sale	193,704	—	193,704	115,504	—	115,504
Deposits on investment properties	6,862	—	6,862	50	—	50
Prepaid expenses and other assets	11,985	501	12,486	7,872	351	8,223
Notes receivable	2,734	—	2,734	2,744	—	2,744
Accounts receivable and other receivables	12,974	394	13,368	11,757	1,069	12,826
Cash held in trust	4,459	—	4,459	8,605	—	8,605
Cash and cash equivalents	150,492	4,897	155,389	66,449	4,995	71,444
	383,210	5,792	389,002	212,981	6,415	219,396
	\$ 5,701,993	\$ 146,920	\$ 5,848,913	\$ 5,510,322	\$ 140,958	\$ 5,651,280
LIABILITIES AND UNITHOLDERS' EQUITY						
Non-current liabilities:						
Mortgages and loans payable	\$ 1,672,329	\$ 113,328	\$ 1,785,657	\$ 1,703,553	\$ 112,535	\$ 1,816,088
Senior unsecured debentures	199,685	—	199,685	199,631	—	199,631
Convertible debentures	116,010	—	116,010	209,140	—	209,140
Other long-term liabilities	3,810	—	3,810	2,910	—	2,910
	1,991,834	113,328	2,105,162	2,115,234	112,535	2,227,769
Current liabilities:						
Mortgages and loans payable	582,276	23,555	605,831	494,766	19,663	514,429
Convertible debentures	85,418	—	85,418	—	—	—
Security deposits and prepaid rent	35,136	2,212	37,348	32,049	1,424	33,473
Accounts payable and other liabilities	87,349	7,825	95,174	75,512	7,336	82,848
Bank indebtedness	300,000	—	300,000	225,000	—	225,000
	1,090,179	33,592	1,123,771	827,327	28,423	855,750
	3,082,013	146,920	3,228,933	2,942,561	140,958	3,083,519
Unitholders' equity	2,619,980	—	2,619,980	2,567,761	—	2,567,761
	\$ 5,701,993	\$ 146,920	\$ 5,848,913	\$ 5,510,322	\$ 140,958	\$ 5,651,280

⁽¹⁾ Adjustment to reflect investments in joint ventures on a proportionate share basis.

ASSETS

	June 30, 2016	December 31, 2015	Change
Non-current assets:			
Investment properties and investment properties under development	\$ 5,441,798	\$ 5,412,522	\$ 29,276
Other non-current assets	18,113	19,362	(1,249)
Current assets:			
Investment properties held for sale	193,704	115,504	78,200
Other current assets	35,450	23,843	11,607
Cash, cash equivalents and cash held in trust	159,848	80,049	79,799
	\$ 5,848,913	\$ 5,651,280	\$ 197,633

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, 2015	\$ 5,324,165	\$ 88,357	\$ 115,504	\$ 5,528,026
Additions:				
Capital expenditures	6,742	16,315	7	23,064
Leasing commissions	4,692	—	—	4,692
Reclassification of investment properties under development	43,511	(43,511)	—	—
Reclassification of investment properties held for sale	(127,765)	—	127,765	—
Foreign currency translation loss	(108,113)	(2,771)	—	(110,884)
Straight-line rent adjustments	1,159	—	37	1,196
Tenant inducement additions, net of amortization	4,726	—	(203)	4,523
Fair value loss	(10,932)	—	(4,189)	(15,121)
Balance, March 31, 2016	5,138,185	58,390	238,921	5,435,496
Additions:				
Acquisitions	252,375	—	—	252,375
Capital expenditures	21,631	8,050	33	29,714
Leasing commissions	2,839	—	23	2,862
Dispositions	—	—	(77,251)	(77,251)
Reclassification of investment properties under development	(8,917)	8,917	—	—
Reclassification of investment properties held for sale	(33,840)	—	33,840	—
Foreign currency translation gain	4,719	192	28	4,939
Straight-line rent adjustments	1,213	1	62	1,276
Tenant inducement additions, net of amortization	7,829	36	(134)	7,731
Fair value loss	(17,661)	(2,161)	(1,818)	(21,640)
Balance, June 30, 2016	\$ 5,368,373	\$ 73,425	\$ 193,704	\$ 5,635,502

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.

	Three months ended			% Change	Six months ended			% Change
	2016	June 30, 2015	Change		2016	June 30, 2015	Change	
Cash consideration	\$ 115,121	\$ —	\$ 115,121		\$ 115,121	\$ 12,366	\$ 102,755	
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	137,254	—	137,254		137,254	12,366	124,888	
Total acquisitions	\$ 252,375	\$ —	\$ 252,375	—%	\$ 252,375	\$ 24,732	\$ 227,643	920.4%

Capital expenditures:

Revenue enhancing capital expenditures include new and (re)development costs and building improvements that increase the revenue generating potential of the property. Recoverable capital expenditures are recoverable from tenants in future periods. In Q2-16, non-recoverable capital expenditures primarily related to roof replacements, parking lot upgrades and exterior upgrades, including \$8,224 for the 360 Main Street curtain wall renewal.

	Three months ended			% Change	Six months ended			% Change
	2016	June 30, 2015	Change		2016	June 30, 2015	Change	
Revenue enhancing	\$ 8,264	\$ 11,157	\$ (2,893)	(25.9)%	\$ 25,053	\$ 29,128	\$ (4,075)	(14.0)%
Recoverable from tenants	5,865	4,819	1,046	21.7 %	11,347	7,235	4,112	56.8 %
Non-recoverable	15,585	1,347	14,238	1,057.0 %	16,378	1,974	14,404	729.7 %
Total capital expenditures	\$ 29,714	\$ 17,323	\$ 12,391	71.5 %	\$ 52,778	\$ 38,337	\$ 14,441	37.7 %

Leasing costs:

Tenant inducements included 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. Tenant inducements during the quarter included \$2,000 for tenants at the recently (re)developed properties, Park Lucero I and 201 Westcreek Boulevard, and \$5,905 for significant tenants at Heritage Square, MTS Place and 415 Yonge Street.

	Three months ended			% Change	Six months ended			% Change
	2016	June 30, 2015	Change		2016	June 30, 2015	Change	
Tenant inducements	\$ 12,080	\$ 6,154	\$ 5,926	96.3 %	\$ 20,677	\$ 10,283	\$ 10,394	101.1%
Leasing commissions	2,862	3,838	(976)	(25.4)%	7,554	6,580	974	14.8%
Total leasing costs	\$ 14,942	\$ 9,992	\$ 4,950	49.5 %	\$ 28,231	\$ 16,863	\$ 11,368	67.4%

Dispositions:

During Q2-16, Artis sold two retail properties in Canada and one industrial property in the U.S. for an aggregate sale price of \$79,831. The sales proceeds, net of costs of \$2,526 and related debt of \$22,126, were \$55,125.

Investment properties held for sale:

At June 30, 2016, the REIT had one office property and four retail properties with an aggregate fair value of \$193,704 classified as held for sale. These properties were listed for sale with an external broker.

Foreign currency translation gain (loss) on investment properties:

In Q2-16, the foreign currency translation gain on investment properties was \$4,939 (YTD - loss of \$105,945) due to the change in the period end US dollar to Canadian dollar exchange rate from 1.2971 at March 31, 2016, to 1.3009 at June 30, 2016.

Fair value loss on investment properties:

In Q2-16, the REIT recorded a loss on the fair value of investment properties of \$21,640 (YTD - loss of \$36,761), compared to a loss of \$5,252 (YTD - loss of \$55,504) in Q2-15. The fair value loss for Q2-16 was largely due to continued downward pressure on market rents in the Calgary office segment as a result of the economic downturn. The fair value loss for Q2-15 was primarily attributed to capitalization rate expansion in the Calgary Class B downtown office market and lowered expected market rents in the Calgary office market driven by oil price volatility.

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 8.50%. Additional information on the average capitalization rates and ranges used for the portfolio properties, assuming all properties were valued using an overall capitalization method, broken out by asset class and country are set out in the table below.

	June 30, 2016			December 31, 2015		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
Canada	8.50%	5.25%	6.60%	8.75%	5.25%	6.71%
U.S.	8.25%	5.50%	6.71%	8.25%	5.75%	6.52%
Total office	8.50%	5.25%	6.64%	8.75%	5.25%	6.65%
Retail:						
Canada	8.50%	5.25%	6.38%	8.50%	5.50%	6.43%
U.S.	8.50%	5.75%	6.87%	8.75%	6.00%	6.81%
Total retail	8.50%	5.25%	6.41%	8.75%	5.50%	6.45%
Industrial:						
Canada	7.75%	4.50%	6.49%	7.75%	4.50%	6.47%
U.S.	7.75%	5.75%	6.84%	8.00%	6.00%	6.92%
Total industrial	7.75%	4.50%	6.60%	8.00%	4.50%	6.61%
Total:						
Canadian portfolio	8.50%	4.50%	6.51%	8.75%	4.50%	6.56%
U.S. portfolio	8.50%	5.50%	6.76%	8.75%	5.75%	6.67%
Total portfolio	8.50%	4.50%	6.58%	8.75%	4.50%	6.59%

Notes Receivable

In conjunction with the 2007 acquisition of TransAlta Place, the REIT acquired a note receivable in the amount of \$31,000. The note bears interest at 5.89% per annum and is repayable in varying blended monthly installments of principal and interest. The note is transferable at the option of the REIT and matures in May 2023. The balance outstanding on all notes receivable at June 30, 2016 was \$17,457, compared to \$18,520 at December 31, 2015.

Cash and Cash Equivalents

At June 30, 2016, the REIT had \$155,389 of cash and cash equivalents on hand, compared to \$71,444 at December 31, 2015. The balance is anticipated to be invested in investment properties in subsequent periods, used for working capital purposes or for debt repayment. All of the REIT's cash and cash equivalents are held in current accounts and/or bank guaranteed investment certificates.

LIABILITIES

	June 30, 2016	December 31, 2015	Change
Non-current liabilities:			
Mortgages and loans payable	\$ 1,785,657	\$ 1,816,088	\$ (30,431)
Senior unsecured debentures	199,685	199,631	54
Convertible debentures	116,010	209,140	(93,130)
Other non-current liabilities	3,810	2,910	900
Current liabilities:			
Current portion of mortgages and loans payable	605,831	514,429	91,402
Current portion of convertible debentures	85,418	—	85,418
Other current liabilities	132,522	116,321	16,201
Bank indebtedness	300,000	225,000	75,000
	\$ 3,228,933	\$ 3,083,519	\$ 145,414

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 GBV.

Artis' secured mortgages and loans to GBV ratio at June 30, 2016 was 40.9%, compared to 41.2% at December 31, 2015.

	June 30, 2016	December 31, 2015	Change
GBV	\$ 5,851,892	\$ 5,653,827	\$ 198,065
Secured mortgages and loans	2,391,488	2,330,517	60,971
Secured mortgages and loans to GBV	40.9%	41.2%	(0.3)%
Preferred shares liability	\$ 343	\$ 365	\$ (22)
Carrying value of debentures	401,113	408,771	(7,658)
Bank indebtedness	300,000	225,000	75,000
Total long-term debt and bank indebtedness	\$ 3,092,944	\$ 2,964,653	\$ 128,291
Total long-term debt and bank indebtedness to GBV	52.9%	52.4%	0.5 %

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 2.1 times at June 30, 2016, compared to 2.5 times at December 31, 2015.

	June 30, 2016	December 31, 2015	Change
Unencumbered assets	\$ 1,034,667	\$ 1,059,792	\$ (25,125)
Senior unsecured debentures	199,685	199,631	54
Unsecured credit facilities	300,000	225,000	75,000
Total unsecured debt	\$ 499,685	\$ 424,631	\$ 75,054
Unencumbered assets to unsecured debt	2.1	2.5	(0.4)

Mortgages and Loans Payable

Mortgage financing:

Artis finances acquisitions in part through the arrangement or assumption of mortgage financing and consequently, the majority of the REIT's investment properties are pledged as security under mortgages and other loans. In Q2-16, \$14,676 (YTD - \$30,040) of principal repayments were made compared to \$14,977 in Q2-15 (YTD - \$30,363).

In Q2-16, Artis repaid four mortgages for a total of \$36,074. Artis refinanced two maturing mortgages and received upward financing on two mortgages, net of financing costs, for a total of \$13,081. The weighted-average nominal interest rate on these mortgages was 2.97% and the weighted-average term to maturity was 3.8 years. In Q2-16, Artis drew on development loans in the amount of \$6,796.

The weighted-average term to maturity on all mortgages and loans payable at June 30, 2016, was 3.7 years, compared to 3.8 years at December 31, 2015.

Unhedged variable rate mortgage debt:

Management believes that a percentage of variable rate debt is prudent in managing a portfolio of debt. At various times, management feels that 5% to 15% of the portfolio could be held in variable rate instruments and provide the benefit of lower interest rates, while keeping the overall risk at a moderate level. All of the REIT's variable rate mortgage debt is term debt and cannot be called on demand. The REIT has the ability to refinance, or use interest rate swaps, at any given point without incurring penalties.

At June 30, 2016, the REIT was a party to \$480,306 of unhedged variable rate mortgage debt, compared to \$342,758 at December 31, 2015. The increase is primarily due to new mortgage financing of \$155,807 and draws on construction loans of \$8,331, partially offset by mortgage repayments of \$3,480 and foreign exchange of \$23,110. The unhedged variable rate mortgage debt is 15.5% of total debt including bank indebtedness at June 30, 2016, compared to 11.6% at December 31, 2015.

Senior Unsecured Debentures

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

	June 30, 2016				December 31, 2015			
	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%	\$ 199,685	\$ 200,000	\$ 199,631	\$ 200,000	

Convertible Debentures

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

	June 30, 2016				December 31, 2015			
	Issued	Maturity	Interest rate	Carrying value	Face value	Carrying value	Face value	
Series F	22-Apr-10	30-June-20	6.00%	\$ 85,418	\$ 86,170	\$ 85,336	\$ 86,170	
Series G	21-Apr-11	30-June-18	5.75%	116,010	114,479	123,804	121,792	
				\$ 201,428	\$ 200,649	\$ 209,140	\$ 207,962	

The carrying value of convertible debentures decreased by \$7,712 from December 31, 2015. This decrease is primarily due to foreign exchange on the Series G debentures.

On June 24, 2016, the REIT delivered notice of redemption on all outstanding Series F convertible debentures, effective July 25, 2016.

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 \$15,326, which was paid subsequent to the end of the quarter. At June 30, 2016, there was \$300,000 drawn on the REIT's unsecured revolving term credit facilities. Amounts drawn on the facilities bear interest at prime plus 0.70% or at the bankers' acceptance rate plus 1.70%.

UNITHOLDERS' EQUITY

Unitholders' equity increased overall by \$52,219 between December 31, 2015 and June 30, 2016. The increase was primarily due to the issuance of new units for \$125,579 and net income of \$47,391. This increase was partially offset by distributions made to unitholders of \$86,355 and by an unrealized foreign currency translation loss included in other comprehensive income of \$34,524.

LIQUIDITY AND CAPITAL RESOURCES

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

DISTRIBUTIONS

The Trustees determine the level of cash distributions based on the level of cash flow from operations before working capital changes, less actual and planned capital expenditures. During the 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.

The following amounts are presented consistent with Artis' consolidated financial statements:

	Three months ended June 30, 2016	Six months ended June 30, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Cash flow from operations	\$ 61,602	\$ 117,828	\$ 220,601	\$ 204,705
Net income (loss)	8,617	47,391	(175,699)	197,886
Distributions declared	43,153	85,363	167,144	161,330
Excess of cash flow from operations over distributions declared	18,449	32,465	53,457	43,375
(Shortfall) excess of net income (loss) over distributions declared	(34,536)	(37,972)	(342,843)	36,556

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 16 consecutive quarters. The shortfall in Q2-16 of \$34,536 is primarily due to the non-cash impact of fair value losses on investment properties and financial instruments and the foreign currency translation loss.

Artis paid \$8,416 (YTD - \$16,163) of the \$43,153 (YTD - \$85,363) distributions declared to unitholders in Q2-16 through the issuance of units under the DRIP.

CAPITAL RESOURCES

At June 30, 2016, Artis had \$155,389 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 \$500,000, which can be utilized for general corporate and working capital purposes, short term financing of investment property acquisitions and the issuance of letters of credit. At June 30, 2016, the REIT had \$300,000 drawn on the facilities.

At June 30, 2016, the REIT had 57 unencumbered properties and 7 unencumbered parcels of development land, representing a fair value of \$1,034,667.

Artis is not in default or arrears on any of its obligations, including distributions to unitholders, interest or principal payments on debt or any debt covenants at June 30, 2016.

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, drawing on unsecured credit facilities, 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	\$ 300,000	\$ 300,000	\$ —	\$ —	\$ —
Accounts payable and other liabilities	95,174	95,174	—	—	—
Convertible debentures ⁽¹⁾	200,649	86,170	114,479	—	—
Senior unsecured debentures ⁽¹⁾	200,000	—	200,000	—	—
Mortgages and loans payable	2,393,246	576,071	616,958	720,206	480,011
Total contractual obligations	\$ 3,189,069	\$ 1,057,415	\$ 931,437	\$ 720,206	\$ 480,011

⁽¹⁾ The Series F convertible debentures redemption took place on July 25, 2016. It is assumed that the Series G convertible debentures are not converted nor redeemed prior to maturity and that they are paid out in cash on maturity.

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

Year ended December 31,	Debt maturities	% of total principal	Scheduled principal repayments on non-matured debt	Total annual principal repayments	Weighted-average nominal interest rate on balance due at maturity
2016	\$ 239,502	11.5%	\$ 30,701	\$ 270,203	3.75%
2017	589,155	28.3%	52,294	641,449	4.08%
2018	207,175	9.9%	39,975	247,150	3.43%
2019	151,241	7.2%	37,999	189,240	3.43%
2020	195,900	9.4%	32,417	228,317	3.39%
2021 & later	705,738	33.7%	111,149	816,887	3.54%
Total	\$ 2,088,711	100.0%	\$ 304,535	\$ 2,393,246	3.68%

SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14
Revenue	\$ 138,159	\$ 139,053	\$ 142,873	\$ 140,254	\$ 134,629	\$ 134,746	\$ 133,879	\$ 127,583
Expenses:								
Property operating	30,098	30,437	35,158	32,160	28,336	29,450	33,309	28,457
Realty taxes	22,444	23,320	22,382	21,667	20,633	20,764	19,480	19,268
	52,542	53,757	57,540	53,827	48,969	50,214	52,789	47,725
Net operating income	85,617	85,296	85,333	86,427	85,660	84,532	81,090	79,858
Other income (expenses):								
Corporate expenses	(3,521)	(3,638)	(3,089)	(2,728)	(2,831)	(2,862)	(2,682)	(2,467)
Interest expense	(28,260)	(28,373)	(28,684)	(28,365)	(28,148)	(28,267)	(27,999)	(27,265)
Interest income	332	298	288	335	335	363	442	464
Fair value (loss) gain on investment properties	(21,640)	(15,121)	(252,058)	(64,343)	(5,252)	(50,252)	14,180	10,363
Foreign currency translation (loss) gain	(25,970)	6,154	410	(9,913)	3,637	(10,547)	(4,295)	(4,834)
Transaction costs	(862)	(39)	(521)	(1,248)	68	(435)	(844)	(162)
Gain (loss) on financial instruments	2,921	(5,803)	2,426	(3,612)	3,271	(5,629)	(3,281)	860
Net income (loss)	8,617	38,774	(195,895)	(23,447)	56,740	(13,097)	56,611	56,817
Other comprehensive income (loss):								
Unrealized foreign currency translation gain (loss)	26,026	(60,524)	27,422	65,039	(14,853)	70,119	25,466	32,513
Unrealized (loss) gain from remeasurements of net pension obligation	(35)	9	1	—	43	(42)	—	—
	25,991	(60,515)	27,423	65,039	(14,810)	70,077	25,466	32,513
Total comprehensive income (loss)	\$ 34,608	\$ (21,741)	\$(168,472)	\$ 41,592	\$ 41,930	\$ 56,980	\$ 82,077	\$ 89,330
Net income (loss) per unit attributable to common unitholders:								
Basic	\$ 0.03	\$ 0.25	\$ (1.45)	\$ (0.20)	\$ 0.38	\$ (0.13)	\$ 0.38	\$ 0.39
Diluted	0.03	0.24	(1.45)	(0.20)	0.37	(0.13)	0.37	0.38
Secured mortgages and loans to GBV	40.9%	41.3%	41.2%	40.2%	39.9%	41.4%	41.9%	41.9%

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

Reconciliation of Net Income (Loss) to FFO

000's, except per unit amounts	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14
Net income (loss)	\$ 8,617	\$ 38,774	\$ (195,895)	\$ (23,447)	\$ 56,740	\$ (13,097)	\$ 56,611	\$ 56,817
Add (deduct):								
Amortization of tenant inducements	4,349	4,074	3,694	3,693	3,465	3,156	2,753	2,776
Fair value loss (gain) on investment properties	21,640	15,121	252,058	64,343	5,252	50,252	(14,180)	(10,363)
Foreign currency translation loss (gain)	25,970	(6,154)	(410)	9,913	(3,637)	10,547	4,295	4,834
Transaction costs on acquisitions	862	39	521	1,248	(68)	435	844	162
Unrealized (gain) loss on financial instruments	(2,921)	5,803	(2,426)	3,612	(3,271)	5,629	3,281	(860)
Incremental leasing costs	623	547	579	442	544	444	472	246
Preferred unit distributions	(4,584)	(4,596)	(4,682)	(4,638)	(4,547)	(4,568)	(4,461)	(4,423)
FFO	\$ 54,556	\$ 53,608	\$ 53,439	\$ 55,166	\$ 54,478	\$ 52,798	\$ 49,615	\$ 49,189
Add (deduct):								
Lease termination income	(1,958)	—	(173)	(170)	(3,340)	(810)	(73)	(21)
Non-recurring other income ⁽¹⁾	—	—	—	(1,636)	—	—	—	—
Straight-line rent reversals due to lease terminations	—	—	—	—	812	—	—	—
FFO after adjustments	\$ 52,598	\$ 53,608	\$ 53,266	\$ 53,360	\$ 51,950	\$ 51,988	\$ 49,542	\$ 49,168
FFO per unit:								
Basic	\$ 0.39	\$ 0.39	\$ 0.39	\$ 0.40	\$ 0.40	\$ 0.39	\$ 0.36	\$ 0.36
Diluted	0.38	0.38	0.38	0.39	0.39	0.38	0.36	0.35
FFO per unit after adjustments:								
Basic	\$ 0.37	\$ 0.39	\$ 0.38	\$ 0.39	\$ 0.38	\$ 0.38	\$ 0.36	\$ 0.36
Diluted	0.37	0.38	0.38	0.38	0.37	0.37	0.36	0.35
Weighted-average number of common units outstanding:								
Basic	141,191	139,215	138,566	137,919	137,275	136,618	136,055	135,563
Diluted ⁽²⁾	151,752	149,785	148,089	148,455	147,799	147,192	146,600	146,245

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

⁽²⁾ 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, disposition and (re)development 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	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14
FFO after adjustments	\$ 52,598	\$ 53,608	\$ 53,266	\$ 53,360	\$ 51,950	\$ 51,988	\$ 49,542	\$ 49,168
Add (deduct):								
Capital expenditures reserve	(1,384)	(1,394)	(1,432)	(1,406)	(1,350)	(1,351)	(1,344)	(1,280)
Leasing costs reserve	(6,924)	(6,968)	(5,727)	(5,623)	(5,399)	(5,404)	(5,373)	(5,121)
Straight-line rent adjustments	(1,276)	(1,196)	(1,227)	(1,231)	(905)	(948)	(1,232)	(1,062)
Unit-based compensation	777	654	618	302	298	542	378	403
AFFO after adjustments	\$ 43,791	\$ 44,704	\$ 45,498	\$ 45,402	\$ 44,594	\$ 44,827	\$ 41,971	\$ 42,108
AFFO per unit after adjustments:								
Basic	\$ 0.31	\$ 0.32	\$ 0.33	\$ 0.33	\$ 0.32	\$ 0.33	\$ 0.31	\$ 0.31
Diluted	0.31	0.32	0.33	0.33	0.32	0.32	0.31	0.31
Weighted-average number of common units outstanding:								
Basic	141,191	139,215	138,566	137,919	137,275	136,618	136,055	135,563
Diluted ⁽¹⁾	151,391	144,744	148,766	148,119	147,475	146,819	146,255	145,848

⁽¹⁾ 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, disposition and (re)development activity, foreign exchange and changes to the leasing costs reserve during the period.

RELATED PARTY TRANSACTIONS

	Three months ended		Six months ended	
	2016	June 30, 2015	2016	June 30, 2015
Property management fees	\$ 54	\$ 82	\$ 136	\$ 164
Capitalized leasing commissions	2	59	11	80
Capitalized project management fees	21	—	58	—
Capitalized building improvements	11,613	2,264	15,289	5,029
Capitalized development projects	744	2,577	1,215	4,822
Capitalized tenant inducements	204	55	522	95
Capitalized office furniture and fixtures	69	52	148	206
Realty tax assessment consulting fees	49	21	539	376
Rental revenues	(72)	(42)	(144)	(84)

The REIT incurred property management fees, leasing commission fees and project management fees under property management agreements with Marwest Management Canada Ltd. ("Marwest Management"), a company related to certain trustees and officers of the REIT, for three properties owned by the REIT. The amount payable at June 30, 2016, is \$30 (December 31, 2015, \$44).

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 increase in these costs is primarily due to the 360 Main Street curtain wall renewal project. The amount payable at June 30, 2016, is \$6,488 (December 31, 2015, \$1,724).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction. The amount payable at June 30, 2016, is \$nil (December 31, 2015, \$nil).

The REIT incurred costs for realty tax assessment consulting paid to Fairtax Realty Advocates, a company under control of close family members of key management personnel. The amount payable at June 30, 2016, is \$nil (December 31, 2015, \$194).

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 August 4, 2016 is as follows:

Units outstanding at June 30, 2016	148,873,156
Units issued (DRIP)	232,571
Units issued on conversion of debentures	645
Units issued on redemption of restricted units	1,748
	<hr/>
Units outstanding at August 4, 2016	149,108,120
	<hr/>

The balance of \$16.36 options outstanding as of August 4, 2016 is 1,476,000. All of these options have vested.

The balance of restricted units outstanding as of August 4, 2016 is 417,953. None of these restricted units have vested.

The balance of deferred units outstanding as of August 4, 2016 is 34,941. All of these deferred units have vested, but are not yet redeemable.

As of August 4, 2016, 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

In accordance with our primary objective, we will continue to target high-quality office, retail and industrial assets in primary and secondary markets in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and select markets in the U.S.

Scotiabank's Global Outlook, dated July 6, 2016, predicts that real GDP in Canada will grow by 1.3% in 2016. GDP in British Columbia, Manitoba and Ontario is forecast to grow by 2.7%, 2.2% and 2.5%, respectively, which are all well above the 2016 national forecast. Scotiabank is forecasting that GDP in Saskatchewan and Alberta in 2016 will contract by 0.2% and 1.7%, respectively, due to the impact of oil prices and the wildfires in Alberta.

Looking ahead, we will continue to closely monitor our assets located in Alberta and Saskatchewan. According to the Q2 2016 Canadian Cap Rates & Investment Insights report by CBRE, capitalization rates for B Class office properties in downtown Calgary have expanded quarter-over-quarter; the sector, particularly downtown properties, continues to be most affected by the downturn in commodity prices. We expect that if the downturn in the commodity cycle continues, there may be some further capitalization rate expansion in other Alberta markets, which will likely affect some of our properties. Until there is positive visibility on commodity prices and relevant economic fundamentals, we anticipate occupancy and rents in Alberta will be impacted, and are monitoring these markets closely.

With respect to capitalization rates in the remainder of our target markets, we do not anticipate any significant changes; however, given the continued amount of capital seeking to invest in commercial real estate, the bias toward capitalization rate compression should continue. We will continue to selectively pursue accretive acquisition opportunities in our target markets in Canada and the U.S. in 2016, and when prudent, invest in high-yield development opportunities in those markets.

The above-mentioned Scotiabank Global Forecast Update predicts U.S. Real GDP will grow at a rate of 1.9% in 2016. We continue to monitor key economic indicators in our target U.S. markets, including year-over-year unemployment rates which have shown a trend of healthy decline in all of our U.S. target markets (according to the United States Department of Labor), and decreased nationally from 5.3% to 4.9% year-over-year. Given the health of the U.S. economy, strength of the US dollar, positive GDP growth expectations and decline in unemployment rates, we anticipate that there is further growth potential to be realized in 2016 and beyond.

We continue to maintain our Investment Grade Credit Rating, BBB(low) with a Stable trend, from DBRS Limited. Additionally, DBRS Limited has assigned a rating of Pfd-3(low) with a Stable trend to Artis' preferred units. We anticipate that with this Investment Grade Credit Rating, the debt and equity markets will continue to be receptive to new financing during 2016. We further predict 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. We expect to maintain between 5% and 15% unhedged floating rate debt as a percentage of total debt.

Overall, despite the decline in commodity prices and its impact on certain markets, we anticipate that overall real estate fundamentals in Canada and the U.S. will remain stable in 2016 and that our properties will perform in line with the moderate growth expectations of our target markets. We will continue to focus on organic growth and value creation opportunities by extracting maximum value from our portfolio, selective redevelopment and repositioning of well-located assets in primary markets through property improvement projects, expansion of existing portfolio properties, and capitalizing on new construction opportunities.

SUBSEQUENT EVENTS

As at June 30, 2016, Artis had \$155,389 of cash and cash equivalents on hand and \$200,000 available on its revolving term credit facilities. Subsequent to June 30, 2016, the following transactions took place:

- The REIT repaid the outstanding face value of the Series F convertible debentures in the amount of \$86,160.
- The REIT acquired the second tranche of the Madison Lifestyle Office Portfolio, a portfolio of office properties located in Madison, Wisconsin. The purchase price was US\$66,000 and was satisfied with cash on hand and new mortgage financing in the amount of US\$40,000, bearing an interest rate of USD LIBOR plus 2.10% per annum.
- The REIT drew a net balance on its revolving term credit facilities in the amount of \$75,000.
- The REIT settled a foreign currency forward contract in the amount of \$32,465.
- The REIT paid out two maturing mortgages in the aggregate amount of \$54,417.
- The REIT financed one previously unencumbered retail property and refinanced one office property, receiving aggregate mortgage proceeds of \$19,654. These mortgages bear interest at a weighted-average interest rate of 3.10% and have a weighted-average term to maturity of 6.3 years.
- The REIT entered into an interest rate swap on an existing mortgage in the amount of US\$20,366, effectively locking the interest rate at 3.02% for a term of five years.
- The REIT filed a new preliminary short form base shelf prospectus. The REIT anticipates that the final short form base shelf prospectus will be filed in August 2016.
- The REIT entered into agreements with respect to the disposition of a retail property located in British Columbia and two retail properties located in Alberta. The aggregate sale price of these properties is \$40,200. The REIT anticipates that the dispositions will close in August 2016.
- The REIT entered into an agreement with respect to the disposition of an industrial property located in Minnesota. The sale price of this property is US\$9,252. The REIT anticipates that the disposition will close in August 2016.
- The REIT paid a quarterly cash distribution of \$0.3125 per Series G Unit for the quarter ending July 31, 2016.
- The REIT declared a monthly cash distribution of \$0.09 per unit for the month of July 2016.

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. At June 30, 2016, 64.8% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 15.2% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At June 30, 2016, the REIT is a party to \$1,143,002 of variable rate debt, including bank indebtedness (December 31, 2015, \$935,647). At June 30, 2016, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$362,696 of variable rate debt (December 31, 2015, \$367,889). The REIT has the ability to place interest rate swaps on top of variable rate debt at any time in order to effectively fix the interest rate.

At June 30, 2016, the REIT's ratio of secured mortgages and loans to GBV was 40.9%, compared to 41.2% at December 31, 2015. The REIT's ratio of total long-term debt and bank indebtedness to GBV was 52.9%, compared to 52.4% at December 31, 2015. Approximately 11.5% of Artis' maturing mortgage debt comes up for renewal in the remainder of 2016, and 28.3% in 2017. Management is in discussion with various lenders with respect to the renewal or refinancing of the 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 2,240 tenant leases with a weighted-average term to maturity of 4.2 years. Approximately 57.8% of the REIT's gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is MTS Inc. which is one of Canada's leading national communication companies providing voice services, internet and data services, and television. MTS Inc. is a TSX listed entity with 2015 annual revenues in excess of \$1 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 20 Tenants by Gross Revenue ⁽¹⁾

Tenant	% of total gross revenue ⁽²⁾	Owned share of GLA (in 000's of S.F.)	% of total GLA	Weighted-average remaining lease term
MTS Inc.	1.8%	321	1.2%	6.7
Graham Group Ltd.	1.5%	243	0.9%	18.1
DIRECTV, LLC	1.3%	257	1.0%	9.0
Stantec Consulting Ltd.	1.1%	132	0.5%	7.1
Worleyparsons Canada	1.1%	252	1.0%	4.4
TransAlta Corp	1.0%	336	1.3%	6.9
Telvent Canada Ltd.	1.0%	98	0.4%	7.2
Bellatrix Exploration Ltd.	1.0%	94	0.3%	7.6
TD Canada Trust	0.9%	134	0.5%	4.0
Shoppers Drug Mart	0.9%	153	0.6%	7.3
CB Richard Ellis, Inc.	0.9%	119	0.4%	9.5
IHS Global Canada Limited	0.9%	78	0.3%	2.5
Home Depot	0.8%	163	0.6%	6.0
Canada Institute for Health Info.	0.8%	92	0.3%	9.2
Sobeys	0.8%	198	0.7%	3.6
Fairview Health Services	0.7%	179	0.7%	7.2
Birchcliff Energy	0.7%	59	0.2%	1.4
3M Canada Company	0.7%	319	1.2%	3.8
Cara Operations Limited	0.7%	100	0.4%	12.5
Bell Canada	0.7%	80	0.3%	0.1
Total	19.3%	3,407	12.8%	7.0

⁽¹⁾ Excluding properties held for redevelopment.

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

Government Tenants by Gross Revenue ⁽¹⁾

Tenant	% of total gross revenue ⁽²⁾	Owned share of GLA (in 000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Federal Government	3.1%	494	1.9%	8.0
Provincial Government	2.4%	458	1.7%	4.1
Civic or Municipal Government	0.5%	131	0.5%	11.0
Total	6.0%	1,083	4.1%	6.7
Weighted-average term to maturity (entire portfolio)				4.2

⁽¹⁾ Excluding properties held for redevelopment.

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

LEASE ROLLOVER RISK

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

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

Expiry Year	Canada						U.S.					Total
	AB	BC	MB	SK	ON	Calgary office only	AZ	MN	WI	Other		
2016	2.7%	0.2%	1.5%	0.2%	2.1%	0.7%	—%	4.0%	0.1%	0.1%	10.9%	
2017	2.3%	0.2%	2.0%	1.3%	2.3%	1.0%	1.1%	3.3%	0.5%	0.1%	13.1%	
2018	2.7%	0.4%	2.4%	0.7%	0.8%	1.0%	0.1%	1.6%	0.8%	0.6%	10.1%	
2019	2.7%	0.8%	0.7%	0.3%	1.6%	0.8%	0.4%	2.3%	0.5%	0.5%	9.8%	
2020	2.2%	0.2%	1.6%	0.2%	2.7%	0.2%	0.5%	2.7%	0.6%	0.2%	10.9%	
2021	2.7%	0.2%	1.6%	0.3%	0.7%	1.7%	0.6%	3.2%	0.4%	0.1%	9.8%	
2022 & later	7.2%	2.4%	3.2%	2.3%	3.0%	2.7%	1.4%	4.6%	1.3%	1.1%	26.5%	
Month-to-month	0.2%	—%	0.1%	—%	0.1%	0.1%	—%	0.4%	—%	—%	0.8%	
Vacant	2.0%	0.4%	1.0%	0.1%	1.0%	1.2%	—%	1.1%	0.6%	0.1%	6.3%	
New development/ redevelopment	—%	—%	0.3%	—%	—%	—%	0.7%	0.8%	—%	—%	1.8%	
Total	24.7%	4.8%	14.4%	5.4%	14.3%	9.4%	4.8%	24.0%	4.8%	2.8%	100.0%	

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the office, retail and industrial asset classes. By city and asset class, the five largest segments of the REIT's portfolio (by Property NOI) are Calgary office, Twin Cities Area industrial, Twin Cities Area office, Winnipeg office and Greater Phoenix 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 six months ended June 30, 2016 and the year ended December 31, 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, the 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. A summary of additional risks applicable to the REIT are set forth in Artis' most recent Annual Information Form.

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, 2015.

CHANGES IN ACCOUNTING POLICIES

New or Revised Accounting Standards Adopted During the Period

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. This amendment did not result in a material impact to the consolidated financial statements.

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. This amendment did not result in a material impact to the consolidated financial statements.

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. This amendment did not result in a material impact to the consolidated financial statements.

Future Changes in Accounting Policies

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.

A revised 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.

The IASB issued IFRS 16 – *Leases* ("IFRS 16") in January 2016 which replaces IAS 17 – *Leases* and IFRIC 4 – *Determining whether an Arrangement contains a Lease*. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The REIT is currently evaluating the impact of this new standard.

In June 2016, the IASB amended IFRS 2 – *Share-based Payment*. The amendment clarifies the classification and measurement of share-based payment transactions, and is effective for annual periods beginning on or after January 1, 2018. The REIT is currently evaluating the impact of this amendment.

CONTROLS AND PROCEDURES

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

The Chief Executive Officer and Chief Financial Officer evaluated, or caused to be evaluated, the design of the REIT's internal controls over financial reporting (as defined in NI 52-109). Based on this evaluation, the CEO and CFO have concluded that, as at June 30, 2016, the design of our internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. No material weaknesses in our internal control over financial reporting were identified.

DISCLOSURE CONTROLS AND PROCEDURES

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

As of June 30, 2016, 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 have concluded that the REIT's disclosure controls and procedures were effective for the six months ended June 30, 2016.