



# Management's Discussion and Analysis Q3-16

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# Management's Discussion and Analysis - Q3-16

(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 nine months ended September 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 November 3, 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](http://www.sedar.com) or on our website at [www.artisreit.com](http://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

The following measures 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"). These measures are not defined under IFRS and are not intended to represent operating profits for the period, or from a property, nor should any of these measures be viewed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Readers should be further cautioned that the following measures as calculated by Artis may not be comparable to similar measures presented by other issuers.

### Property Net Operating Income ("Property NOI")

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

### Same Property NOI

Artis calculates Same Property NOI by adjusting Property NOI for stabilized investment properties owned on January 1 of the previous year. Adjustments are made to this measure to exclude non-cash revenue items and other non-recurring revenue amounts such as lease termination income. Management considers Same Property NOI to be a valuable measure for evaluating the operating performance of the REIT's properties. Refer to the Same Property NOI Analysis section of this MD&A for further discussion and calculation of this measure.

### Funds from Operations ("FFO")

Artis calculates FFO substantially in accordance with the guidelines set out by the Real Property Association of Canada ("REALpac"), as issued in 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. Refer to the FFO section of this MD&A for further discussion and calculation of this measure.

### **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. Management considers AFFO to be a valuable measure for evaluating the REIT's operating performance in achieving its objectives. Refer to the AFFO section of this MD&A for further discussion and calculation of this measure.

### **Proportionate Share**

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 these properties in addition to the amounts per its consolidated financial statements. Management considers Proportionate Share to be representative of how Artis' manages its properties. Refer to the Analysis of Operating Results and Analysis of Financial Position sections of this MD&A for calculation of this measure.

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

Artis calculates EBITDA as Property NOI less corporate expenses and excluding all non-cash revenue and expense items. Management considers this ratio to be a valuable measure of Artis' ability to service the interest requirements on its outstanding debt. Refer to the Interest Expense section of this MD&A for further discussion and calculation of this measure.

### **Debt to Gross Book Value ("GBV")**

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

### **Debt to EBITDA Ratio**

Artis calculates debt to EBITDA based on annualizing the current quarter's EBITDA as defined above and comparing that balance to Artis' total outstanding debt. Management considers this ratio to be a valuable measure of Artis' leverage. Refer to the Liabilities section of this MD&A for further discussion and calculation of this measure.

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## OVERVIEW

Artis is one of the largest diversified commercial real estate investment trusts in Canada and is an unincorporated closed-end real estate investment trust, created under, and governed by, the laws of the Province of Manitoba. The REIT was created pursuant to the Declaration of Trust dated November 8, 2004, as most recently amended and restated on July 20, 2016 (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 G convertible debentures trade under the symbol AX.DB.U. As at November 3, 2016, there were 149,792,814 units, 1,476,000 options, 13,650,000 preferred units, 423,002 restricted units, and 42,604 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.

## THIRD QUARTER OVERVIEW

During the third quarter, we completed the disposition of two retail properties in Alberta and one industrial property in Minnesota. The weighted-average capitalization rate for these dispositions was 6.12%. Also during the quarter, we closed on the purchase of the remaining two office properties that were acquired as part the Madison Lifestyle Office Portfolio, announced in Q2-16. The acquisition of 14 of the properties closed in June 2016, while the remaining two closed in August 2016.

Also during the third quarter, we entered into a joint venture arrangement for an 80% ownership interest in the Millwright Building, an office development project located in the Twin Cities Area, Minnesota. This project, a new best-in-class mid-rise office building, is located in close proximity to the new US Bank Stadium, home of the Minnesota Vikings, in the Downtown East office market. The building is expected to comprise approximately 175,000 square feet (140,000 square feet at our interest) and is 35% pre-leased.

We are pleased with the performance of our newly acquired Madison Lifestyle Office Portfolio. From June 30, 2016, to September 30, 2016, occupancy (including commitments) for this portfolio has increased from 87.2% to 93.6% with an increase in rental rates and lease term as well. This increase in occupancy is largely attributed to successful lease expansion agreements negotiated with two tenants in the portfolio totaling 115,000 square feet, 80,000 square feet of which is positive absorption while another 8,000 square feet will be newly built expansion space.

With this latest addition to our U.S. portfolio, our U.S. assets now account for 33.0% of Q3-16 Property NOI. Due to the strength of our U.S. markets, the Board of Trustees' target U.S. weighting is 40.0% of total Property NOI, a target that will be met over time through disciplined expansion that will include both property acquisitions and new developments.

With respect to our Alberta portfolio, low oil prices continue to affect both the economy and our properties, most notably our Calgary office properties. The Scotiabank Global Outlook dated October 17, 2016, forecasts that real gross domestic product ("GDP") for the province will decline by 2.5% in 2016, with unemployment rates expected to climb to 7.9% this year. Scotiabank's forecast for 2017, however, predicts that GDP will grow by 2.1% for the province and unemployment will improve to 7.7%. Correspondingly, CBRE is predicting downtown Calgary office absorption will be positive, albeit modestly, in 2018 and gradually improving in 2019 and 2020. 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.

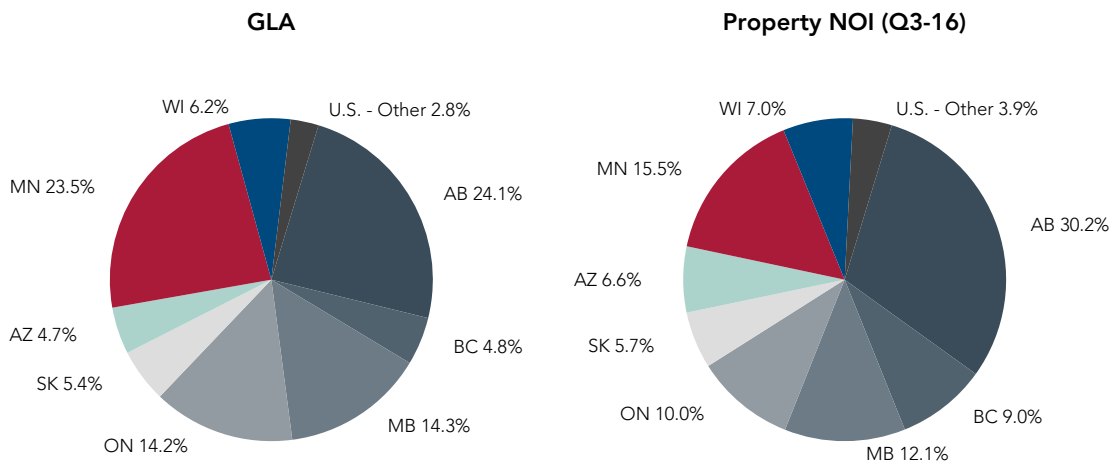
**Corporate Sustainability Progress**

Corporate sustainability remains a high priority for Artis. We are committed to improving the energy efficiency of our properties and reducing our environmental footprint. As of September 30, 2016, we 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.

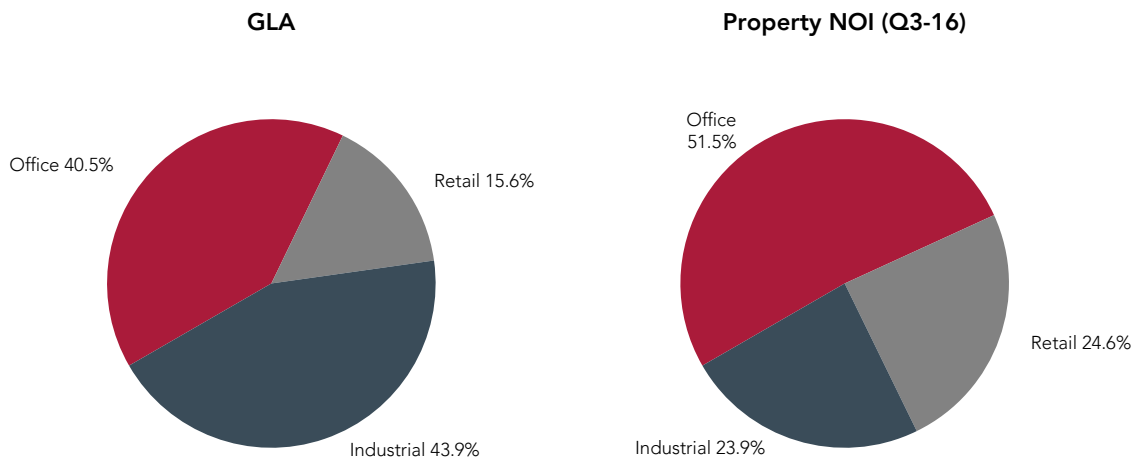
**PORTFOLIO SUMMARY**

At September 30, 2016, the REIT's portfolio comprised 262 commercial properties totaling approximately 27.2 million square feet ("S.F.") of gross leasable area ("GLA").

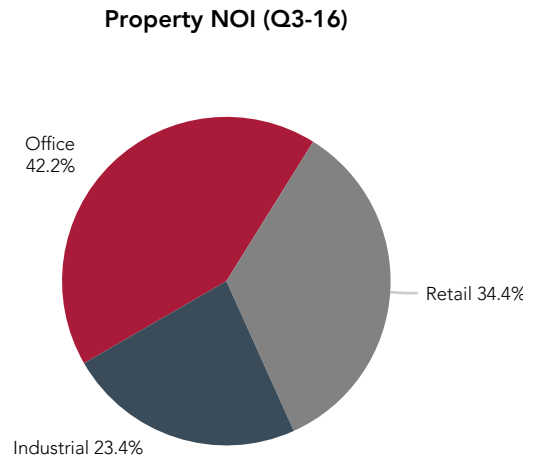
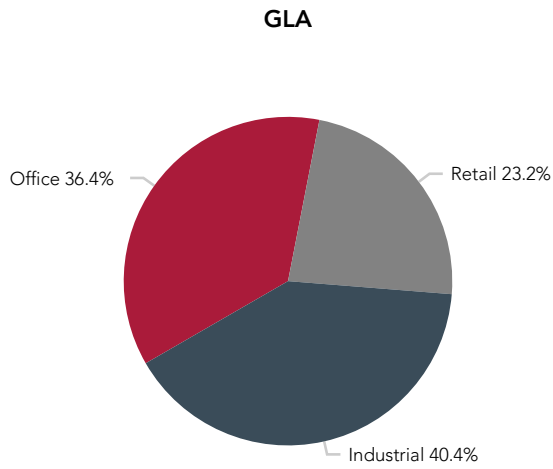
**Diversification by Geographical Region**



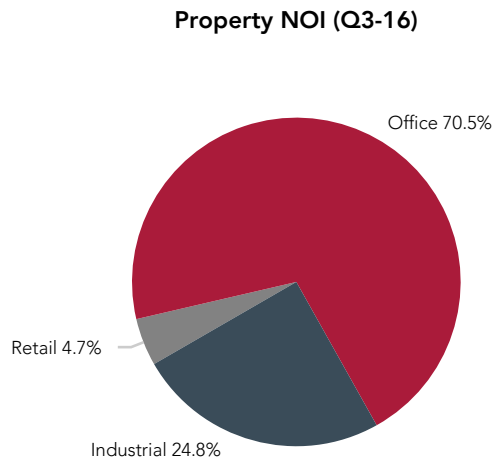
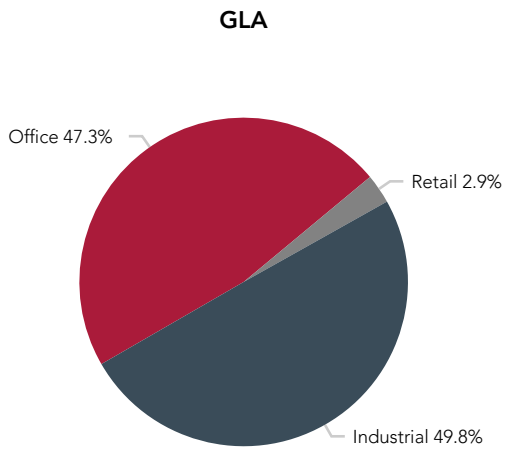
**Diversification by Asset Class - Total Canadian and U.S. Portfolio**



Diversification by Asset Class - Canadian Portfolio



Diversification by Asset Class - U.S. Portfolio



Portfolio by Asset Class as at September 30, 2016 (in 000's of S.F.) <sup>(1)</sup>

Asset class	City	Province / State	Property count	Owned share of GLA	% of portfolio GLA	% Occupied	% Committed <sup>(2)</sup>
Canadian portfolio:							
Office	Calgary	AB	20	2,538	9.3%	85.4%	86.1%
	Greater Edmonton Area	AB	1	48	0.2%	91.7%	91.7%
	Greater Toronto Area	ON	7	1,086	4.0%	85.9%	86.1%
	Greater Vancouver Area	BC	3	462	1.7%	90.3%	91.7%
	Nanaimo	BC	2	68	0.2%	100.0%	100.0%
	Ottawa	ON	2	287	1.1%	100.0%	100.0%
	Red Deer	AB	1	148	0.5%	78.4%	82.2%
	Saskatoon	SK	1	64	0.2%	100.0%	100.0%
	Winnipeg	MB	10	1,516	5.6%	88.8%	90.3%
Office total			47	6,217	22.8%	87.5%	88.4%
Retail	Calgary	AB	7	531	2.0%	95.6%	95.6%
	Edson	AB	1	20	0.1%	100.0%	100.0%
	Estevan	SK	2	174	0.6%	90.7%	93.6%
	Fort McMurray	AB	8	194	0.7%	93.9%	93.9%
	Grande Prairie	AB	5	362	1.3%	89.9%	97.6%
	Greater Edmonton Area	AB	5	440	1.6%	97.3%	97.7%
	Greater Vancouver Area	BC	1	165	0.6%	97.6%	97.6%
	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%	94.4%	95.1%
	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%	95.5%	96.0%
Retail total			53	3,956	14.6%	94.7%	95.8%
Industrial	Airdrie	AB	1	28	0.1%	79.7%	100.0%
	Calgary	AB	9	670	2.4%	90.8%	90.8%
	Greater Edmonton Area	AB	11	1,282	4.7%	97.2%	97.4%
	Greater Toronto Area	ON	30	2,503	9.2%	96.1%	96.4%
	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%	95.2%	95.4%
Industrial total			89	6,837	25.1%	95.9%	96.2%
Total Canadian portfolio			189	17,010	62.5%	92.6%	93.3%
U.S. portfolio:							
Office	Greater Denver Area	CO	4	634	2.3%	93.8%	93.8%
	Madison	WI	16	1,697	6.2%	89.6%	93.6%
	Greater Phoenix Area	AZ	6	1,002	3.7%	99.5%	99.5%
	New Hartford	NY	1	123	0.5%	100.0%	100.0%
	Twin Cities Area	MN	5	1,336	4.9%	92.1%	92.8%
Office total			32	4,792	17.6%	93.2%	94.8%
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	30	4,546	16.7%	93.5%	93.8%
Industrial total			31	4,645	17.1%	93.7%	94.0%
Total U.S. portfolio			70	9,735	35.8%	93.6%	94.5%
Total Canadian and U.S. portfolio			259	26,745	98.3%	92.9%	93.7%

<sup>(1)</sup> Excluding properties held for redevelopment and new developments in process.<sup>(2)</sup> Percentage committed is based on occupancy at September 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 <sup>(1)</sup>
Industrial	Twin Cities Area	MN	1	208	0.8%	Northpoint Industrial Building	41.2%
Industrial	Winnipeg	MB	1	52	0.2%	2110-2130 Notre Dame Avenue	84.6%
Total properties held for redevelopment			2	260	1.0%		50.0%

<sup>(1)</sup> Percentage committed is based on occupancy at September 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 <sup>(1)</sup>	% of portfolio GLA	Property	% Completed	% Committed <sup>(2)</sup>
Industrial	Greater Phoenix Area	AZ	1	187	0.7%	Park Lucero Phase I	100.0%	62.5%
Industrial	Houston	TX	—	—	—	Park 8Ninety Phase I	70.0%	30.0%
Industrial	Greater Toronto Area	ON	—	—	—	175 Westcreek Boulevard	80.0%	—%
Industrial	Greater Phoenix Area	AZ	—	—	—	Park Lucero Phase II	40.0%	—%
Office	Greater Denver Area	CO	—	—	—	169 Inverness Drive West Phase I	10.0%	—%
Office	Minneapolis	MN	—	—	—	Millwright Building	45.0%	35.0%
Total new developments in process			1	187	0.7%			

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

<sup>(2)</sup> Percentage committed is based on occupancy at September 30, 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. Park Lucero Phase I is complete and consists of three industrial buildings totaling 208,000 square feet. Construction of Park Lucero Phase II commenced in Q3-16, and is expected to comprise approximately 200,000 square feet. Planning is underway for Park Lucero Phase III, which is expected to contribute another 200,000 square feet to the project bringing the total project size to 608,000 square feet when complete. Leasing at this project is progressing very well.

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 four buildings totaling approximately 437,000 square feet. Construction of Park 8Ninety Phase I is anticipated to be complete in Q4-16. Leasing at this project is progressing very well.

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. Leasing at this project is just beginning.

During Q3-16, Artis entered into a joint venture arrangement for an 80% ownership interest in the Millwright Building, an office development project located in the Twin Cities Area, Minnesota. This project, a new best-in-class mid-rise office building, is located in close proximity to the new US Bank Stadium, home of the Minnesota Vikings, in the Downtown East office market. The building is expected to comprise approximately 175,000 square feet (140,000 square feet at Artis' interest) and base-building construction is expected to be complete in Q4-16. Leasing at this project is progressing very well.

Artis has begun construction of 169 Inverness Drive West, an office development situated on a 10 acre parcel of land adjacent to the DirecTV Building 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 and is located on the I-25 with immediate connectivity to the light rail transit system. Construction of 169 Inverness Drive West Phase I is expected to be complete in Q4-17. Leasing at this project is just beginning.

### New Development Initiatives

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 in early 2017.

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 is exploring opportunities for an intensification project at 415 Yonge Street in Toronto, Ontario. 415 Yonge Street is in a prime location in downtown Toronto, across from the College Park station and in close proximity to the University of Toronto and Ryerson University. Preliminary plans to build an additional 30 stories of apartment units above this 19 story office building are under way. Additional information about this development will be released at a later date.

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.

## 2016 - THIRD QUARTER HIGHLIGHTS

### PORTFOLIO GROWTH

During Q3-16, Artis acquired two commercial properties and disposed of three commercial properties.

	Office		Retail		Industrial		Total	
	Property count	S.F. (000's) <sup>(1)</sup>	Property count	S.F. (000's) <sup>(1)</sup>	Property count	S.F. (000's) <sup>(1)</sup>	Property count	S.F. (000's) <sup>(1)</sup>
Portfolio properties at June 30, 2016	77	10,627	62	4,371	124	12,046	263	27,044
Acquisitions	2	382	—	—	—	—	2	382
Dispositions	—	—	(2)	(117)	(1)	(117)	(3)	(234)
Portfolio properties at September 30, 2016	79	11,009	60	4,254	123	11,929	262	27,192

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

### Property Acquisitions

Property	Property count	Acquisition date	Location	Asset class	Owned share of GLA	Purchase price	Capitalization rate
Madison Lifestyle Office Portfolio	2	August 1, 2016	Madison, WI	Office	381,865	US \$ 66,000	7.75%

During Q3-16, Artis acquired the second tranche of the Madison Lifestyle Office Portfolio, which included the remaining two properties of the portfolio. The purchase price of the second tranche was US\$66,000 and was financed with cash on hand and new swapped mortgage financing in the amount of US\$40,000, effectively bearing interest at 3.43%.

**Property Dispositions**

Property	Property count	Disposition date	Location	Asset class	Owned share of GLA	Sale price	Capitalization rate
Lunar Pointe	1	August 5, 2016	Twin Cities Area, MN	Industrial	117,298	US \$ 9,252	6.08%
Uplands Common	1	August 16, 2016	Lethbridge, AB	Retail	53,392	15,200	5.90%
Clareview Town Centre	1	August 17, 2016	Edmonton, AB	Retail	63,818	20,000	6.33%

During Q3-16, Artis repaid \$9,208 and US\$5,507 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. At the date of expiry, 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.

On August 8, 2016, the REIT issued a new short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of \$2,000,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. As at September 30, 2016, the REIT had not issued any securities under this short form base shelf prospectus.

**Redemption of Series F Convertible Debentures**

On July 25, 2016, Artis completed the early redemption of the outstanding Series F convertible debentures with a face value of \$86,160.

**Unsecured Revolving Term Credit Facilities**

During Q3-16, Artis drew a net balance of \$72,500 on its revolving term credit facilities.

**Debt Financing and Repayments**

In Q3-16, Artis repaid five mortgages for a total of \$63,843. Artis received upward financing on one maturing mortgage and received new financing on a previously unencumbered property, net of financing costs, for a total of \$18,821. In Q3-16, Artis drew on development loans in the amount of \$5,360.

**DISTRIBUTIONS**

Artis declared distributions of \$44,931 (YTD - \$130,294) to unitholders in Q3-16, of which \$8,368 (YTD - \$24,531) 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 September 30,				Nine months ended September 30,			
	2016	2015	Change	% Change	2016 <sup>(1)</sup>	2015	Change	% Change
Revenue	\$ 148,925	\$ 140,254	\$ 8,671	6.2 %	\$ 426,137	\$ 409,629	\$ 16,508	4.0 %
Property NOI	91,855	86,427	5,428	6.3 %	262,768	256,619	6,149	2.4 %
Net income (loss)	76,876	(23,447)	100,323	427.9 %	146,227	20,196	126,031	624.0 %
Basic income (loss) per common unit	0.48	(0.20)	0.68	340.0 %	0.92	0.05	0.87	1,740.0 %
Diluted income (loss) per common unit	0.48	(0.20)	0.68	340.0 %	0.92	0.04	0.88	2,200.0 %
Distributions to common unitholders	\$ 40,320	\$ 37,266	\$ 3,054	8.2 %	\$ 116,503	\$ 111,272	\$ 5,231	4.7 %
Distributions per common unit	0.27	0.27	—	— %	0.81	0.81	—	— %
FFO	\$ 61,354	\$ 55,166	\$ 6,188	11.2 %	\$ 169,518	\$ 162,442	\$ 7,076	4.4 %
FFO per unit	0.41	0.39	0.02	5.1 %	1.17	1.15	0.02	1.7 %
FFO after adjustments <sup>(2)</sup>	57,463	53,360	4,103	7.7 %	163,669	157,298	6,371	4.1 %
FFO per unit after adjustments <sup>(2)</sup>	0.38	0.38	—	— %	1.13	1.12	0.01	0.9 %
FFO payout ratio after adjustments <sup>(2)</sup>	71.1%	71.1%	— %	— %	71.7%	72.3%	— %	(0.6)%
AFFO	\$ 48,525	\$ 47,208	\$ 1,317	2.8 %	\$ 138,978	\$ 140,779	\$ (1,801)	(1.3)%
AFFO per unit	0.32	0.34	(0.02)	(5.9)%	0.97	1.01	(0.04)	(4.0)%
AFFO after adjustments <sup>(2)</sup>	44,634	45,402	(768)	(1.7)%	133,129	134,823	(1,694)	(1.3)%
AFFO per unit after adjustments <sup>(2)</sup>	0.30	0.33	(0.03)	(9.1)%	0.93	0.97	(0.04)	(4.1)%
AFFO payout ratio after adjustments <sup>(2)</sup>	90.0%	81.8%	8.2 %	8.2 %	87.1%	83.5%	3.6 %	3.6 %

(1) Certain balances for the three months ended June 30, 2016, which are reflected in the amounts presented for the nine months ended September 30, 2016, have been restated. Refer to the Foreign Currency Translation Gain (Loss) section of this MD&A.

(2) Calculated after adjustments for lease terminations and non-recurring other income.

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 increases to Artis' leasing costs reserve.

	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Consolidated financial statements debt to GBV:				
Secured mortgages and loans to GBV	39.1%	39.5%	39.9%	39.9%
Total long-term debt and bank indebtedness to GBV	51.1%	51.8%	51.7%	51.4%
Proportionate Share debt to GBV:				
Secured mortgages and loans to GBV	40.4%	40.9%	41.3%	41.2%
Total long-term debt and bank indebtedness to GBV	52.1%	52.9%	52.7%	52.4%
Total long-term debt and bank indebtedness to EBITDA	8.3	9.0	8.7	8.7
Total assets	\$ 5,885,943	\$ 5,848,913	\$ 5,584,575	\$ 5,651,280
Total non-current financial liabilities	1,874,361	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 September 30,						
	2016			2015			
	Per consolidated financial statements	Adjustment <sup>(1)</sup>	Total Proportionate Share	Per consolidated financial statements	Adjustment <sup>(1)</sup>	Total Proportionate Share	
Revenue	\$ 143,094	\$ 5,831	\$ 148,925	\$ 135,150	\$ 5,104	\$ 140,254	
Expenses:							
Property operating	32,534	1,764	34,298	30,719	1,441	32,160	
Realty taxes	21,887	885	22,772	21,137	530	21,667	
	54,421	2,649	57,070	51,856	1,971	53,827	
Net operating income	88,673	3,182	91,855	83,294	3,133	86,427	
Other income (expenses):							
Corporate expenses	(2,929)	—	(2,929)	(2,728)	—	(2,728)	
Interest expense	(27,329)	(1,192)	(28,521)	(27,517)	(848)	(28,365)	
Interest income	296	2	298	335	—	335	
Net income from investments in joint ventures	3,763	(3,763)	—	3,550	(3,550)	—	
Fair value gain (loss) on investment properties	18,430	1,771	20,201	(65,608)	1,265	(64,343)	
Foreign currency translation gain (loss)	206	—	206	(9,913)	—	(9,913)	
Transaction costs	(195)	—	(195)	(1,248)	—	(1,248)	
Loss on financial instruments	(4,039)	—	(4,039)	(3,612)	—	(3,612)	
Net income (loss)	76,876	—	76,876	(23,447)	—	(23,447)	
Other comprehensive income (loss) that may be reclassified to net income (loss) in subsequent periods:							
Unrealized foreign currency translation gain (loss)	10,016	(139)	9,877	56,466	8,573	65,039	
Unrealized foreign currency translation (loss) gain on joint ventures	(139)	139	—	8,573	(8,573)	—	
Other comprehensive loss that will not be reclassified to net income (loss) in subsequent periods:							
Unrealized loss from remeasurements of net pension obligation	(4)	—	(4)	—	—	—	
	9,873	—	9,873	65,039	—	65,039	
Total comprehensive income	\$ 86,749	\$ —	\$ 86,749	\$ 41,592	\$ —	\$ 41,592	

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

	Nine months ended September 30,						
	2016 <sup>(1)</sup>			2015			
	Per consolidated financial statements	Adjustment <sup>(2)</sup>	Total Proportionate Share	Per consolidated financial statements	Adjustment <sup>(2)</sup>	Total Proportionate Share	
Revenue	\$ 408,488	\$ 17,649	\$ 426,137	\$ 398,745	\$ 10,884	\$ 409,629	
Expenses:							
Property operating	89,764	5,069	94,833	86,732	3,214	89,946	
Realty taxes	65,688	2,848	68,536	61,810	1,254	63,064	
	155,452	7,917	163,369	148,542	4,468	153,010	
Net operating income	253,036	9,732	262,768	250,203	6,416	256,619	
Other income (expenses):							
Corporate expenses	(10,088)	—	(10,088)	(8,421)	—	(8,421)	
Interest expense	(81,798)	(3,356)	(85,154)	(82,891)	(1,889)	(84,780)	
Interest income	924	4	928	1,033	—	1,033	
Net income from investments in joint ventures	7,286	(7,286)	—	5,284	(5,284)	—	
Fair value (loss) gain on investment properties	(17,466)	906	(16,560)	(120,604)	757	(119,847)	
Foreign currency translation gain (loss)	2,350	—	2,350	(16,823)	—	(16,823)	
Transaction costs	(1,096)	—	(1,096)	(1,615)	—	(1,615)	
Loss on financial instruments	(6,921)	—	(6,921)	(5,970)	—	(5,970)	
Net income	146,227	—	146,227	20,196	—	20,196	
Other comprehensive (loss) income that may be reclassified to net income in subsequent periods:							
Unrealized foreign currency translation (loss) gain	(40,035)	(6,546)	(46,581)	101,891	18,414	120,305	
Unrealized foreign currency translation (loss) gain on joint ventures	(6,546)	6,546	—	18,414	(18,414)	—	
Other comprehensive (loss) income that will not be reclassified to net income in subsequent periods:							
Unrealized (loss) gain from remeasurements of net pension obligation	(30)	—	(30)	1	—	1	
	(46,611)	—	(46,611)	120,306	—	120,306	
Total comprehensive income	\$ 99,616	\$ —	\$ 99,616	\$ 140,502	\$ —	\$ 140,502	

(1) Certain balances for the three months ended June 30, 2016, which are reflected in the amounts presented for the nine months ended September 30, 2016, have been restated. Refer to the Foreign Currency Translation Gain (Loss) section of this MD&A.

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

## REVENUE AND PROPERTY NOI

	Three months ended			% Change	Nine months ended			% Change
	September 30, 2016	September 30, 2015	Change		September 30, 2016	September 30, 2015	Change	
Revenue:								
Basic rent, parking and other revenue	\$ 100,189	\$ 96,948	\$ 3,241		\$ 290,190	\$ 281,332	\$ 8,858	
Operating cost and realty tax recoveries	47,322	45,598	1,724		138,526	132,019	6,507	
Amortization of tenant inducements	(4,456)	(3,693)	(763)		(12,879)	(10,314)	(2,565)	
Straight-line rent adjustments	1,979	1,231	748		4,451	2,272	2,179	
Lease termination income	3,891	170	3,721		5,849	4,320	1,529	
	148,925	140,254	8,671	6.2%	426,137	409,629	16,508	4.0%
Expenses:								
Property operating	34,298	32,160	2,138		94,833	89,946	4,887	
Realty taxes	22,772	21,667	1,105		68,536	63,064	5,472	
	57,070	53,827	3,243	6.0%	163,369	153,010	10,359	6.8%
Property NOI	\$ 91,855	\$ 86,427	\$ 5,428	6.3%	\$ 262,768	\$ 256,619	\$ 6,149	2.4%

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	Nine months ended			% Change
	September 30, 2016	September 30, 2015	Change		September 30, 2016	September 30, 2015	Change	
Revenue <sup>(1)</sup>	\$ 126,923	\$ 130,159			\$ 386,864	\$ 387,317		
Add (deduct) non-cash revenue adjustments:								
Amortization of tenant inducements	4,238	3,438			12,446	9,722		
Straight-line rent adjustments	(1,018)	(964)			(2,801)	(1,966)		
	130,143	132,633			396,509	395,073		
Property operating and realty tax expenses	50,500	51,229			151,744	148,883		
Same Property NOI	\$ 79,643	\$ 81,404	\$ (1,761)	(2.2)%	\$ 244,765	\$ 246,190	\$ (1,425)	(0.6)%

(1) Excluding lease termination and other non-recurring income.

Lease termination income related to significant tenants of \$3,854 (YTD - \$5,738) in Q3-16, compared to \$103 (YTD - \$1,416) in Q3-15, has been excluded, other than the portion that covers lost revenue due to vacancy, for purposes of the Same Property NOI calculation.

## Same Property NOI by Asset Class

	Three months ended				Nine months ended			
	September 30,		Change	% Change	September 30,		Change	% Change
2016	2015	2016			2015			
Office	\$ 40,191	\$ 42,502	\$ (2,311)	(5.4)%	\$ 122,790	\$ 128,951	\$ (6,161)	(4.8)%
Retail	18,729	18,783	(54)	(0.3)%	59,165	58,216	949	1.6 %
Industrial	20,723	20,119	604	3.0 %	62,810	59,023	3,787	6.4 %
<b>Total</b>	<b>\$ 79,643</b>	<b>\$ 81,404</b>	<b>\$ (1,761)</b>	<b>(2.2)%</b>	<b>\$ 244,765</b>	<b>\$ 246,190</b>	<b>\$ (1,425)</b>	<b>(0.6)%</b>

## Same Property NOI by Geographical Region

	Three months ended				Nine months ended			
	September 30,		Change	% Change	September 30,		Change	% Change
2016	2015	2016			2015			
Alberta	\$ 27,511	\$ 29,668	\$ (2,157)	(7.3)%	\$ 84,473	\$ 91,271	\$ (6,798)	(7.4)%
British Columbia	4,666	4,760	(94)	(2.0)%	14,908	15,083	(175)	(1.2)%
Manitoba	10,945	10,186	759	7.5 %	32,933	31,309	1,624	5.2 %
Ontario	9,198	8,912	286	3.2 %	27,396	26,814	582	2.2 %
Saskatchewan	4,745	4,669	76	1.6 %	14,401	13,958	443	3.2 %
Minnesota	13,149	13,558	(409)	(3.0)%	41,035	39,605	1,430	3.6 %
U.S. - Other	9,429	9,651	(222)	(2.3)%	29,619	28,150	1,469	5.2 %
<b>Total</b>	<b>\$ 79,643</b>	<b>\$ 81,404</b>	<b>\$ (1,761)</b>	<b>(2.2)%</b>	<b>\$ 244,765</b>	<b>\$ 246,190</b>	<b>\$ (1,425)</b>	<b>(0.6)%</b>
<i>Calgary office segment</i>	<i>12,226</i>	<i>14,199</i>	<i>(1,973)</i>	<i>(13.9)%</i>	<i>37,325</i>	<i>43,638</i>	<i>(6,313)</i>	<i>(14.5)%</i>
<i>Total excluding Calgary office segment</i>	<i>\$ 67,417</i>	<i>\$ 67,205</i>	<i>\$ 212</i>	<i>0.3 %</i>	<i>\$ 207,440</i>	<i>\$ 202,552</i>	<i>\$ 4,888</i>	<i>2.4 %</i>

## Same Property NOI by Country

	Three months ended				Nine months ended			
	September 30,		Change	% Change	September 30,		Change	% Change
2016	2015	2016			2015			
Canada	\$ 57,065	\$ 58,195	\$ (1,130)	(1.9)%	\$ 174,111	\$ 178,435	\$ (4,324)	(2.4)%
U.S.	22,578	23,209	(631)	(2.7)%	70,654	67,755	2,899	4.3 %
<b>Total</b>	<b>\$ 79,643</b>	<b>\$ 81,404</b>	<b>\$ (1,761)</b>	<b>(2.2)%</b>	<b>\$ 244,765</b>	<b>\$ 246,190</b>	<b>\$ (1,425)</b>	<b>(0.6)%</b>

Artis' U.S. portfolio decreased US\$425 (YTD - decreased US\$396), or decreased 2.4% (YTD - decreased 0.7%) in Q3-16 before the impact of foreign exchange. The U.S. office segment has decreased US\$443 which is primarily due to a significant tenant vacating 601 Tower at Carlson in Q3-15, short-term rent relief provided to a tenant as part of a termination to accommodate a new tenant at Union Hills Office Plaza and decreased parking revenue at 1700 Broadway. The retail segment has decreased US\$116 primarily due to a tenant bankruptcy at Oakdale Village. The U.S. industrial segment has increased US\$134 in comparison to Q3-15.



## Same Property Occupancy Report

Geographical Region	As at September 30,		Asset Class	As at September 30,	
	2016	2015		2016	2015
Alberta	90.7%	91.2%	Office	89.8%	91.1%
British Columbia	92.6%	92.9%	Retail	95.1%	95.2%
Manitoba	92.8%	89.7%	Industrial	94.9%	93.7%
Ontario	93.5%	93.6%			
Saskatchewan	96.6%	94.5%	Total	93.0%	93.0%
Arizona	99.5%	99.6%			
Minnesota	93.3%	94.8%			
U.S. - Other	94.4%	96.2%			
Total	93.0%	93.0%			

## PROPERTY NOI BY ASSET CLASS

## Canadian Portfolio:

In Q3-16, Property NOI in the Canadian portfolio increased in the retail and industrial asset classes in comparison to Q3-15. The growth is primarily attributable to acquisitions and completed (re)developments during 2015 and lease termination income received in Q3-16 partially offset by non-recurring other income received in Q3-15 and property dispositions during 2016. The office segment has decreased primarily due to increased vacancy and lower rents in the Calgary office segment.

	Three months ended September 30,					
	2016			2015		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	46,084	29,103	20,896	49,942	30,719	19,603
Property operating and realty tax expenses	20,118	7,989	6,520	21,653	10,191	6,216
Property NOI	25,966	21,114	14,376	28,289	20,528	13,387
Share of Property NOI	42.2%	34.4%	23.4%	45.5%	33.0%	21.5%

## U. S. Portfolio:

In Q3-16, Property NOI in the U.S. portfolio increased in the office and industrial asset classes in comparison to Q3-15. The growth is primarily attributable to acquisitions and partially offset by dispositions in 2015 and 2016. The retail segment has decreased primarily due to a tenant going bankrupt at Oakdale Village.

	Three months ended September 30,					
	2016			2015		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	38,249	2,429	12,114	25,289	2,599	12,056
Property operating and realty tax expenses	16,853	999	4,591	10,149	1,000	4,618
Property NOI	21,396	1,430	7,523	15,140	1,599	7,438
Share of Property NOI	70.5%	4.7%	24.8%	62.6%	6.6%	30.8%

## Total Canadian and U.S. Portfolio:

	Three months ended September 30,					
	2016			2015		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	\$ 84,333	\$ 31,532	\$ 33,010	\$ 75,231	\$ 33,318	\$ 31,659
Property operating and realty tax expenses	36,971	8,988	11,111	31,802	11,191	10,834
Property NOI	\$ 47,362	\$ 22,544	\$ 21,899	\$ 43,429	\$ 22,127	\$ 20,825
Share of Property NOI	51.5%	24.6%	23.9%	50.3%	25.6%	24.1%

## Canadian Portfolio:

	Nine months ended September 30,					
	2016			2015		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	139,675	84,875	62,161	150,957	88,841	55,153
Property operating and realty tax expenses	61,301	25,342	19,380	62,579	27,562	17,589
Property NOI	78,374	59,533	42,781	88,378	61,279	37,564
Share of Property NOI	43.4%	32.9%	23.7%	47.2%	32.7%	20.1%

## U.S. Portfolio:

	Nine months ended September 30,					
	2016			2015		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	94,744	7,510	36,985	72,004	7,458	35,083
Property operating and realty tax expenses	40,417	2,884	14,045	28,476	2,742	14,062
Property NOI	54,327	4,626	22,940	43,528	4,716	21,021
Share of Property NOI	66.4%	5.6%	28.0%	62.9%	6.8%	30.3%

## Total Canadian and U.S. Portfolio:

	Nine months ended September 30,					
	2016			2015		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	\$ 234,419	\$ 92,385	\$ 99,146	\$ 222,961	\$ 96,299	\$ 90,236
Property operating and realty tax expenses	101,718	28,226	33,425	91,055	30,304	31,651
Property NOI	\$ 132,701	\$ 64,159	\$ 65,721	\$ 131,906	\$ 65,995	\$ 58,585
Share of Property NOI	50.6%	24.4%	25.0%	51.5%	25.7%	22.8%

## PROPERTY NOI BY GEOGRAPHICAL REGION

In Q3-16, Property NOI increased in British Columbia, Manitoba, Ontario, Saskatchewan and Minnesota in comparison to Q3-15. The growth is primarily attributable to acquisitions and completed (re)developments during 2015 and lease termination income received in Q3-16. This growth was partially offset by non-recurring other income in Q3-15 and property dispositions in 2015 and 2016. During 2016, Artis entered into the Wisconsin region through a two-phased acquisition of the Madison Lifestyle Office Portfolio. In Q3-16, Property NOI decreased in Alberta primarily due to increased vacancy and lower rents in the Calgary office segment, in Arizona primarily due to short-term rent relief provided to a tenant as part of a termination to accommodate a new tenant at Union Hills Office Plaza and in U.S - Other primarily due to the disposition of the Mosaic Office Building and decreased parking revenue at 1700 Broadway.

## Three months ended September 30, 2016

	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Revenue	\$ 43,553	\$ 10,595	\$ 18,888	\$ 15,431	\$ 7,616	\$ 9,473	\$ 25,887	\$ 11,382	\$ 6,050
Property operating and realty tax expenses	15,866	2,298	7,794	6,235	2,434	3,397	11,617	4,911	2,518
Property NOI	\$ 27,687	\$ 8,297	\$ 11,094	\$ 9,196	\$ 5,182	\$ 6,076	\$ 14,270	\$ 6,471	\$ 3,532
Share of Property NOI	30.2%	9.0%	12.1%	10.0%	5.7%	6.6%	15.5%	7.0%	3.9%

## Three months ended September 30, 2015

	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Revenue	\$ 47,233	\$ 11,785	\$ 18,007	\$ 15,684	\$ 7,555	\$ 9,241	\$ 23,857	\$ —	\$ 6,846
Property operating and realty tax expenses	16,635	4,102	7,978	6,835	2,510	2,999	10,301	—	2,467
Property NOI	\$ 30,598	\$ 7,683	\$ 10,029	\$ 8,849	\$ 5,045	\$ 6,242	\$ 13,556	\$ —	\$ 4,379
Share of Property NOI	35.5%	8.9%	11.6%	10.2%	5.8%	7.2%	15.7%	—%	5.1%

## Nine months ended September 30, 2016

	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Revenue	\$133,165	\$ 26,734	\$ 57,485	\$ 46,381	\$ 22,946	\$ 28,835	\$ 78,827	\$ 13,006	\$ 18,571
Property operating and realty tax expenses	46,913	8,422	24,460	19,036	7,192	9,653	34,537	5,495	7,661
Property NOI	\$ 86,252	\$ 18,312	\$ 33,025	\$ 27,345	\$ 15,754	\$ 19,182	\$ 44,290	\$ 7,511	\$ 10,910
Share of Property NOI	32.8%	7.0%	12.6%	10.4%	6.0%	7.3%	16.9%	2.9%	4.1%

## Nine months ended September 30, 2015

	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Revenue	\$139,445	\$ 31,885	\$ 53,885	\$ 45,462	\$ 24,274	\$ 26,543	\$ 68,919	\$ —	\$ 19,083
Property operating and realty tax expenses	46,546	11,472	23,435	19,328	6,949	8,672	30,017	—	6,591
Property NOI	\$ 92,899	\$ 20,413	\$ 30,450	\$ 26,134	\$ 17,325	\$ 17,871	\$ 38,902	\$ —	\$ 12,492
Share of Property NOI	36.2%	7.9%	11.9%	10.2%	6.8%	7.0%	15.2%	—%	4.8%

## PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at September 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

	Q3-16 % Committed <sup>(1)</sup>	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15
Office	91.2%	90.0%	90.0%	89.7%	89.7%	90.9%
Retail	95.9%	94.9%	95.6%	96.8%	96.1%	94.5%
Industrial	95.3%	95.0%	96.0%	94.8%	93.8%	94.2%
Total portfolio	93.7%	92.9%	93.5%	93.3%	92.7%	93.1%

<sup>(1)</sup> Percentage committed is based on occupancy at September 30, 2016, plus commitments on vacant space.

## Occupancy Report by Geographical Region

	Q3-16 % Committed <sup>(1)</sup>	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15
Canada:						
Alberta	91.9%	90.9%	91.9%	90.4%	90.2%	90.6%
British Columbia	93.2%	92.7%	92.1%	94.6%	94.1%	95.0%
Manitoba	93.5%	92.7%	93.1%	91.1%	89.1%	90.2%
Ontario	93.8%	93.5%	92.7%	92.8%	91.9%	93.6%
Saskatchewan	97.5%	96.8%	97.5%	98.0%	98.2%	94.8%
U.S.:						
Arizona	99.5%	99.5%	99.6%	99.6%	99.6%	99.6%
Minnesota	93.8%	93.4%	95.4%	95.2%	94.9%	94.5%
Wisconsin	93.6%	89.6%	87.0%	—%	—%	—%
Other	94.8%	94.8%	95.7%	96.7%	96.2%	96.5%
Total portfolio	93.7%	92.9%	93.5%	93.3%	92.7%	93.1%

<sup>(1)</sup> Percentage committed is based on occupancy at September 30, 2016, plus commitments on vacant space.

## PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

## Renewal Summary

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Leasable area renewed	919,580	804,011	2,180,217	1,625,577
Increase in weighted-average rental rate	2.3%	3.0%	3.4%	5.9%

Excluding the impact of Calgary office segment lease renewals, Artis' increase in the weighted-average rental rate for Q3-16 was 4.1% (YTD - increase of 4.5%).

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

Lease Expiries by Asset Class (in S.F.) <sup>(1)</sup>

	Current vacancy	Monthly tenants <sup>(2)</sup>	2016	2017	2018	2019	2020 & later	Total
Office - uncommitted	969,511	68,228	255,660	1,138,612	1,025,774	1,213,371	5,731,912	10,403,068
Office - committed	131,804	—	138,799	145,381	29,964	138,803	21,065	605,816
<b>Total office</b>	<b>1,101,315</b>	<b>68,228</b>	<b>394,459</b>	<b>1,283,993</b>	<b>1,055,738</b>	<b>1,352,174</b>	<b>5,752,977</b>	<b>11,008,884</b>
Retail - uncommitted	173,948	24,527	55,082	314,019	516,715	353,443	2,559,135	3,996,869
Retail - committed	41,921	—	127,501	50,672	12,927	2,638	22,124	257,783
<b>Total retail</b>	<b>215,869</b>	<b>24,527</b>	<b>182,583</b>	<b>364,691</b>	<b>529,642</b>	<b>356,081</b>	<b>2,581,259</b>	<b>4,254,652</b>
Industrial - uncommitted	741,006	137,902	446,039	1,627,636	1,245,761	1,029,214	5,549,458	10,777,016
Industrial - committed	56,447	—	679,799	368,410	5,334	35,964	5,306	1,151,260
<b>Total industrial</b>	<b>797,453</b>	<b>137,902</b>	<b>1,125,838</b>	<b>1,996,046</b>	<b>1,251,095</b>	<b>1,065,178</b>	<b>5,554,764</b>	<b>11,928,276</b>
<b>Total - uncommitted</b>	<b>1,884,465</b>	<b>230,657</b>	<b>756,781</b>	<b>3,080,267</b>	<b>2,788,250</b>	<b>2,596,028</b>	<b>13,840,505</b>	<b>25,176,953</b>
<b>Total - committed</b>	<b>230,172</b>	<b>—</b>	<b>946,099</b>	<b>564,463</b>	<b>48,225</b>	<b>177,405</b>	<b>48,495</b>	<b>2,014,859</b>
<b>Total portfolio</b>	<b>2,114,637</b>	<b>230,657</b>	<b>1,702,880</b>	<b>3,644,730</b>	<b>2,836,475</b>	<b>2,773,433</b>	<b>13,889,000</b>	<b>27,191,812</b>

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

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

## In-Place Rents

In-place rents reflect the weighted-average net annual rental rate per square foot as at September 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 <sup>(1)</sup>

## Canadian Portfolio:

	2016	2017	2018	2019	2020 & later	Total
Office						
In-place rents	\$ 16.50	\$ 19.71	\$ 18.82	\$ 16.70	\$ 18.15	\$ 18.09
Market rents	13.36	14.19	16.58	15.82	19.19	17.49
Change	(19.0)%	(28.0)%	(11.9)%	(5.3)%	5.8%	(3.3)%
Revenue impact <sup>(2)</sup>	\$ (893)	\$ (3,378)	\$ (1,357)	\$ (741)	\$ 3,183	\$ (3,186)
Retail						
In-place rents	\$ 21.91	\$ 19.70	\$ 22.62	\$ 24.63	\$ 18.14	\$ 19.68
Market rents	25.37	20.57	23.72	24.29	18.82	20.47
Change	15.8 %	4.4 %	4.9 %	(1.4)%	3.8%	4.0 %
Revenue impact <sup>(2)</sup>	\$ 621	\$ 272	\$ 572	\$ (115)	\$ 1,613	\$ 2,963
Industrial						
In-place rents	\$ 7.58	\$ 7.08	\$ 5.90	\$ 8.87	\$ 9.85	\$ 8.48
Market rents	7.92	7.19	6.00	8.76	9.97	8.60
Change	4.4 %	1.5 %	1.6 %	(1.3)%	1.2%	1.4 %
Revenue impact <sup>(2)</sup>	\$ 202	\$ 141	\$ 85	\$ (53)	\$ 372	\$ 747
Total Canadian portfolio						
In-place rents	\$ 12.38	\$ 12.36	\$ 14.12	\$ 16.13	\$ 15.04	\$ 14.47
Market rents	12.32	11.02	13.77	15.58	15.63	14.51
Change	(0.5)%	(10.8)%	(2.5)%	(3.4)%	4.0%	0.2 %
Revenue impact <sup>(2)</sup>	\$ (70)	\$ (2,965)	\$ (700)	\$ (909)	\$ 5,168	\$ 524

## U.S. Portfolio:

	2016	2017	2018	2019	2020 & later	Total
Office						
In-place rents	\$ 17.64	\$ 16.79	\$ 16.20	\$ 20.75	\$ 17.86	\$ 17.86
Market rents	17.39	18.12	16.60	22.30	18.79	18.83
Change	(1.5)%	7.9%	2.5 %	7.5 %	5.2%	5.5%
Revenue impact <sup>(2)</sup>	\$ (28)	\$ 894	\$ 183	\$ 794	\$ 2,513	\$ 4,356
Retail						
In-place rents	\$ 21.19	\$ 13.49	\$ 21.15	\$ 18.68	\$ 15.18	\$ 15.31
Market rents	19.24	15.22	20.43	19.78	15.26	15.67
Change	(9.2)%	12.8%	(3.4)%	5.9 %	0.6%	2.3%
Revenue impact <sup>(2)</sup>	\$ (5)	\$ 87	\$ (8)	\$ 13	\$ 18	\$ 105
Industrial						
In-place rents	\$ 4.44	\$ 4.53	\$ 5.09	\$ 5.41	\$ 5.88	\$ 5.38
Market rents	4.56	4.95	5.12	5.18	5.91	5.44
Change	2.7 %	9.2%	0.5 %	(4.3)%	0.4%	1.2%
Revenue impact <sup>(2)</sup>	\$ 63	\$ 296	\$ 10	\$ (137)	\$ 53	\$ 285
Total U.S. portfolio						
In-place rents	\$ 6.79	\$ 10.61	\$ 11.33	\$ 12.54	\$ 12.47	\$ 11.70
Market rents	6.84	11.50	11.56	13.14	12.96	12.21
Change	0.7 %	8.4%	2.0 %	4.8 %	4.0%	4.4%
Revenue impact <sup>(2)</sup>	\$ 30	\$ 1,277	\$ 185	\$ 670	\$ 2,584	\$ 4,746

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

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

	2016	2017	2018	2019	2020 & later	Total
Office						
In-place rents	\$ 16.82	\$ 18.18	\$ 17.70	\$ 18.23	\$ 18.01	\$ 17.98
Market rents	14.48	16.25	16.59	18.27	19.00	18.10
Change	(13.9)%	(10.6)%	(6.3)%	0.2 %	5.5%	0.7%
Revenue impact <sup>(2)</sup>	\$ (921)	\$ (2,484)	\$ (1,174)	\$ 53	\$ 5,696	\$ 1,170
Retail						
In-place rents	\$ 21.90	\$ 18.85	\$ 22.59	\$ 24.43	\$ 17.89	\$ 19.36
Market rents	25.27	19.83	23.65	24.14	18.52	20.12
Change	15.4 %	5.2 %	4.7 %	(1.2)%	3.5%	3.9%
Revenue impact <sup>(2)</sup>	\$ 616	\$ 359	\$ 564	\$ (102)	\$ 1,631	\$ 3,068
Industrial						
In-place rents	\$ 6.12	\$ 6.17	\$ 5.67	\$ 6.93	\$ 8.20	\$ 7.21
Market rents	6.35	6.39	5.74	6.76	8.28	7.30
Change	3.9 %	3.5 %	1.3 %	(2.6)%	0.9%	1.3%
Revenue impact <sup>(2)</sup>	\$ 265	\$ 437	\$ 95	\$ (190)	\$ 425	\$ 1,032
Total Canadian and U.S. portfolio						
In-place rents	\$ 10.29	\$ 11.67	\$ 13.31	\$ 14.69	\$ 14.07	\$ 13.44
Market rents	10.27	11.21	13.12	14.60	14.62	13.65
Change	(0.2)%	(4.0)%	(1.4)%	(0.6)%	4.0%	1.6%
Revenue impact <sup>(2)</sup>	\$ (40)	\$ (1,688)	\$ (515)	\$ (239)	\$ 7,752	\$ 5,270

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

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

Market rents at September 30, 2016, were estimated to be 1.6% above in-place rents across the portfolio, compared to 2.6% at June 30, 2016. Today's market rents for the 2016 and 2017 lease expiries are estimated to be 0.2% below and 4.0% 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.) <sup>(1)</sup>

	Current vacancy	Monthly tenants <sup>(2)</sup>	2016	2017	2018	2019	2020 & later	Total
AB - uncommitted	530,811	109,166	220,264	602,170	732,246	695,127	3,366,217	6,256,001
AB - committed	62,895	—	161,175	28,719	—	38,602	2,218	293,609
<b>Total Alberta</b>	<b>593,706</b>	<b>109,166</b>	<b>381,439</b>	<b>630,889</b>	<b>732,246</b>	<b>733,729</b>	<b>3,368,435</b>	<b>6,549,610</b>
BC - uncommitted	88,379	3,384	27,166	69,245	111,077	203,855	757,241	1,260,347
BC - committed	6,235	—	12,741	6,938	1,534	5,271	8,037	40,756
<b>Total British Columbia</b>	<b>94,614</b>	<b>3,384</b>	<b>39,907</b>	<b>76,183</b>	<b>112,611</b>	<b>209,126</b>	<b>765,278</b>	<b>1,301,103</b>
MB - uncommitted	257,478	10,403	131,104	417,594	669,546	195,553	1,840,255	3,521,933
MB - committed	42,336	—	172,975	116,408	14,426	7,454	1,866	355,465
<b>Total Manitoba</b>	<b>299,814</b>	<b>10,403</b>	<b>304,079</b>	<b>534,002</b>	<b>683,972</b>	<b>203,007</b>	<b>1,842,121</b>	<b>3,877,398</b>
ON - uncommitted	240,117	55,758	68,912	617,220	286,072	329,801	1,904,015	3,501,895
ON - committed	10,817	—	235,713	8,424	14,133	104,431	—	373,518
<b>Total Ontario</b>	<b>250,934</b>	<b>55,758</b>	<b>304,625</b>	<b>625,644</b>	<b>300,205</b>	<b>434,232</b>	<b>1,904,015</b>	<b>3,875,413</b>
SK - uncommitted	37,182	7,151	—	343,516	167,997	75,652	747,418	1,378,916
SK - committed	9,004	—	35,578	5,275	11,393	—	18,838	80,088
<b>Total Saskatchewan</b>	<b>46,186</b>	<b>7,151</b>	<b>35,578</b>	<b>348,791</b>	<b>179,390</b>	<b>75,652</b>	<b>766,256</b>	<b>1,459,004</b>
AZ - uncommitted	75,857	1,500	27,058	236,629	17,106	107,402	753,418	1,218,970
AZ - committed	9,133	—	20,547	17,688	—	21,647	—	69,015
<b>Total Arizona</b>	<b>84,990</b>	<b>1,500</b>	<b>47,605</b>	<b>254,317</b>	<b>17,106</b>	<b>129,049</b>	<b>753,418</b>	<b>1,287,985</b>
MN - uncommitted	505,860	35,820	266,130	583,655	443,228	657,705	3,206,500	5,698,898
MN - committed	22,555	—	298,317	353,773	4,836	—	9,536	689,017
<b>Total Minnesota</b>	<b>528,415</b>	<b>35,820</b>	<b>564,447</b>	<b>937,428</b>	<b>448,064</b>	<b>657,705</b>	<b>3,216,036</b>	<b>6,387,915</b>
WI - uncommitted	109,359	6,176	11,472	166,123	209,301	178,443	907,570	1,588,444
WI - committed	67,197	—	5,943	27,238	—	—	8,000	108,378
<b>Total Wisconsin</b>	<b>176,556</b>	<b>6,176</b>	<b>17,415</b>	<b>193,361</b>	<b>209,301</b>	<b>178,443</b>	<b>915,570</b>	<b>1,696,822</b>
U.S. - Other - uncommitted	39,422	1,299	4,675	44,115	151,677	152,490	357,871	751,549
U.S. - Other - committed	—	—	3,110	—	1,903	—	—	5,013
<b>Total U.S. - Other</b>	<b>39,422</b>	<b>1,299</b>	<b>7,785</b>	<b>44,115</b>	<b>153,580</b>	<b>152,490</b>	<b>357,871</b>	<b>756,562</b>
<b>Total - uncommitted</b>	<b>1,884,465</b>	<b>230,657</b>	<b>756,781</b>	<b>3,080,267</b>	<b>2,788,250</b>	<b>2,596,028</b>	<b>13,840,505</b>	<b>25,176,953</b>
<b>Total - committed</b>	<b>230,172</b>	<b>—</b>	<b>946,099</b>	<b>564,463</b>	<b>48,225</b>	<b>177,405</b>	<b>48,495</b>	<b>2,014,859</b>
<b>Total portfolio</b>	<b>2,114,637</b>	<b>230,657</b>	<b>1,702,880</b>	<b>3,644,730</b>	<b>2,836,475</b>	<b>2,773,433</b>	<b>13,889,000</b>	<b>27,191,812</b>

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



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

	2016	2017	2018	2019	2020 & later	Total
<b>Alberta</b>						
In-place rents	\$ 16.99	\$ 18.38	\$ 19.41	\$ 19.79	\$ 17.89	\$ 18.32
Market rents	15.81	13.15	17.94	18.36	19.24	18.08
Change	(7.0)%	(28.5)%	(7.5)%	(7.2)%	7.5 %	(1.3)%
Revenue impact <sup>(2)</sup>	\$ (453)	\$ (3,301)	\$ (1,072)	\$ (1,053)	\$ 4,526	\$ (1,353)
<b>British Columbia</b>						
In-place rents	\$ 19.12	\$ 20.83	\$ 23.29	\$ 17.72	\$ 12.79	\$ 15.35
Market rents	20.03	21.28	23.28	18.05	13.30	15.79
Change	4.8 %	2.2 %	— %	1.9 %	4.0 %	2.8 %
Revenue impact <sup>(2)</sup>	\$ 36	\$ 35	\$ (1)	\$ 69	\$ 387	\$ 526
<b>Manitoba</b>						
In-place rents	\$ 9.66	\$ 12.25	\$ 7.45	\$ 10.31	\$ 14.62	\$ 12.22
Market rents	10.66	12.71	8.08	10.74	14.76	12.60
Change	10.4 %	3.8 %	8.5 %	4.2 %	1.0 %	3.1 %
Revenue impact <sup>(2)</sup>	\$ 306	\$ 246	\$ 430	\$ 88	\$ 269	\$ 1,339
<b>Ontario</b>						
In-place rents	\$ 7.39	\$ 6.86	\$ 9.45	\$ 10.98	\$ 10.95	\$ 9.80
Market rents	7.39	6.85	9.42	11.05	10.76	9.71
Change	0.1 %	(0.1)%	(0.3)%	0.7 %	(1.7)%	(0.9)%
Revenue impact <sup>(2)</sup>	\$ 2	\$ (3)	\$ (8)	\$ 32	\$ (350)	\$ (327)
<b>Saskatchewan</b>						
In-place rents	\$ 21.41	\$ 9.64	\$ 20.03	\$ 21.48	\$ 15.88	\$ 15.30
Market rents	22.49	9.81	19.75	20.88	16.32	15.54
Change	5.1 %	1.7 %	(1.4)%	(2.8)%	2.8 %	1.6 %
Revenue impact <sup>(2)</sup>	\$ 39	\$ 58	\$ (49)	\$ (45)	\$ 336	\$ 339
<b>Arizona</b>						
In-place rents	\$ 20.77	\$ 20.24	\$ 33.89	\$ 24.43	\$ 22.41	\$ 22.27
Market rents	19.36	21.92	34.50	27.38	23.62	23.65
Change	(6.8)%	8.3 %	1.8 %	12.1 %	5.4 %	6.2 %
Revenue impact <sup>(2)</sup>	\$ (67)	\$ 428	\$ 11	\$ 380	\$ 911	\$ 1,663
<b>Minnesota</b>						
In-place rents	\$ 5.10	\$ 6.64	\$ 7.34	\$ 6.94	\$ 8.96	\$ 7.86
Market rents	5.22	7.33	7.49	6.75	8.94	7.96
Change	2.3 %	10.4 %	2.1 %	(2.8)%	(0.2)%	1.3 %
Revenue impact <sup>(2)</sup>	\$ 65	\$ 648	\$ 68	\$ (129)	\$ (63)	\$ 589
<b>Wisconsin</b>						
In-place rents	\$ 14.80	\$ 14.87	\$ 14.88	\$ 14.95	\$ 14.42	\$ 14.61
Market rents	16.28	15.79	15.08	16.01	15.98	15.84
Change	10.0 %	6.2 %	1.4 %	7.1 %	10.8 %	8.4 %
Revenue impact <sup>(2)</sup>	\$ 26	\$ 177	\$ 42	\$ 189	\$ 1,426	\$ 1,860
<b>U.S. - Other</b>						
In-place rents	\$ 26.19	\$ 20.65	\$ 15.65	\$ 23.82	\$ 18.02	\$ 19.00
Market rents	26.98	21.20	16.07	25.34	18.89	19.89
Change	3.0 %	2.6 %	2.7 %	6.3 %	4.8 %	4.7 %
Revenue impact <sup>(2)</sup>	\$ 6	\$ 24	\$ 64	\$ 230	\$ 310	\$ 634
<b>Total portfolio</b>						
In-place rents	\$ 10.29	\$ 11.67	\$ 13.31	\$ 14.69	\$ 14.07	\$ 13.44
Market rents	10.27	11.21	13.12	14.60	14.62	13.65
Change	(0.2)%	(4.0)%	(1.4)%	(0.6)%	4.0 %	1.6 %
Revenue impact <sup>(2)</sup>	\$ (40)	\$ (1,688)	\$ (515)	\$ (239)	\$ 7,752	\$ 5,270

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

<sup>(2)</sup> This impact is based on the difference between the in-place rents and the market rents for the period 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 September 30, 2016, the five largest segments of the REIT's portfolio (by Property NOI) were Calgary office, Twin Cities Area industrial, Madison office, Twin Cities Area office and Winnipeg office.

The Calgary office segment represents 12.1% of the Q3-16 Property NOI and 9.3% 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 14.1% at September 30, 2016, compared to 13.9% at June 30, 2016. At September 30, 2016, the Calgary office segment of Artis' portfolio was 85.4% occupied, compared to 86.9% at June 30, 2016. During the remainder of 2016, 98,487 square feet comes up for renewal, which represents 0.4% of the total portfolio GLA; 24.8% had been renewed or committed to new leases at September 30, 2016. Approximately 50.2% 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 5.4 years. The average size of Artis' Calgary office tenants is approximately 9,400 square feet.

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

	Current vacancy	Monthly tenants <sup>(2)</sup>	2016	2017	2018	2019	2020 & later	Total
Downtown - uncommitted	252,363	20,511	67,887	237,631	100,712	124,270	215,863	1,019,237
Downtown - committed	9,626	—	19,736	—	—	—	—	29,362
<b>Total downtown</b>	<b>261,989</b>	<b>20,511</b>	<b>87,623</b>	<b>237,631</b>	<b>100,712</b>	<b>124,270</b>	<b>215,863</b>	<b>1,048,599</b>
Beltline - uncommitted	51,144	102	—	5,613	109,555	41,930	361,919	570,263
Beltline - committed	4,301	—	—	—	—	—	—	4,301
<b>Total beltline</b>	<b>55,445</b>	<b>102</b>	<b>—</b>	<b>5,613</b>	<b>109,555</b>	<b>41,930</b>	<b>361,919</b>	<b>574,564</b>
Suburban - uncommitted	48,446	1,609	6,157	43,135	44,132	53,098	696,398	892,975
Suburban - committed	5,665	—	4,707	11,981	—	—	—	22,353
<b>Total suburban</b>	<b>54,111</b>	<b>1,609</b>	<b>10,864</b>	<b>55,116</b>	<b>44,132</b>	<b>53,098</b>	<b>696,398</b>	<b>915,328</b>
<b>Total - uncommitted</b>	<b>351,953</b>	<b>22,222</b>	<b>74,044</b>	<b>286,379</b>	<b>254,399</b>	<b>219,298</b>	<b>1,274,180</b>	<b>2,482,475</b>
<b>Total - committed</b>	<b>19,592</b>	<b>—</b>	<b>24,443</b>	<b>11,981</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>56,016</b>
<b>Total Calgary office</b>	<b>371,545</b>	<b>22,222</b>	<b>98,487</b>	<b>298,360</b>	<b>254,399</b>	<b>219,298</b>	<b>1,274,180</b>	<b>2,538,491</b>

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

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

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

	Current vacancy	Monthly tenants <sup>(2)</sup>	2016	2017	2018	2019	2020 & later	Total
Other - uncommitted	617,558	46,006	181,616	852,233	771,375	994,073	4,457,732	7,920,593
Other - committed	112,212	—	114,356	133,400	29,964	138,803	21,065	549,800
<b>Total other office</b>	<b>729,770</b>	<b>46,006</b>	<b>295,972</b>	<b>985,633</b>	<b>801,339</b>	<b>1,132,876</b>	<b>4,478,797</b>	<b>8,470,393</b>

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

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

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

The market rents reported in the below table are reflective of management's estimates for today's market rent rates. They do not allow for the impact of inflation. The Calgary office market rents for the 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
<b>Downtown</b>						
In-place rents	\$ 23.56	\$ 22.98	\$ 19.70	\$ 24.11	\$ 21.95	\$ 22.51
Market rents	10.06	8.94	11.84	20.37	23.27	15.34
Change	(57.3)%	(61.1)%	(39.9)%	(15.5)%	6.0 %	(31.8)%
Revenue impact <sup>(2)</sup>	\$ (1,184)	\$ (3,337)	\$ (791)	\$ (465)	\$ 286	\$ (5,491)
<b>Beltline</b>						
In-place rents	\$ —	\$ 25.50	\$ 27.91	\$ 33.67	\$ 14.36	\$ 18.90
Market rents	—	15.00	21.72	25.65	22.45	22.48
Change	— %	(41.2)%	(22.2)%	(23.8)%	56.3 %	18.9 %
Revenue impact <sup>(2)</sup>	\$ —	\$ (59)	\$ (679)	\$ (336)	\$ 2,928	\$ 1,854
<b>Suburban</b>						
In-place rents	\$ 10.93	\$ 16.47	\$ 17.79	\$ 18.64	\$ 21.62	\$ 20.77
Market rents	13.86	13.75	14.23	18.88	21.51	20.38
Change	26.8 %	(16.5)%	(20.0)%	1.3 %	(0.5)%	(1.9)%
Revenue impact <sup>(2)</sup>	\$ 32	\$ (150)	\$ (157)	\$ 13	\$ (74)	\$ (336)
<b>Total Calgary Office</b>						
In-place rents	\$ 22.17	\$ 21.83	\$ 22.90	\$ 24.61	\$ 19.61	\$ 20.94
Market rents	10.47	9.94	16.51	21.02	22.08	19.09
Change	(52.7)%	(54.5)%	(27.9)%	(14.6)%	12.6 %	(8.8)%
Revenue impact <sup>(2)</sup>	\$ (1,152)	\$ (3,546)	\$ (1,627)	\$ (788)	\$ 3,140	\$ (3,973)

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

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

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

	2016	2017	2018	2019	2020 & later	Total
<b>Other office</b>						
In-place rents	\$ 15.04	\$ 17.08	\$ 16.05	\$ 16.99	\$ 17.56	\$ 17.16
Market rents	15.82	18.16	16.62	17.74	18.13	17.83
Change	5.2%	6.3%	3.5%	4.4%	3.3%	3.9%
Revenue impact <sup>(2)</sup>	\$ 231	\$ 1,062	\$ 453	\$ 841	\$ 2,556	\$ 5,143

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

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

The Twin Cities Area industrial segment represents 7.7% of the Q3-16 Property NOI and 16.7% of the overall portfolio by GLA. Direct vacancy in this industrial market, as reported by Jones Lang LaSalle (JLL), decreased from 8.2% at June 30, 2016, to 7.6% at September 30, 2016, with 2,351,021 square feet of positive absorption reported for the quarter. The average asking market lease rate was \$6.66 per square foot at September 30, 2016, compared to \$6.71 per square foot at June 30, 2016. Occupancy in this segment of the portfolio, excluding properties held for redevelopment, was 93.5% at September 30, 2016, decreased from 96.0% at June 30, 2016. During the remainder of 2016, 524,420 square feet comes up for renewal, which represents 1.9% of the total portfolio GLA; commitments were in place for 53.6% of the expiring space at September 30, 2016.

The Madison office segment represents 7.1% of the Q3-16 Property NOI and 6.2% of the overall portfolio by GLA. Overall direct vacancy in this office market, as most recently reported by Xceligent, was 8.5% at September 30, 2016, a decrease from 9.3% at June 30, 2016. At September 30, 2016, the Madison office segment of Artis' portfolio was 89.6% occupied, increased from 87.0% at June 30, 2016. During the remainder of 2016, 17,415 square feet comes up for renewal, which represents 0.1% of the total portfolio GLA; 34.1% had been renewed or committed to new leases at September 30, 2016. Approximately 54.0% of the Madison office GLA expires in 2020 or later.

The Twin Cities Area office segment represents 6.7% of the Q3-16 Property NOI and 4.9% of the overall portfolio by GLA. Overall direct vacancy in the Twin Cities Area office market, as reported by Cushman & Wakefield was 16.6% at September 30, 2016, unchanged from June 30, 2016. Occupancy in this segment of the portfolio was 92.1% at September 30, 2016, down from 92.7% at June 30, 2016. During the remainder of 2016, 37,190 square feet comes up for renewal, which represents 0.1% of the total portfolio GLA; 43.0% had been renewed or committed to new leases at September 30, 2016. Approximately 65.5% of the Twin Cities Area office GLA expires in 2020 or later.

The Winnipeg office segment represents 6.7% of the Q3-16 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, was 10.2% at September 30, 2016, up from 9.8% at June 30, 2016. At September 30, 2016, the Winnipeg office segment of Artis' portfolio was 88.8% occupied, increased from 88.4% June 30, 2016. During the remainder of 2016, 110,187 square feet comes up for renewal, which represents 0.4% of the total portfolio GLA; 21.2% had been renewed or committed to new leases at September 30, 2016. Approximately 57.0% of the Winnipeg office GLA expires in 2020 or later.

## CORPORATE EXPENSES

	Three months ended			%	Nine months ended			%
	September 30,		Change		September 30,		Change	
	2016	2015			2016	2015		
Accounting, legal and consulting	\$ 631	\$ 495	\$ 136	27.5 %	\$ 1,834	\$ 1,632	\$ 202	12.4%
Public company costs	297	356	(59)	(16.6)%	1,284	1,040	244	23.5%
Unit-based compensation	319	302	17	5.6 %	1,750	1,142	608	53.2%
Salaries and benefits	952	862	90	10.4 %	2,885	2,643	242	9.2%
Depreciation of property and equipment	212	183	29	15.8 %	644	559	85	15.2%
General and administrative	518	530	(12)	(2.3)%	1,691	1,405	286	20.4%
<b>Total corporate expenses</b>	<b>\$ 2,929</b>	<b>\$ 2,728</b>	<b>\$ 201</b>	<b>7.4 %</b>	<b>\$ 10,088</b>	<b>\$ 8,421</b>	<b>\$ 1,667</b>	<b>19.8%</b>

Corporate expenses in Q3-16 were \$2,929 (YTD - \$10,088), or 2.0% (YTD - 2.4%) of total revenues compared to \$2,728 (YTD - \$8,421), or 1.9% (YTD - 2.1%) of total revenues in Q3-15.

The unit-based compensation expense recorded in Q3-16 was \$319 (YTD - \$1,750) compared to \$302 (YTD - \$1,142) in Q3-15. 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			%	Nine months ended			%
	September 30,		Change		September 30,		Change	
	2016	2015			2016	2015		
Mortgages and other loans <sup>(1)</sup>	\$ 20,385	\$ 20,853	\$ (468)		\$ 61,180	\$ 64,412	\$ (3,232)	
Debentures <sup>(1)</sup>	3,392	4,366	(974)		12,098	13,067	(969)	
Other <sup>(1)</sup>	2,588	1,283	1,305		5,606	2,629	2,977	
	26,365	26,502	(137)	(0.5)%	78,884	80,108	(1,224)	(1.5)%
Foreign exchange	2,156	1,863	293		6,270	4,672	1,598	
<b>Total interest expense</b>	<b>\$ 28,521</b>	<b>\$ 28,365</b>	<b>\$ 156</b>	<b>0.5 %</b>	<b>\$ 85,154</b>	<b>\$ 84,780</b>	<b>\$ 374</b>	<b>0.4 %</b>

<sup>(1)</sup> Amounts shown are in Canadian and US dollars.

Interest expense on mortgages and other loans has decreased primarily due to the repayment of maturing mortgages in 2015 and 2016. Interest expense on debentures has decreased due to the redemption of the Series F convertible debentures in Q3-16. 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 September 30, 2016, on mortgages and other loans secured by properties was 3.74%, decreased from 3.93% at December 31, 2015. The weighted-average nominal interest rate on mortgages and other loans secured by properties at September 30, 2016, decreased to 3.68% from 3.86% at December 31, 2015.

The REIT's interest coverage ratio, as defined in the below table, was 3.13 times (YTD - 2.98 times) for Q3-16, compared to 2.96 times (YTD - 2.94 times) for Q3-15.

	Three months ended September 30,			% Change	Nine months ended September 30,			% Change
	2016	2015	Change		2016	2015	Change	
Property NOI	\$ 91,855	\$ 86,427	\$ 5,428		\$ 262,768	\$ 256,619	\$ 6,149	
Interest income	298	335	(37)		928	1,033	(105)	
Corporate expenses	(2,929)	(2,728)	(201)		(10,088)	(8,421)	(1,667)	
	89,224	84,034	5,190	6.2%	253,608	249,231	4,377	1.8%
Interest expense	28,521	28,365	156	0.5%	85,154	84,780	374	0.4%
Interest coverage ratio	3.13	2.96	0.17	5.7%	2.98	2.94	0.04	1.4%

The REIT's EBITDA interest coverage ratio was 3.24 times (YTD - 3.10 times) for Q3-16, compared to 3.09 times (YTD - 3.07 times) for Q3-15.

	Three months ended September 30,			% Change	Nine months ended September 30,			% Change
	2016	2015	Change		2016	2015	Change	
Property NOI	\$ 91,855	\$ 86,427	\$ 5,428		\$ 262,768	\$ 256,619	\$ 6,149	
Add (deduct):								
Amortization of tenant inducements	4,456	3,693	763		12,879	10,314	2,565	
Straight-line rent adjustments	(1,979)	(1,231)	(748)		(4,451)	(2,272)	(2,179)	
Interest income	298	335	(37)		928	1,033	(105)	
Corporate expenses	(2,929)	(2,728)	(201)		(10,088)	(8,421)	(1,667)	
Depreciation of property and equipment	212	183	29		644	559	85	
EBITDA	91,913	86,679	5,234	6.0%	262,680	257,832	4,848	1.9%
Interest expense	28,521	28,365	156		85,154	84,780	374	
Add (deduct):								
Amortization of financing costs	(928)	(784)	(144)		(2,560)	(2,350)	(210)	
Amortization of above- and below-market mortgages, net	515	316	199		1,610	1,129	481	
Accretion on liability component of debentures	224	185	39		610	529	81	
Adjusted interest expense	28,332	28,082	250	0.9%	84,814	84,088	726	0.9%
EBITDA interest coverage ratio	3.24	3.09	0.15	4.9%	3.10	3.07	0.03	1.0%

### **FAIR VALUE GAIN (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 Q3-16, the fair value gain on investment properties was \$20,201 (YTD - loss of \$16,560), compared to a loss of \$64,343 (YTD - loss of \$119,847) in Q3-15. 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 gain in Q3-16 was largely due to an overall increase in occupancy in the Madison Lifestyle Office Portfolio.

### **FOREIGN CURRENCY TRANSLATION GAIN (LOSS)**

In Q3-16, 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 gain of \$206 (YTD - gain of \$2,350) in Q3-16, compared to a loss of \$9,913 (YTD - loss of \$16,823) in Q3-15.

The foreign currency translation loss for Q2-16, which is reflected in the year-to-date 2016 foreign currency translation gain, has been corrected for an error identified by the REIT that is not material to the users of the consolidated financial statements. The foreign currency translation loss was overstated by \$21,960, and has been changed from a loss of \$25,970 to a loss of \$4,010. This resulted in a change in net income from \$8,617 to \$30,577. The foreign currency translation gain in other comprehensive income was overstated by the same amount, and changed from a gain of \$25,519 to a gain of \$3,559. There was no impact on net cash flow or on cash flow from operations.

### **TRANSACTION COSTS**

During Q3-16, \$195 (YTD - \$1,096) of transaction costs were expensed compared to \$1,248 (YTD - \$1,615) in Q3-15. The transaction costs are attributable to the acquisitions of investment properties and joint ventures.

### **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 gain on the fair value adjustment of the interest rate swaps outstanding of \$699 (YTD - loss of \$4,228) in Q3-16, compared to an unrealized loss of \$3,612 (YTD - loss of \$5,970) in Q3-15. The REIT anticipates holding the mortgages and interest rate swap contracts until maturity.

Artis recorded an unrealized loss of \$3,997 (YTD - loss of \$1,952) in Q3-16 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 Q3-16 of \$9,877 (YTD - loss of \$46,581) compared to a gain of \$65,039 (YTD - gain of \$120,305) in Q3-15. Foreign currency translation gains and losses relate to the REIT's net investments its U.S. subsidiaries.

The foreign currency translation gain for Q2-16, which is reflected in the year-to-date 2016 foreign currency translation loss included in other comprehensive income (loss), has been corrected for an error identified by the REIT that is not material to the users of the consolidated financial statements. The foreign currency translation loss included in net income was overstated by \$21,960, and has been changed from a loss of \$25,970 to a loss of \$4,010. The foreign currency translation gain in other comprehensive income was overstated by the same amount, and changed from a gain of \$25,519 to a gain of \$3,559. There was no impact on total comprehensive income.

### **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 September 30,		%	Nine months ended September 30,		%
	2016	2015	Change	2016 <sup>(1)</sup>	2015	Change
Cash flow from operations	\$ 64,634	\$ 62,497		\$ 182,462	\$ 173,045	
Add (deduct):						
Depreciation of property and equipment	(212)	(183)		(644)	(559)	
Amortization of above- and below-market mortgages, net	515	316		1,610	1,129	
Straight-line rent adjustment	1,780	1,025		3,832	1,959	
Adjustment for investments in joint ventures	1,531	1,369		3,642	3,742	
Realized foreign currency translation loss	2,251	5,351		7,544	4,148	
Unrealized foreign currency loss from U.S. operations	(4,752)	(2,279)		(10,333)	(1,808)	
Unit-based compensation expense	(319)	(302)		(1,750)	(1,142)	
Accretion on liability component of debentures	224	185		610	529	
Amortization of financing costs included in interest	(906)	(770)		(2,495)	(2,315)	
Other long-term employee benefits	(457)	(407)		(1,354)	(1,204)	
Transaction costs on acquisitions	195	1,248		1,096	1,615	
Changes in non-cash operating items	675	(8,688)		(2,887)	(4,374)	
Incremental leasing costs	806	442		1,976	1,430	
Preferred unit distributions	(4,611)	(4,638)		(13,791)	(13,753)	
<b>FFO</b>	<b>\$ 61,354</b>	<b>\$ 55,166</b>	<b>11.2%</b>	<b>\$ 169,518</b>	<b>\$ 162,442</b>	<b>4.4 %</b>
Add (deduct):						
Lease termination income	(3,891)	(170)		(5,849)	(4,320)	
Non-recurring other income	—	(1,636)		—	(1,636)	
Straight-line rent reversals due to lease terminations	—	—		—	812	
<b>FFO after adjustments</b>	<b>\$ 57,463</b>	<b>\$ 53,360</b>	<b>7.7%</b>	<b>\$ 163,669</b>	<b>\$ 157,298</b>	<b>4.1 %</b>
FFO per unit:						
Basic	\$ 0.41	\$ 0.40	2.5%	\$ 1.18	\$ 1.18	— %
Diluted	0.41	0.39	5.1%	1.17	1.15	1.7 %
FFO per unit after adjustments:						
Basic	\$ 0.39	\$ 0.39	—%	\$ 1.14	\$ 1.15	(0.9)%
Diluted <sup>(2)</sup>	0.38	0.38	—%	1.13	1.12	0.9 %
Weighted-average number of common units outstanding:						
Basic	149,227	137,919		143,233	137,275	
Diluted <sup>(2)</sup>	154,326	148,455		148,281	147,785	

(1) Certain balances for the three months ended June 30, 2016, which are reflected in the amounts presented for the nine months ended September 30, 2016, have been restated. Refer to the Foreign Currency Translation Gain (Loss) section of this MD&A.

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

In Q3-16, 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**

	Three months ended September 30,	
	2016	2015
Basic units	149,227	137,919
Add:		
Options <sup>(1)</sup>	—	—
Debentures <sup>(1)</sup>	4,641	10,200
Restricted units <sup>(1)</sup>	423	329
Deferred units <sup>(1)</sup>	35	7
<b>Diluted units</b>	<b>154,326</b>	<b>148,455</b>

**Diluted FFO Reconciliation**

	Three months ended September 30,	
	2016	2015
FFO	\$ 61,354	\$ 55,166
Add:		
Options <sup>(1)</sup>	—	—
Debentures <sup>(1)</sup>	1,472	2,834
Restricted units <sup>(1)</sup>	(254)	(174)
Deferred units <sup>(1)</sup>	(50)	(5)
<b>Diluted FFO</b>	<b>\$ 62,522</b>	<b>\$ 57,821</b>

<sup>(1)</sup> All convertible debenture series, restricted units and deferred units are dilutive in Q3-16. All convertible debenture series, restricted units and deferred units are dilutive in Q3-15.

**Diluted Common Units Reconciliation**

	Nine months ended September 30,	
	2016	2015
Basic units	143,233	137,275
Add:		
Options <sup>(1)</sup>	—	10
Debentures <sup>(1)</sup>	4,641	10,200
Restricted units <sup>(1)</sup>	379	295
Deferred units <sup>(1)</sup>	28	5
<b>Diluted units</b>	<b>148,281</b>	<b>147,785</b>

**Diluted FFO Reconciliation**

	Nine months ended September 30,	
	2016	2015
FFO	\$ 169,518	\$ 162,442
Add:		
Options <sup>(1)</sup>	—	—
Debentures <sup>(1)</sup>	4,443	8,242
Restricted units <sup>(1)</sup>	(82)	(277)
Deferred units <sup>(1)</sup>	(20)	(7)
<b>Diluted FFO</b>	<b>\$ 173,859</b>	<b>\$ 170,400</b>

<sup>(1)</sup> All convertible debenture series, restricted units and deferred 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 September 30,		% Change	Nine months ended September 30,		% Change
	2016	2015		2016 <sup>(1)</sup>	2015	
Net income (loss)	\$ 76,876	\$ (23,447)		\$ 146,227	\$ 20,196	
Add (deduct):						
Tenant inducements amortized to revenue	4,456	3,693		12,879	10,314	
Fair value (gain) loss on investment properties	(20,201)	64,343		16,560	119,847	
Foreign currency translation (gain) loss	(206)	9,913		(2,350)	16,823	
Transaction costs on acquisitions	195	1,248		1,096	1,615	
Unrealized loss on financial instruments	4,039	3,612		6,921	5,970	
Incremental leasing costs	806	442		1,976	1,430	
Preferred unit distributions	(4,611)	(4,638)		(13,791)	(13,753)	
<b>FFO</b>	<b>\$ 61,354</b>	<b>\$ 55,166</b>	<b>11.2%</b>	<b>\$ 169,518</b>	<b>\$ 162,442</b>	<b>4.4%</b>
Add (deduct):						
Lease termination income	(3,891)	(170)		(5,849)	(4,320)	
Non-recurring other income	—	(1,636)		—	(1,636)	
Straight-line rent reversals due to lease terminations	—	—		—	812	
<b>FFO after adjustments</b>	<b>\$ 57,463</b>	<b>\$ 53,360</b>	<b>7.7%</b>	<b>\$ 163,669</b>	<b>\$ 157,298</b>	<b>4.1%</b>

<sup>(1)</sup> Certain balances for the three months ended June 30, 2016, which are reflected in the amounts presented for the nine months ended September 30, 2016, have been restated. Refer to the Foreign Currency Translation Gain (Loss) section of this MD&A.



**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		% Change	Nine months ended		% Change
	September 30, 2016	September 30, 2015		September 30, 2016	September 30, 2015	
FFO	\$ 61,354	\$ 55,166		\$ 169,518	\$ 162,442	
Add (deduct):						
Capital expenditures reserve	(1,489)	(1,406)		(4,267)	(4,107)	
Leasing costs reserve	(9,680)	(5,623)		(23,572)	(16,426)	
Straight-line rent adjustments	(1,979)	(1,231)		(4,451)	(2,272)	
Unit-based compensation expense	319	302		1,750	1,142	
<b>AFFO</b>	<b>\$ 48,525</b>	<b>\$ 47,208</b>	<b>2.8 %</b>	<b>\$ 138,978</b>	<b>\$ 140,779</b>	<b>(1.3)%</b>
Deduct:						
Lease termination income	(3,891)	(170)		(5,849)	(4,320)	
Non-recurring other income	—	(1,636)		—	(1,636)	
<b>AFFO after adjustments</b>	<b>\$ 44,634</b>	<b>\$ 45,402</b>	<b>(1.7)%</b>	<b>\$ 133,129</b>	<b>\$ 134,823</b>	<b>(1.3)%</b>
AFFO per unit:						
Basic	\$ 0.33	\$ 0.34	(2.9)%	\$ 0.97	\$ 1.03	(5.8)%
Diluted	0.32	0.34	(5.9)%	0.97	1.01	(4.0)%
AFFO per unit after adjustments:						
Basic	\$ 0.30	\$ 0.33	(9.1)%	\$ 0.93	\$ 0.98	(5.1)%
Diluted	0.30	0.33	(9.1)%	0.93	0.97	(4.1)%
Weighted-average number of common units outstanding:						
Basic	149,227	137,919		143,233	137,275	
Diluted <sup>(1)</sup>	153,868	148,119		147,874	147,476	

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

In Q3-16, AFFO was impacted by acquisitions, dispositions, completed (re)developments and the impact of foreign exchange in 2015 and 2016, and by increases to 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.

	September 30, 2016			December 31, 2015		
	Per consolidated financial statements	Adjustment <sup>(1)</sup>	Total Proportionate Share	Per consolidated financial statements	Adjustment <sup>(1)</sup>	Total Proportionate Share
<b>ASSETS</b>						
Non-current assets:						
Investment properties	\$ 5,078,687	\$ 278,115	\$ 5,356,802	\$ 5,078,021	\$ 246,144	\$ 5,324,165
Investment properties under development	53,246	63,580	116,826	26,892	61,465	88,357
Investments in joint ventures	191,945	(191,945)	—	173,066	(173,066)	—
Property and equipment	3,299	—	3,299	3,586	—	3,586
Notes receivable	13,491	—	13,491	15,776	—	15,776
	5,340,668	149,750	5,490,418	5,297,341	134,543	5,431,884
Current assets:						
Investment properties held for sale	302,652	—	302,652	115,504	—	115,504
Deposits on investment properties	361	—	361	50	—	50
Prepaid expenses and other assets	12,246	517	12,763	7,872	351	8,223
Notes receivable	3,496	—	3,496	2,744	—	2,744
Accounts receivable and other receivables	13,042	459	13,501	11,757	1,069	12,826
Cash held in trust	4,368	—	4,368	8,605	—	8,605
Cash and cash equivalents	52,907	5,477	58,384	66,449	4,995	71,444
	389,072	6,453	395,525	212,981	6,415	219,396
	\$ 5,729,740	\$ 156,203	\$ 5,885,943	\$ 5,510,322	\$ 140,958	\$ 5,651,280
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>						
Non-current liabilities:						
Mortgages and loans payable	\$ 1,449,122	\$ 104,464	\$ 1,553,586	\$ 1,703,553	\$ 112,535	\$ 1,816,088
Senior unsecured debentures	199,712	—	199,712	199,631	—	199,631
Convertible debentures	116,788	—	116,788	209,140	—	209,140
Other long-term liabilities	4,275	—	4,275	2,910	—	2,910
	1,769,897	104,464	1,874,361	2,115,234	112,535	2,227,769
Current liabilities:						
Mortgages and loans payable	791,630	33,902	825,532	494,766	19,663	514,429
Security deposits and prepaid rent	41,906	1,939	43,845	32,049	1,424	33,473
Accounts payable and other liabilities	84,730	15,898	100,628	75,512	7,336	82,848
Bank indebtedness	370,586	—	370,586	225,000	—	225,000
	1,288,852	51,739	1,340,591	827,327	28,423	855,750
	3,058,749	156,203	3,214,952	2,942,561	140,958	3,083,519
Unitholders' equity	2,670,991	—	2,670,991	2,567,761	—	2,567,761
	\$ 5,729,740	\$ 156,203	\$ 5,885,943	\$ 5,510,322	\$ 140,958	\$ 5,651,280

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

**ASSETS**

	September 30, 2016	December 31, 2015	Change
Non-current assets:			
Investment properties and investment properties under development	\$ 5,473,628	\$ 5,412,522	\$ 61,106
Other non-current assets	16,790	19,362	(2,572)
Current assets:			
Investment properties held for sale	302,652	115,504	187,148
Other current assets	30,121	23,843	6,278
Cash, cash equivalents and cash held in trust	62,752	80,049	(17,297)
	\$ 5,885,943	\$ 5,651,280	\$ 234,663

**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:				
Acquisitions	252,375	—	—	252,375
Capital expenditures	28,373	24,365	40	52,778
Leasing commissions	7,531	—	23	7,554
Dispositions	—	—	(77,251)	(77,251)
Reclassification of investment properties under development	34,594	(34,594)	—	—
Reclassification of investment properties held for sale	(161,605)	—	161,605	—
Foreign currency translation (loss) gain	(103,394)	(2,579)	28	(105,945)
Straight-line rent adjustments	2,372	1	99	2,472
Tenant inducement additions, net of amortization	12,555	36	(337)	12,254
Fair value loss	(28,593)	(2,161)	(6,007)	(36,761)
Balance, June 30, 2016	5,368,373	73,425	193,704	5,635,502
Additions:				
Acquisitions	86,572	10,601	—	97,173
Capital expenditures	17,201	17,464	—	34,665
Leasing commissions	4,221	229	16	4,466
Dispositions	(11,572)	—	(33,834)	(45,406)
Reclassification of investment properties under development	(9,841)	9,841	—	—
Reclassification of investment properties held for sale	(142,959)	—	142,959	—
Foreign currency translation gain	15,565	555	—	16,120
Straight-line rent adjustments	1,939	1	39	1,979
Tenant inducement additions, net of amortization	11,608	(10)	(18)	11,580
Fair value gain (loss)	15,695	4,720	(214)	20,201
Balance, September 30, 2016	\$ 5,356,802	\$ 116,826	\$ 302,652	\$ 5,776,280

**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 September 30,				Nine months ended September 30,			
	2016	2015	Change	% Change	2016	2015	Change	% Change
Cash consideration	\$ 44,969	\$ 47,264	\$ (2,295)		\$ 160,090	\$ 59,709	\$ 100,381	
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	51,878	36,919	14,959		189,132	49,206	139,926	
Other accrued liabilities	326	—	326		326	—	326	
<b>Total acquisitions</b>	<b>\$ 97,173</b>	<b>\$ 84,183</b>	<b>\$ 12,990</b>	<b>15.4%</b>	<b>\$ 349,548</b>	<b>\$ 108,915</b>	<b>\$ 240,633</b>	<b>220.9%</b>

**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 Q3-16, non-recoverable capital expenditures primarily related to roof replacements, parking lot upgrades and exterior upgrades, including \$2,917 for the 360 Main Street curtain wall renewal and US\$2,500 for a parking structure expansion at Two MarketPointe.

	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	Change	% Change	2016	2015	Change	% Change
Revenue enhancing	\$ 18,280	\$ 9,881	\$ 8,399	85.0%	\$ 43,333	\$ 39,009	\$ 4,324	11.1%
Recoverable from tenants	5,913	3,838	2,075	54.1%	17,260	11,073	6,187	55.9%
Non-recoverable	10,472	5,396	5,076	94.1%	26,850	7,370	19,480	264.3%
<b>Total capital expenditures</b>	<b>\$ 34,665</b>	<b>\$ 19,115</b>	<b>\$ 15,550</b>	<b>81.3%</b>	<b>\$ 87,443</b>	<b>\$ 57,452</b>	<b>\$ 29,991</b>	<b>52.2%</b>

**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 \$6,888 for a significant tenant at Concorde Corporate Centre.

	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	Change	% Change	2016	2015	Change	% Change
Tenant inducements	\$ 16,036	\$ 11,133	\$ 4,903	44.0%	\$ 36,713	\$ 21,416	\$ 15,297	71.4%
Leasing commissions	4,466	5,030	(564)	(11.2)%	12,020	11,610	410	3.5%
<b>Total leasing costs</b>	<b>\$ 20,502</b>	<b>\$ 16,163</b>	<b>\$ 4,339</b>	<b>26.8%</b>	<b>\$ 48,733</b>	<b>\$ 33,026</b>	<b>\$ 15,707</b>	<b>47.6%</b>

**Dispositions:**

During Q3-16, Artis sold two retail properties in Canada and one industrial property in the U.S. for an aggregate sale price of \$47,336. The aggregate sale proceeds, net of costs of \$1,891 and related debt of \$16,432, were \$29,013.

**Investment properties held for sale:**

At September 30, 2016, the REIT had nine industrial properties and five retail properties with an aggregate fair value of \$302,652 classified as held for sale. These properties were either listed for sale with an external broker or held under unconditional sale agreements.

**Foreign currency translation gain on investment properties:**

In Q3-16, the foreign currency translation gain on investment properties was \$16,120 (YTD - loss of \$89,825) due to the change in the period end US dollar to Canadian dollar exchange rate from 1.3009 at June 30, 2016, to 1.3117 at September 30, 2016.

**Fair value gain (loss) on investment properties:**

In Q3-16, the REIT recorded a gain on the fair value of investment properties of \$20,201 (YTD - loss of \$16,560), compared to a loss of \$64,343 (YTD - loss of \$119,847) in Q3-15. The fair value gain for Q3-16 was largely due to the in-place and committed occupancy rate for the Madison Lifestyle Office Portfolio increasing from 87.2% at June 30, 2016 to 93.6% at September 30, 2016. The fair value loss for Q3-15 was primarily attributed to lowered expected market rents in the Calgary office market driven by oil price volatility as well as capitalization rate expansion in the Calgary downtown office market.

The REIT has noted deterioration in leasing volume as well as operating metrics such as market rents and vacancy rates in the Calgary office market since the economic downturn began in late 2014. Since Q4-14, the REIT has recorded a fair value loss on its Calgary office properties in the aggregate amount of \$291,799 (30.9%). At September 30, 2016, the fair value of the REIT's Calgary office properties totaled \$652,773, at an average of \$257 per square foot. This fair value represents the REIT's best estimate based on both external and internal information available, using capitalization rates in the range of 6.00% to 8.50% (weighted-average of 7.25%). The REIT will continue to closely monitor these assets in future periods. The REIT anticipates that the Calgary office market will continue to remain challenging in the short-term but is cautiously optimistic that the latter part of 2018 will give rise to modest economic recovery in Alberta.

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.

	September 30, 2016			December 31, 2015		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
Canada	8.50%	5.00%	6.53%	8.75%	5.25%	6.71%
U.S.	8.25%	5.50%	6.79%	8.25%	5.75%	6.52%
Total office	8.50%	5.00%	6.63%	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%	6.43%	7.75%	4.50%	6.47%
U.S.	7.75%	5.75%	6.87%	8.00%	6.00%	6.92%
Total industrial	7.75%	4.50%	6.57%	8.00%	4.50%	6.61%
Total:						
Canadian portfolio	8.50%	4.50%	6.46%	8.75%	4.50%	6.56%
U.S. portfolio	8.50%	5.50%	6.82%	8.75%	5.75%	6.67%
Total portfolio	8.50%	4.50%	6.57%	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 September 30, 2016 was \$16,987, compared to \$18,520 at December 31, 2015.

## Cash and Cash Equivalents

At September 30, 2016, the REIT had \$58,384 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

	September 30, 2016	December 31, 2015	Change
Non-current liabilities:			
Mortgages and loans payable	\$ 1,553,586	\$ 1,816,088	\$ (262,502)
Senior unsecured debentures	199,712	199,631	81
Convertible debentures	116,788	209,140	(92,352)
Other non-current liabilities	4,275	2,910	1,365
Current liabilities:			
Current portion of mortgages and loans payable	825,532	514,429	311,103
Other current liabilities	144,473	116,321	28,152
Bank indebtedness	370,586	225,000	145,586
	\$ 3,214,952	\$ 3,083,519	\$ 131,433

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 September 30, 2016 was 40.4%, compared to 41.2% at December 31, 2015.

	September 30, 2016	December 31, 2015	Change
GBV	\$ 5,889,153	\$ 5,653,827	\$ 235,326
Secured mortgages and loans	2,379,118	2,330,517	48,601
Secured mortgages and loans to GBV	40.4%	41.2%	(0.8)%
Preferred shares liability	\$ 346	\$ 365	\$ (19)
Carrying value of debentures	316,500	408,771	(92,271)
Bank indebtedness	370,586	225,000	145,586
Total long-term debt and bank indebtedness	\$ 3,066,550	\$ 2,964,653	\$ 101,897
Total long-term debt and bank indebtedness to GBV	52.1%	52.4%	(0.3)%

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' total long-term debt and bank indebtedness to EBITDA ratio at September 30, 2016 was 8.3, compared to 8.7 at December 31, 2015.

	September 30, 2016	December 31, 2015	Change
Total long-term debt and bank indebtedness	\$ 3,066,550	\$ 2,964,653	\$ 101,897
EBITDA <sup>(1)</sup>	\$ 367,652	\$ 340,780	\$ 26,872
Total long-term debt and bank indebtedness to EBITDA	8.3	8.7	(0.4)

<sup>(1)</sup> EBITDA for Q3-16, as calculated under the Interest Expense section of this MD&A, has been annualized for purposes of this ratio calculation.

Artis' unencumbered assets to unsecured debt ratio was 1.9 times at September 30, 2016, compared to 2.5 times at December 31, 2015.

	September 30, 2016	December 31, 2015	Change
Unencumbered assets	\$ 1,110,218	\$ 1,059,792	\$ 50,426
Senior unsecured debentures	199,712	199,631	81
Unsecured credit facilities	370,586	225,000	145,586
Total unsecured debt	\$ 570,298	\$ 424,631	\$ 145,667
Unencumbered assets to unsecured debt	1.9	2.5	(0.6)

## Mortgages and Loans Payable

### Mortgage financing:

Artis finances acquisitions in part through the arrangement or assumption of mortgage financing and consequently, the majority of the REIT's investment properties are pledged as security under mortgages and other loans. In Q3-16, \$15,791 (YTD - \$45,831) of principal repayments were made compared to \$15,227 in Q3-15 (YTD - \$45,590).

In Q3-16, Artis repaid five mortgages for a total of \$63,843. Artis refinanced one maturing mortgage, received upward financing on one maturing mortgage and received new financing on a previously unencumbered property, net of financing costs, for a total of \$18,821. The weighted-average nominal interest rate on these mortgages was 3.49% and the weighted-average term to maturity was 2.9 years. In Q3-16, Artis drew on development loans in the amount of \$5,360.

The weighted-average term to maturity on all mortgages and loans payable at September 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 and provides the benefit of lower interest rates, while keeping the overall risk at a moderate level. All of the REIT's variable rate mortgage debt is term debt and cannot be called on demand. The REIT has the ability to refinance, or use interest rate swaps, at any given point without incurring penalties.

At September 30, 2016, the REIT was a party to \$556,050 of unhedged variable rate mortgage debt, compared to \$342,758 at December 31, 2015. The increase is primarily due to new mortgage financing of \$206,131, a maturing swap on a mortgage of \$28,066 and draws on construction loans of \$11,376, partially offset by mortgage repayments of \$5,276 and foreign exchange of \$27,005. The unhedged variable rate mortgage debt is 18.1% of total debt including bank indebtedness at September 30, 2016, compared to 11.6% at December 31, 2015.

### Senior Unsecured Debentures

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

	Issued	Maturity	Interest rate	September 30, 2016		December 31, 2015	
				Carrying value	Face value	Carrying value	Face value
Series A	27-Mar-14 10-Sept-14	27-Mar-19	3.753%	\$ 199,712	\$ 200,000	\$ 199,631	\$ 200,000

### Convertible Debentures

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

	Issued	Maturity	Interest rate	September 30, 2016		December 31, 2015	
				Carrying value	Face value	Carrying value	Face value
Series F	22-Apr-10	30-June-20	6.00%	\$ —	\$ —	\$ 85,336	\$ 86,170
Series G	21-Apr-11	30-June-18	5.75%	116,788	115,430	123,804	121,792
				\$ 116,788	\$ 115,430	\$ 209,140	\$ 207,962

The carrying value of convertible debentures decreased by \$92,352 from December 31, 2015. This decrease is primarily due to the early redemption of all outstanding Series F debentures, effective July 25, 2016, as well as foreign exchange on the Series G debentures.

### Other Current Liabilities

Included in other current liabilities are accounts payable and accrued liabilities, security deposits and prepaid rent, as well as accrued distributions payable to unitholders of \$14,124, which was paid subsequent to the end of the quarter. At September 30, 2016, there was \$370,586 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 \$103,230 between December 31, 2015 and September 30, 2016. The increase was primarily due to the issuance of new units for \$134,286 and net income of \$146,227. This increase was partially offset by distributions made to unitholders of \$130,800 and by an unrealized foreign currency translation loss included in other comprehensive income of \$46,611.

## 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 September 30, 2016	Nine months ended September 30, 2016 <sup>(1)</sup>	Year ended December 31, 2015	Year ended December 31, 2014
Cash flow from operations	\$ 64,634	\$ 182,462	\$ 220,601	\$ 204,705
Net income (loss)	76,876	146,227	(175,699)	197,886
Distributions declared	44,931	130,294	167,144	161,330
Excess of cash flow from operations over distributions declared	19,703	52,168	53,457	43,375
Excess (shortfall) of net income (loss) over distributions declared	31,945	15,933	(342,843)	36,556

(1) Certain balances for the three months ended June 30, 2016, which are reflected in the amounts presented for the nine months ended September 30, 2016, have been restated. Refer to the Foreign Currency Translation Gain (Loss) section of this MD&A.

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 17 consecutive quarters.

Artis paid \$8,368 (YTD - \$24,531) of the \$44,931 (YTD - \$130,294) distributions declared to unitholders in Q3-16 through the issuance of units under the DRIP.

### CAPITAL RESOURCES

At September 30, 2016, Artis had \$58,384 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 September 30, 2016, the REIT had \$370,586 drawn on the facilities.

At September 30, 2016, the REIT had 59 unencumbered properties and 7 unencumbered parcels of development land, representing a fair value of \$1,110,218.

Artis is not in default or arrears on any of its obligations, including distributions to unitholders, interest or principal payments on debt or any debt covenants at September 30, 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	\$ 370,586	\$ 370,586	\$ —	\$ —	\$ —
Accounts payable and other liabilities	100,628	100,628	—	—	—
Convertible debentures <sup>(1)</sup>	115,430	—	115,430	—	—
Senior unsecured debentures <sup>(1)</sup>	200,000	—	200,000	—	—
Mortgages and loans payable	2,382,466	786,120	370,304	696,073	529,969
<b>Total contractual obligations</b>	<b>\$ 3,169,110</b>	<b>\$ 1,257,334</b>	<b>\$ 685,734</b>	<b>\$ 696,073</b>	<b>\$ 529,969</b>

<sup>(1)</sup> It is assumed that the outstanding 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:

<b>Year ended December 31,</b>	<b>Debt maturities</b>	<b>% of total principal</b>	<b>Scheduled principal repayments on non-matured debt</b>	<b>Total annual principal repayments</b>	<b>Weighted-average nominal interest rate on balance due at maturity</b>
2016	\$ 102,665	4.9%	\$ 16,126	\$ 118,791	2.99%
2017	634,752	30.6%	55,145	689,897	4.05%
2018	211,030	10.2%	42,048	253,078	3.43%
2019	146,984	7.1%	40,594	187,578	3.51%
2020	164,314	7.9%	35,092	199,406	3.52%
2021 & later	817,230	39.3%	116,486	933,716	3.52%
<b>Total</b>	<b>\$ 2,076,975</b>	<b>100.0%</b>	<b>\$ 305,491</b>	<b>\$ 2,382,466</b>	<b>3.65%</b>

## SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts	Q3-16	Q2-16 <sup>(1)</sup>	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14
Revenue	\$ 148,925	\$ 138,159	\$ 139,053	\$ 142,873	\$ 140,254	\$ 134,629	\$ 134,746	\$ 133,879
Expenses:								
Property operating	34,298	30,098	30,437	35,158	32,160	28,336	29,450	33,309
Realty taxes	22,772	22,444	23,320	22,382	21,667	20,633	20,764	19,480
	57,070	52,542	53,757	57,540	53,827	48,969	50,214	52,789
Net operating income	91,855	85,617	85,296	85,333	86,427	85,660	84,532	81,090
Other income (expenses):								
Corporate expenses	(2,929)	(3,521)	(3,638)	(3,089)	(2,728)	(2,831)	(2,862)	(2,682)
Interest expense	(28,521)	(28,260)	(28,373)	(28,684)	(28,365)	(28,148)	(28,267)	(27,999)
Interest income	298	332	298	288	335	335	363	442
Fair value gain (loss) on investment properties	20,201	(21,640)	(15,121)	(252,058)	(64,343)	(5,252)	(50,252)	14,180
Foreign currency translation gain (loss)	206	(4,010)	6,154	410	(9,913)	3,637	(10,547)	(4,295)
Transaction costs	(195)	(862)	(39)	(521)	(1,248)	68	(435)	(844)
(Loss) gain on financial instruments	(4,039)	2,921	(5,803)	2,426	(3,612)	3,271	(5,629)	(3,281)
Net income (loss)	76,876	30,577	38,774	(195,895)	(23,447)	56,740	(13,097)	56,611
Other comprehensive income (loss):								
Unrealized foreign currency translation gain (loss)	9,877	4,066	(60,524)	27,422	65,039	(14,853)	70,119	25,466
Unrealized (loss) gain from remeasurements of net pension obligation	(4)	(35)	9	1	—	43	(42)	—
	9,873	4,031	(60,515)	27,423	65,039	(14,810)	70,077	25,466
Total comprehensive income (loss)	\$ 86,749	\$ 34,608	\$ (21,741)	\$ (168,472)	\$ 41,592	\$ 41,930	\$ 56,980	\$ 82,077
Net income (loss) per unit attributable to common unitholders:								
Basic	\$ 0.48	\$ 0.18	\$ 0.25	\$ (1.45)	\$ (0.20)	\$ 0.38	\$ (0.13)	\$ 0.38
Diluted	0.48	0.18	0.24	(1.45)	(0.20)	0.37	(0.13)	0.37
Secured mortgages and loans to GBV	40.4%	40.9%	41.3%	41.2%	40.2%	39.9%	41.4%	41.9%

(1) Certain balances for the three months ended June 30, 2016 have been restated. Refer to the Foreign Currency Translation Gain (Loss) section of this MD&A.

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	Q3-16	Q2-16 <sup>(1)</sup>	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14
Net income (loss)	\$ 76,876	\$ 30,577	\$ 38,774	\$ (195,895)	\$ (23,447)	\$ 56,740	\$ (13,097)	\$ 56,611
Add (deduct):								
Amortization of tenant inducements	4,456	4,349	4,074	3,694	3,693	3,465	3,156	2,753
Fair value (gain) loss on investment properties	(20,201)	21,640	15,121	252,058	64,343	5,252	50,252	(14,180)
Foreign currency translation (gain) loss	(206)	4,010	(6,154)	(410)	9,913	(3,637)	10,547	4,295
Transaction costs on acquisitions	195	862	39	521	1,248	(68)	435	844
Unrealized loss (gain) on financial instruments	4,039	(2,921)	5,803	(2,426)	3,612	(3,271)	5,629	3,281
Incremental leasing costs	806	623	547	579	442	544	444	472
Preferred unit distributions	(4,611)	(4,584)	(4,596)	(4,682)	(4,638)	(4,547)	(4,568)	(4,461)
<b>FFO</b>	<b>\$ 61,354</b>	<b>\$ 54,556</b>	<b>\$ 53,608</b>	<b>\$ 53,439</b>	<b>\$ 55,166</b>	<b>\$ 54,478</b>	<b>\$ 52,798</b>	<b>\$ 49,615</b>
Add (deduct):								
Lease termination income	(3,891)	(1,958)	—	(173)	(170)	(3,340)	(810)	(73)
Non-recurring other income	—	—	—	—	(1,636)	—	—	—
Straight-line rent reversals due to lease terminations	—	—	—	—	—	812	—	—
<b>FFO after adjustments</b>	<b>\$ 57,463</b>	<b>\$ 52,598</b>	<b>\$ 53,608</b>	<b>\$ 53,266</b>	<b>\$ 53,360</b>	<b>\$ 51,950</b>	<b>\$ 51,988</b>	<b>\$ 49,542</b>
FFO per unit:								
Basic	\$ 0.41	\$ 0.39	\$ 0.39	\$ 0.39	\$ 0.40	\$ 0.40	\$ 0.39	\$ 0.36
Diluted	0.41	0.38	0.38	0.38	0.39	0.39	0.38	0.36
FFO per unit after adjustments:								
Basic	\$ 0.39	\$ 0.37	\$ 0.39	\$ 0.38	\$ 0.39	\$ 0.38	\$ 0.38	\$ 0.36
Diluted	0.38	0.37	0.38	0.38	0.38	0.37	0.37	0.36
Weighted-average number of common units outstanding:								
Basic	149,227	141,191	139,215	138,566	137,919	137,275	136,618	136,055
Diluted <sup>(2)</sup>	154,326	151,752	149,785	148,089	148,455	147,799	147,192	146,600

(1) Certain balances for the three months ended June 30, 2016 have been restated. Refer to the Foreign Currency Translation Gain (Loss) section of this MD&A.

(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	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14
FFO after adjustments	\$ 57,463	\$ 52,598	\$ 53,608	\$ 53,266	\$ 53,360	\$ 51,950	\$ 51,988	\$ 49,542
Add (deduct):								
Capital expenditures reserve	(1,489)	(1,384)	(1,394)	(1,432)	(1,406)	(1,350)	(1,351)	(1,344)
Leasing costs reserve	(9,680)	(6,924)	(6,968)	(5,727)	(5,623)	(5,399)	(5,404)	(5,373)
Straight-line rent adjustments	(1,979)	(1,276)	(1,196)	(1,227)	(1,231)	(905)	(948)	(1,232)
Unit-based compensation	319	777	654	618	302	298	542	378
<b>AFFO after adjustments</b>	<b>\$ 44,634</b>	<b>\$ 43,791</b>	<b>\$ 44,704</b>	<b>\$ 45,498</b>	<b>\$ 45,402</b>	<b>\$ 44,594</b>	<b>\$ 44,827</b>	<b>\$ 41,971</b>
AFFO per unit after adjustments:								
Basic	\$ 0.30	\$ 0.31	\$ 0.32	\$ 0.33	\$ 0.33	\$ 0.32	\$ 0.33	\$ 0.31
Diluted	0.30	0.31	0.32	0.33	0.33	0.32	0.32	0.31
Weighted-average number of common units outstanding:								
Basic	149,227	141,191	139,215	138,566	137,919	137,275	136,618	136,055
Diluted <sup>(1)</sup>	153,868	151,391	144,744	148,766	148,119	147,475	146,819	146,255

(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		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Property management fees	\$ 109	\$ 82	\$ 245	\$ 246
Capitalized leasing commissions	—	8	11	88
Capitalized project management fees	21	—	79	—
Capitalized building improvements	7,324	1,122	22,613	6,151
Capitalized development projects	1,372	4,064	2,587	8,886
Capitalized tenant inducements	1,011	669	1,533	764
Capitalized office furniture and fixtures	2	134	150	340
Realty tax assessment consulting fees	35	900	574	1,276
Rental revenues	(121)	(71)	(265)	(155)

The REIT incurred property management fees, leasing commission fees and project management fees under property management agreements with Marwest Management Canada Ltd. ("Marwest Management"), a company related to certain trustees and officers of the REIT, for three properties owned by the REIT. The amount payable at September 30, 2016, was \$28 (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 September 30, 2016, was \$3,782 (December 31, 2015, \$1,724).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction. The amount payable at September 30, 2016, was \$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 September 30, 2016, was \$nil (December 31, 2015, \$194).

The REIT collected office rents and other related service fees from Marwest Management and Fairtax Realty Advocates.

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

## OUTSTANDING UNIT DATA

The balance of units outstanding as of November 3, 2016 is as follows:

Units outstanding at September 30, 2016	149,561,645
Units issued (DRIP)	<u>231,169</u>
Units outstanding at November 3, 2016	<u>149,792,814</u>

The balance of \$16.36 options outstanding as of November 3, 2016 is 1,476,000. All of these options have vested.

The balance of restricted units outstanding as of November 3, 2016 is 423,002, of which 813 have vested.

The balance of deferred units outstanding as of November 3, 2016 is 42,604. All of these deferred units have vested, but are not yet redeemable.

As of November 3, 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

During and subsequent to the third quarter, we announced numerous dispositions in addition to the three dispositions that closed during the quarter. These announced dispositions include a retail property in British Columbia, nine industrial properties in Alberta and one retail property in Alberta.

Including all announced and completed dispositions year-to-date, Artis has sold a total of 17 properties for aggregate sale prices of \$324.9 million and US\$16.6 million, totaling approximately 2.1 million square feet of gross leasable area. The weighted-average capitalization rate for these dispositions was 6.20% (excluding properties that were sold to an owner-occupier and were vacant at the time of disposition).

Scotiabank's Global Outlook, dated October 16, 2016, predicts that real GDP in Canada will grow by 1.2% in 2016 and 2.0% in 2017. GDP in British Columbia, Manitoba and Ontario in 2016 is forecast to grow by 2.8%, 2.0% and 2.6%, respectively, which are all well above the 2016 national forecast. Scotiabank is forecasting that GDP in Saskatchewan and Alberta in 2016 will contract by 0.5% and 2.5%, respectively, due to the impact of oil prices, and further predicts that GDP in 2017 for Saskatchewan and Alberta will experience growth of 1.7% and 2.1%, respectively. Due to the downturn in the commodity cycle, we expect that there may be some further capitalization rate expansion in Alberta markets, which is likely to affect some of our properties. Until there is positive visibility on commodity prices and relevant economic fundamentals, we anticipate occupancy and rents in Alberta and Saskatchewan could be impacted, and are monitoring these markets closely.

The above-mentioned Scotiabank Global Forecast Update predicts U.S. real GDP will grow at a rate of 1.5% in 2016 and 2.0% in 2017. According to the United States Department of Labor, U.S. unemployment decreased nationally from 5.1% to 5.0% year-over-year in September. Unemployment rates in our U.S. target markets are all well below the national average. We continue to monitor this and other key economic indicators in our target U.S. markets on an ongoing basis. 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 will continue to pursue accretive acquisition opportunities in both Canada and the U.S., but anticipate that the majority of near- to mid-term acquisitions will be in primary and secondary markets in the U.S., and could include commercial or multi-family real estate. As such, the Board of Trustees may consider increasing our target U.S. weighting from 40.0% to 50.0% of total Property NOI. We will also continue to seek and invest in high-yield development opportunities in our target U.S. markets.

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 the remainder of 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.

Overall, despite the weakness 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 during the remainder of 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, selective recycling of capital and capitalizing on new construction opportunities.

## SUBSEQUENT EVENTS

As at September 30, 2016, Artis had \$58,384 of cash and cash equivalents on hand and \$129,414 available on its revolving term credit facilities. Subsequent to September 30, 2016, the following transactions took place:

- The REIT disposed of a portfolio of eight industrial properties located in Calgary and Edmonton, Alberta. The portfolio was sold for \$171,082 and the related outstanding mortgage payable balances in the aggregate amount of \$21,577 were either repaid or assumed by the purchaser.
- The REIT disposed of Southwood Corner, a retail property located in Calgary, Alberta. The property was sold for \$40,200.
- The REIT disposed of Mayfield Industrial Plaza, an industrial property located in Edmonton, Alberta. The property was sold for \$3,200 and the REIT used a portion of the proceeds to repay the outstanding mortgage balance of \$1,030.
- The REIT repaid a net balance of \$165,000 on its revolving term credit facilities.
- The REIT repaid a maturing mortgage on a retail property in the amount of \$2,602.
- The REIT declared a monthly cash distribution of \$0.09 per unit for the month of October 2016.
- The REIT declared a quarterly cash distribution of \$0.3125 per Series G preferred unit for the quarter ending October 31, 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 September 30, 2016, 59.7% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 17.0% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At September 30, 2016, the REIT is a party to \$1,331,433 of variable rate debt, including bank indebtedness (December 31, 2015, \$935,647). At September 30, 2016, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$404,797 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 September 30, 2016, the REIT's ratio of secured mortgages and loans to GBV was 40.4%, compared to 41.2% at December 31, 2015. The REIT's ratio of total long-term debt and bank indebtedness to GBV was 52.1%, compared to 52.4% at December 31, 2015. Approximately 4.9% of Artis' maturing mortgage debt comes up for renewal in the remainder of 2016, and 30.6% in 2017. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2016 and 2017 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 2,225 tenant leases with a weighted-average term to maturity of 4.2 years. Approximately 57.3% 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 <sup>(1)</sup>

Tenant	% of total gross revenue <sup>(2)</sup>	Owned share of GLA (in 000's of S.F.)	% of total GLA	Weighted-average remaining lease term
MTS Inc.	1.8%	322	1.2%	6.4
Graham Group Ltd.	1.5%	243	0.9%	17.8
DIRECTV, LLC	1.3%	257	1.0%	8.8
Stantec Consulting Ltd.	1.1%	132	0.5%	6.9
Worleyparsons Canada	1.1%	252	0.9%	4.1
TransAlta Corp	1.0%	336	1.3%	6.7
Telvent Canada Ltd.	0.9%	98	0.4%	6.9
TDS Telecommunications Corporation	0.9%	195	0.7%	8.3
Bellatrix Exploration Ltd.	0.9%	94	0.3%	7.3
TD Canada Trust	0.9%	134	0.5%	3.8
Shoppers Drug Mart	0.9%	153	0.6%	7.1
IHS Global Canada Limited	0.9%	78	0.3%	2.3
Bell Canada	0.9%	80	0.3%	14.1
Home Depot	0.8%	186	0.7%	6.7
Canada Institute for Health Info.	0.8%	92	0.3%	8.9
CB Richard Ellis, Inc.	0.8%	108	0.4%	10.3
Fairview Health Services	0.7%	179	0.7%	6.9
Birchcliff Energy	0.7%	59	0.2%	1.2
The University of Phoenix	0.7%	85	0.3%	0.4
3M Canada Company	0.7%	319	1.2%	3.5
<b>Total</b>	<b>19.3%</b>	<b>3,402</b>	<b>12.7%</b>	<b>7.1</b>

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

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



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

Tenant	% of total gross revenue <sup>(2)</sup>	Owned share of GLA (in 000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Federal Government	3.0%	494	1.8%	7.7
Provincial Government	2.5%	442	1.7%	4.0
Civic or Municipal Government	0.4%	106	0.4%	13.5
<b>Total</b>	<b>5.9%</b>	<b>1,042</b>	<b>3.9%</b>	<b>6.7</b>
Weighted-average term to maturity (entire portfolio)				4.2

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

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

## LEASE ROLLOVER RISK

The value of investment properties and the stability of cash flows derived from those properties is dependent upon the level of occupancy and lease rates in those properties. Upon expiry of any lease, there is no assurance that a lease will be renewed on favourable terms, or at all; nor is there any assurance that a tenant can be replaced. A contraction in the Canadian or U.S. economy would negatively impact demand for space in 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	1.4%	0.1%	1.1%	0.1%	1.1%	0.4%	0.2%	2.1%	0.1%	—%	6.2%	
2017	2.3%	0.3%	2.0%	1.3%	2.3%	1.1%	0.9%	3.2%	0.7%	0.2%	13.2%	
2018	2.7%	0.4%	2.4%	0.7%	1.1%	0.9%	0.1%	1.6%	0.7%	0.6%	10.3%	
2019	2.7%	0.8%	0.7%	0.3%	1.5%	0.8%	0.4%	2.4%	0.7%	0.6%	10.1%	
2020	2.2%	0.2%	1.6%	0.2%	2.7%	0.2%	0.5%	2.7%	0.7%	0.1%	10.9%	
2021	2.8%	0.1%	1.8%	0.3%	1.2%	1.7%	0.6%	3.9%	0.5%	0.1%	11.3%	
2022 & later	7.4%	2.5%	3.4%	2.3%	3.2%	2.8%	1.3%	5.2%	2.1%	1.1%	28.5%	
Month-to-month	0.4%	—%	0.1%	—%	0.2%	0.1%	—%	0.1%	—%	—%	0.8%	
Vacant	2.2%	0.4%	1.0%	0.2%	0.9%	1.3%	—%	1.5%	0.7%	0.1%	7.0%	
New development/ redevelopment	—%	—%	0.2%	—%	—%	—%	0.7%	0.8%	—%	—%	1.7%	
<b>Total</b>	<b>24.1%</b>	<b>4.8%</b>	<b>14.3%</b>	<b>5.4%</b>	<b>14.2%</b>	<b>9.3%</b>	<b>4.7%</b>	<b>23.5%</b>	<b>6.2%</b>	<b>2.8%</b>	<b>100.0%</b>	

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

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 September 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 September 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 nine months ended September 30, 2016.