



**FOR IMMEDIATE RELEASE**

**MARCH 1, 2017**

**ARTIS RELEASES 2016 ANNUAL RESULTS:  
INCREASED CAPITAL RECYCLING  
ALL DEBT METRICS IMPROVED**

Today Artis Real Estate Investment Trust ("Artis" or the "REIT") issued its financial results and achievements for the year ended December 31, 2016. All amounts are in thousands of Canadian dollars and are inclusive of Artis' ownership in investments in joint ventures on a Proportionate Share basis, unless otherwise noted.

"Our positive year end results are reflective of our robust diversified portfolio, which continues to generate a healthy stream of income whilst improving our balance sheet," said Armin Martens, President and Chief Executive Officer of Artis. "We decreased our total debt to GBV to 51.0% and our total debt to EBITDA ratio to 8.4. We are confident in our ability to continue to deliver good results through the trough of the Calgary office market cycle, thereby increasing our intrinsic value and growth profile."

**2016 ANNUAL HIGHLIGHTS**

- Disposed of six retail properties (three located in Alberta and three located in British Columbia), one office property (located in Calgary, Alberta) and 11 industrial properties (nine located in Alberta and two located in Minnesota) for aggregate sale prices of \$349.4 million and US\$16.6 million, collectively at prices in excess of the fair values recorded at the time of disposition.
- Acquired a portfolio of 16 lifestyle office properties in Madison, Wisconsin, for a purchase price of US\$260.0 million, which is performing exceptionally well.
- Raised \$115.0 million of equity pursuant to an equity offering of 8,712,400 units, inclusive of the underwriters' over-allotment option, at a price of \$13.20 per unit.
- Increased the unsecured revolving term credit facilities to an aggregate amount of \$500.0 million.
- Completed the early redemption of the outstanding Series F convertible debentures with a face value of \$86.2 million, and subsequent to year end, completed the early redemption of the outstanding Series G convertible debentures with a face value of US\$88.0 million at December 31, 2016.
- Reported Same Property NOI growth, excluding the Calgary office segment, of 2.1% for the year ended December 31, 2016. Same Property NOI for the total portfolio, including the Calgary office segment, decreased 0.6% for the year ended December 31, 2016.
- Improved EBITDA interest coverage ratio to 3.11 for the year ended December 31, 2016, compared to 3.04 for the year ended December 31, 2015.
- Decreased long-term debt and bank indebtedness to EBITDA ratio to 8.4 at December 31, 2016, compared to 8.7 at December 31, 2015.
- Decreased long-term debt and bank indebtedness to GBV to 51.0% at December 31, 2016, compared to 52.4% at December 31, 2015.
- Decreased secured mortgages and loans to GBV to 40.6% at December 31, 2016, compared to 41.2% at December 31, 2015.
- Increased FFO per unit by \$0.02 or 1.3% to \$1.55 for the year ended December 31, 2016. Increased FFO per unit after adjustments by \$0.01 or 0.7% to \$1.50 for the year ended December 31, 2016.
- Decreased the weighted-average effective mortgage interest rate to 3.74% at December 31, 2016, compared to 3.93% at December 31, 2015.
- Achieved an increase of 4.5%, excluding the Calgary office segment, in the weighted-average rental rate on renewals that commenced during the year ended December 31, 2016, and an increase of 3.3% including the Calgary office segment.

## SELECTED FINANCIAL INFORMATION

<i>\$000's, except per unit amounts</i>	Year ended December 31,		
	2016	2015	% Change
Revenue	\$ 572,515	\$ 552,502	3.6 %
Property NOI	348,714	341,952	2.0 %
Distributions per common unit	1.08	1.08	— %
FFO	\$ 225,909	\$ 215,881	4.6 %
FFO per unit	1.55	1.53	1.3 %
FFO after adjustments <sup>(1)</sup>	219,492	210,564	4.2 %
FFO per unit after adjustments <sup>(1)</sup>	1.50	1.49	0.7 %
FFO payout ratio after adjustments <sup>(1)</sup>	72.0%	72.5%	(0.5)%
AFFO	\$ 183,318	\$ 186,450	(1.7)%
AFFO per unit	1.26	1.34	(6.0)%
AFFO after adjustments <sup>(1)</sup>	176,901	180,321	(1.9)%
AFFO per unit after adjustments <sup>(1)</sup>	1.22	1.30	(6.2)%
AFFO payout ratio after adjustments <sup>(1)</sup>	88.5%	83.1%	5.4 %

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

<i>\$000's, except per unit amounts</i>	Three months ended December 31,		
	2016	2015	% Change
Revenue	\$ 146,378	\$ 142,873	2.5 %
Property NOI	85,946	85,333	0.7 %
Distributions per common unit	0.27	0.27	— %
FFO	\$ 56,391	\$ 53,439	5.5 %
FFO per unit	0.37	0.38	(2.6)%
FFO after adjustments <sup>(1)</sup>	55,823	53,266	4.8 %
FFO per unit after adjustments <sup>(1)</sup>	0.37	0.38	(2.6)%
FFO payout ratio after adjustments <sup>(1)</sup>	73.0%	71.1%	1.9 %
AFFO	\$ 44,340	\$ 45,671	(2.9)%
AFFO per unit	0.30	0.33	(9.1)%
AFFO after adjustments <sup>(1)</sup>	43,772	45,498	(3.8)%
AFFO per unit after adjustments <sup>(1)</sup>	0.29	0.33	(12.1)%
AFFO payout ratio after adjustments <sup>(1)</sup>	93.1%	81.8%	11.3 %

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

## LIQUIDITY AND LEVERAGE

\$000's	December 31, 2016	December 31, 2015
Fair value of investment properties	\$ 5,552,756	\$ 5,528,026
Cash and cash equivalents	59,041	71,444
Available on revolving term credit facilities	230,320	75,000
Fair value of unencumbered properties	998,770	1,059,792
Secured mortgage and loans to GBV	40.6%	41.2%
Total long-term debt and bank indebtedness to GBV	51.0%	52.4%
Total long-term debt and bank indebtedness to EBITDA	8.4	8.7
Unencumbered assets to unsecured debt	2.1 times	2.5 times
EBITDA interest coverage ratio	3.17 times	2.98 times
Weighted-average effective interest rate on mortgages and other loans	3.74%	3.93%
Weighted-average term to maturity on mortgages and other loans	3.8 years	3.8 years
Unhedged variable rate mortgage debt as a percentage of total debt	19.0%	11.6%

## PORTFOLIO ACQUISITION AND DISPOSITION ACTIVITY

During 2016, Artis acquired the following properties:

Property	Property count	Acquisition date	Location	Asset class	Owned share of GLA	Purchase price	Capitalization rate
Madison Lifestyle Office Portfolio	16	June 13, 2016, August 1, 2016	Madison, WI	Office	1,696,672	US \$ 260,000	7.75%

Artis acquired the Madison Lifestyle Office Portfolio for a purchase price of US\$260.0 million, which was financed with cash on hand, new variable rate mortgage financing of US\$106.7 million bearing interest at USD LIBOR plus 2.10% and new swapped mortgage financing in the amount of US\$40.0 million, effectively bearing interest at 3.43%.

During 2016, Artis disposed of the following properties:

Property	Property count	Disposition date	Location	Asset class	Owned share of GLA	Sale price	Capitalization rate
Tamarack Centre	1	April 28, 2016	Cranbrook, BC	Retail	287,696	\$ 41,500	6.67%
Whistler Hilton Retail Plaza <sup>(1)</sup>	1	May 2, 2016	Whistler, BC	Retail	30,062	28,730	6.53%
Crosstown North	1	May 19, 2016	Twin Cities Area, MN	Industrial	120,000	US\$7,380	n/a <sup>(2)</sup>
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%
Southwood Corner	1	October 28, 2016	Calgary, AB	Retail	112,406	40,200	5.72%
Mayfield Industrial Plaza	1	October 31, 2016	Edmonton, AB	Industrial	23,517	3,200	5.99%
Alberta Industrial Portfolio	8	November 1, 2016	Various cities in AB	Industrial	1,181,990	171,082	6.17%
3571 Old Okanagan Road	1	November 17, 2016	Westbank, BC	Retail	105,670	5,000	n/a <sup>(2)</sup>
Northwest Centre I & II	1	December 6, 2016	Calgary, AB	Office	77,624	24,500	8.04%

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

(2) Property was vacant at time of disposition.

During 2016, Artis disposed of the above properties for aggregate sale prices of \$349.4 million and US\$16.6 million and repaid \$57.4 million and US\$10.5 million of mortgage debt related to these dispositions.

## LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2016, Artis had \$59.0 million of cash on hand and \$230.3 million available on its revolving term credit facilities. Liquidity and capital resources will be impacted by financing activity, portfolio acquisition and disposition activities and debt repayments occurring subsequent to December 31, 2016.

## DEVELOPMENT PROJECTS

Artis has numerous development projects in process. The table below lists the ongoing projects and completion progress. Additional information pertaining to each project can be found in the 2016 Annual Management's Discussion and Analysis.

Property	Location	Asset class	Approximate GLA (Artis' share)	% Completed
Millwright Building	Minneapolis, MN	Office	139,200	77.0%
Park Lucero Phase II	Greater Phoenix Area, AZ	Industrial	118,800	36.0%
Park Lucero Phase III	Greater Phoenix Area, AZ	Industrial	132,300	1.0%
175 Westcreek Boulevard	Greater Toronto Area, ON	Industrial	130,000	70.0%
Park 8Ninety Phase I	Houston, TX	Industrial	418,000	54.0%
169 Inverness Drive West Phase I	Greater Denver Area, CO	Office	120,000	10.0%

## DEVELOPMENT INITIATIVES

Artis' future development pipeline, which consists of projects that are in early planning stages to be developed over the next several years, includes an opportunity for an office development in the Twin Cities Area, Minnesota, a mixed-use commercial/apartment densification project in Toronto, Ontario and various opportunities in Winnipeg, Manitoba including a retail development and a mixed-use commercial/apartment densification development.

## PORTFOLIO OPERATIONAL AND LEASING RESULTS

Occupancy at December 31, 2016, was 91.9% (93.5% including commitments on vacant space) compared to 92.7% at December 31, 2015, excluding properties held for redevelopment and new developments in process.

\$000's	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15
Property NOI	\$ 85,946	\$ 91,855	\$ 85,617	\$ 85,296	\$ 85,333
Property NOI change <sup>(1)</sup>	(6.4)%	7.3 %	0.4 %	— %	(1.3)%
Same Property NOI growth <sup>(2)</sup>	(0.6)%	(2.2)%	(0.3)%	0.7 %	4.0 %
Weighted-average rental rate increase (decrease) on renewals reported in the period	2.6 %	2.3 %	1.6 %	5.9 %	(0.1)%

(1) Property NOI has been impacted by acquisition and disposition activity, the impact of foreign exchange and lease termination income.

(2) The Same Property NOI results are impacted by foreign exchange.

Artis' portfolio has a stable lease expiry profile and significant progress on lease renewals has been made, with 38.5% of the 2017 expiries already renewed or committed to new leases at December 31, 2016. Weighted-average in-place rents for the entire portfolio are \$13.63 per square foot and are estimated to be 0.9% below market rents. Information about Artis' lease expiry profile follows:

	2017	2018	2019	2020	2021 & later
Expiring square footage	15.5 %	10.8 %	10.2 %	11.3%	42.2%
Committed percentage	38.5 %	4.4 %	4.6 %	1.5%	1.2%
In-place rents	\$ 11.27	\$ 13.18	\$ 14.77	\$ 13.01	\$ 14.51
Comparison of in-place to market rents	(4.3)%	(5.2)%	(0.3)%	1.0%	4.1%
Comparison of in-place to market rents excluding Calgary office segment	4.8 %	2.8 %	2.0 %	1.2%	2.5%

Artis' Calgary office portfolio represents 13.0% of Q4-16 Property NOI and 9.6% of the overall portfolio by GLA. In 2017, Calgary office expiries represent 1.2% of Artis' total GLA. Of this expiring square footage, 7.8% has been renewed or committed to new leases. In 2018, Calgary office expiries represent 1.0% of Artis' total GLA.

	2017	2018	2019	2020	2021 & later
Calgary office expiring square footage as a % of total GLA	1.2%	1.0%	0.8%	0.3%	4.5%

## **UPCOMING WEBCAST AND CONFERENCE CALL**

Interested parties are invited to participate in a conference call with management on Thursday March 2, 2017 at 12:00 p.m. CT (1:00 p.m. ET). In order to participate, please dial 1.416.764.8688 or 1.888.390.0546. You will be required to identify yourself and the organization on whose behalf you are participating.

Alternatively, you may access the simultaneous webcast by following the link from our website at <http://www.artisreit.com/investor-link/conference-callspresentations/>. Prior to the webcast, you may follow the link to confirm you have the right software and system requirements.

If you cannot participate on Thursday, March 2, 2017 a replay of the conference call will be available by dialing 1.416.764.8677 or 1.888.390.0541 and entering passcode 810075#. The replay will be available until Thursday, March 23, 2017. The webcast will be archived 24 hours after the end of the conference call and will be accessible for 90 days.

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Artis is a diversified Canadian real estate investment trust investing in office, retail and industrial properties. Since 2004, Artis has executed an aggressive but disciplined growth strategy, building a portfolio of commercial properties in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and select markets in the United States. As of December 31, 2016, Artis' commercial property comprises approximately 25.7 million square feet of leasable area.

During the three months ended December 31, 2016, Property Net Operating Income ("Property NOI") by asset class, was approximately 54.9% office, 20.8% retail and 24.3% industrial. Property NOI by geographical region, was approximately 4.6% in British Columbia, 29.6% in Alberta, 6.3% in Saskatchewan, 12.2% in Manitoba, 10.3% in Ontario, 7.2% in Arizona, 17.5% in Minnesota, 8.5% in Wisconsin and 3.8% in U.S. - Other.

### **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.

#### **Same Property NOI**

Artis calculates Same Property NOI by including Property NOI for investment properties that were owned for a full quarterly reporting period in both the current and comparative 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.

#### **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.

#### **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.

## **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 properties held in its 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.

## **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.

## **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.

## **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.

## **CAUTIONARY STATEMENTS**

This press release contains forward-looking statements. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Particularly, statements regarding the 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 press release are qualified by this cautionary statement.

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

For further information please contact Mr. Armin Martens, President and Chief Executive Officer, Mr. Jim Green, Chief Financial Officer or Ms. Heather Nikkel, Vice-President - Investor Relations of the REIT at 204.947.1250.

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