



Management's Discussion and Analysis Q1-17

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Management's Discussion and Analysis - Q1-17

(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 months ended March 31, 2017 and 2016, the audited annual consolidated financial statements for the years ended December 31, 2016 and 2015, 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 May 8, 2017. Additional information about Artis, including the REIT's most recent Annual Information Form, has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com or on our website at www.artisreit.com.

The REIT has properties held in its investments in joint ventures, which are 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 non-GAAP 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 operations 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 including Property NOI for investment properties that were owned for a full quarterly reporting period in both the current and comparative year, and excludes properties held for (re)development. 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 February 2017. These guidelines include certain adjustments to FFO under IFRS from the previous definition of FFO, as issued in April 2014. These adjustments did not materially impact the REIT's calculation of FFO and have been applied consistently to all comparative periods included in this MD&A. Management considers FFO to be a valuable measure for evaluating the REIT's operating performance in achieving its objectives. Refer to the FFO and AFFO section of this MD&A for further discussion and calculation of this measure.

Adjusted Funds from Operations ("AFFO")

Artis calculates AFFO substantially in accordance with the guidelines set out by REALpac, as issued in February 2017. Q1-17 is the first quarter the REIT has presented AFFO in accordance with these guidelines. AFFO has been revised to comply with these guidelines for the comparative periods in 2016. The REIT did not revise its AFFO amounts for 2015 as disclosed in the Summarized Quarterly Information of this MD&A. Management considers AFFO to be a valuable measure for evaluating the REIT's operating performance in achieving its objectives. Refer to the FFO and 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 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. 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, adjusted for interest income, corporate expenses and 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 ("TSX"). The REIT's trust units ("units") trade under the symbol AX.UN and the REIT's preferred units trade under the symbols AX.PR.A, AX.PR.U, AX.PR.E and AX.PR.G. As at May 8, 2017, there were 150,578,389 units, 13,650,000 preferred units, 346,482 restricted units and 59,160 deferred units of Artis outstanding (refer to the Outstanding Unit Data section of this MD&A 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 Board of Trustees ("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.
- **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.
- **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.

FIRST QUARTER OVERVIEW

During the first quarter of 2017, we have continued to implement our capital recycling program in a disciplined manner. We completed the sale of one industrial, one retail and two office properties in Alberta, two retail properties in British Columbia and, subsequent to the end of the quarter, sold a retail property in Alberta. These seven dispositions represent an aggregate sale price of \$158,157 and total approximately 740,000 square feet of gross leasable area (Artis' interest). The proceeds from these sales were used to decrease debt, including repayment of three maturing mortgages in the aggregate amount of \$37,909 and the completion of the early redemption of the outstanding 5.75% Series G convertible debentures with a face value of US\$87,975. The result was a decrease in total debt to GBV from 51.0% at December 31, 2016, to 50.2% at March 31, 2017.

In addition to the aforementioned sales, we have identified numerous assets that are no longer aligned with our long-term strategy and have now been listed, or will be listed for sale in 2017. These sales will provide us with an opportunity to recycle additional capital, improving the quality of our portfolio by acquiring newer generation real estate and providing us with funds to further improve debt metrics. As part of this review, we have identified seven industrial properties in Minnesota that, subsequent to the end of the first quarter, have been listed for sale. We plan to use the proceeds from these sales to acquire newer generation real estate. We will also look to sell our seven Minnesota retail assets in 2017, as U.S. retail properties are no longer considered a part of our long-term strategy. Additionally, the Humana Building in the Greater Phoenix Area, Arizona, and Horizon Heights in Calgary, Alberta, will be listed for sale in 2017.

In conjunction with our review and identification of the above noted properties for disposition, we have also identified two properties that will be re-purposed. Sunridge Pointe, a single tenant retail property in Calgary, Alberta which is currently vacant will be re-purposed to accommodate a grocery store tenant, while Sierra Place, an office building in Calgary, Alberta, will be re-purposed into a 100 suite transit-oriented urban apartment complex.

With respect to the Calgary office market, CBRE reports that the first quarter of 2017 concluded with static results; however, reported the lowest amount of negative absorption in a quarter in the downtown market in two and a half years. While the performance of the Calgary office market continues to show a strong correlation to oil prices, advancements are beginning to allow companies to operate feasibly in a lower oil price environment and investor confidence has increased from pipeline approval news. Despite these early signs of optimism, more supply will be delivered to the market from 2017 to 2019 which is likely to further increase vacancy rates. As such, we continue to closely monitor our assets in both Calgary and Alberta as a whole, and will be aggressive and creative with our leasing program while seeking to prudently reduce our exposure to Alberta by diversifying into other markets.

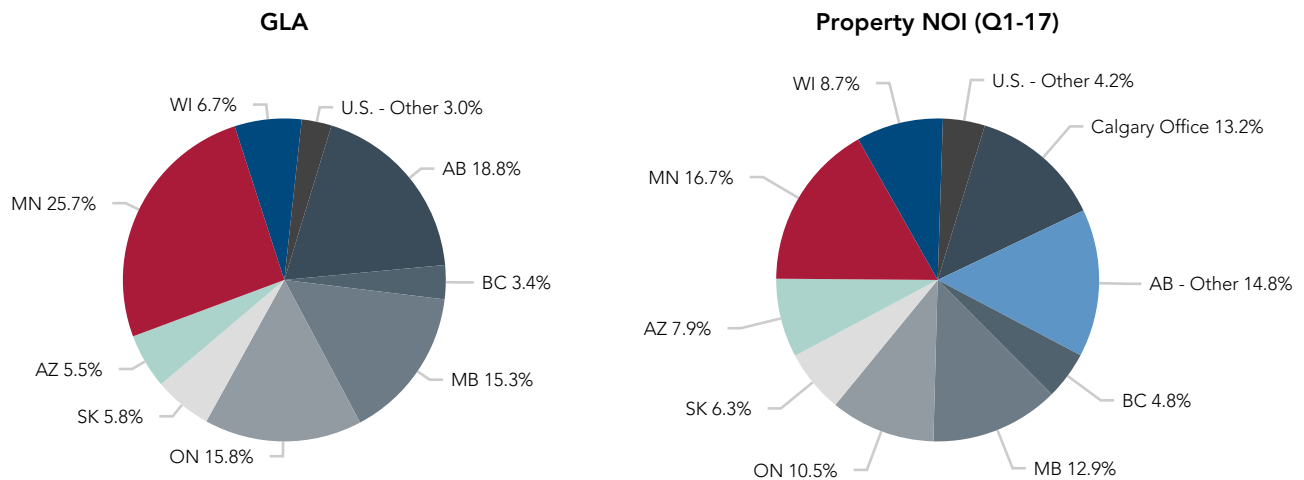
Corporate Sustainability Progress

Corporate sustainability is a high priority for Artis. We are committed to improving the energy efficiency of our properties and reducing our environmental footprint. As of March 31, 2017, we have 21 properties with a LEED certification, 43 properties with a Building Owners and Managers Association (BOMA) Building Environmental Standards (BEST) certification, and 22 properties with an Energy Star certification.

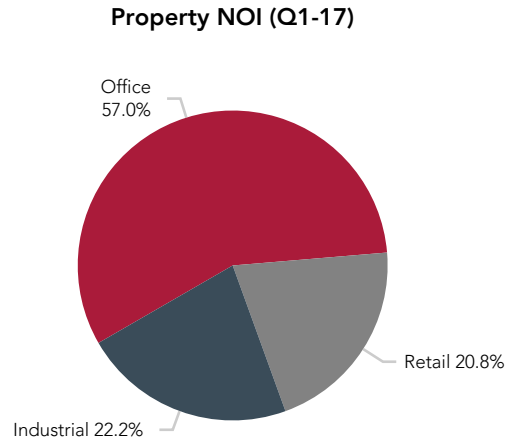
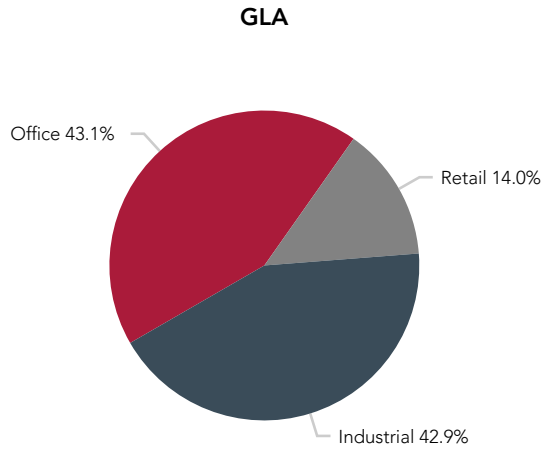
PORTFOLIO SUMMARY

At March 31, 2017, the REIT's portfolio was comprised of 247 commercial properties totaling approximately 25.4 million square feet ("S.F.") of gross leasable area ("GLA").

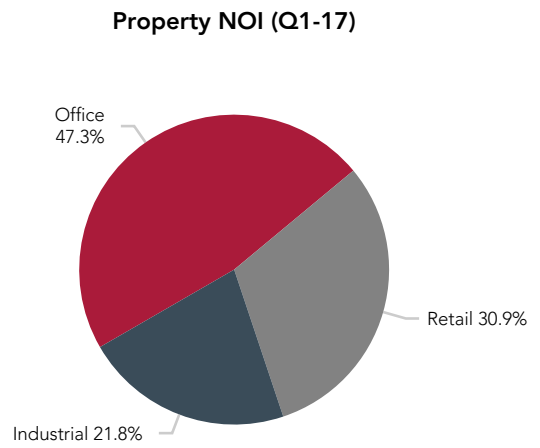
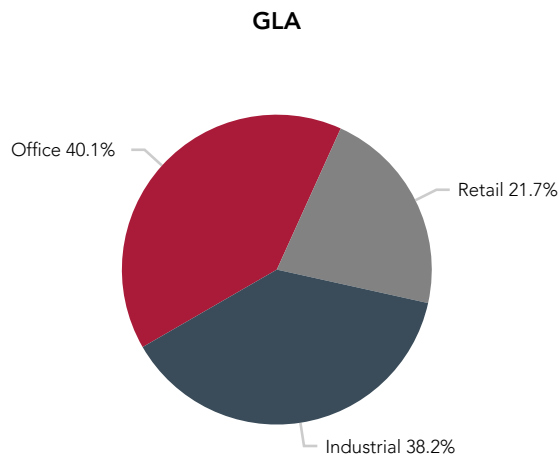
Diversification by Geographical Region



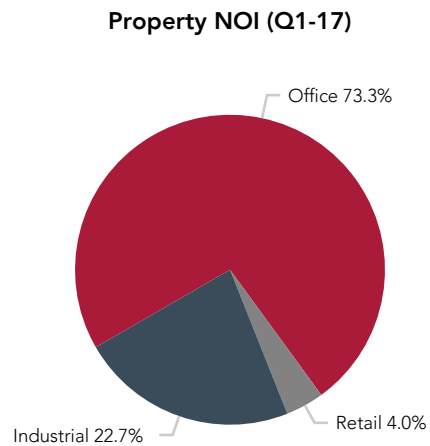
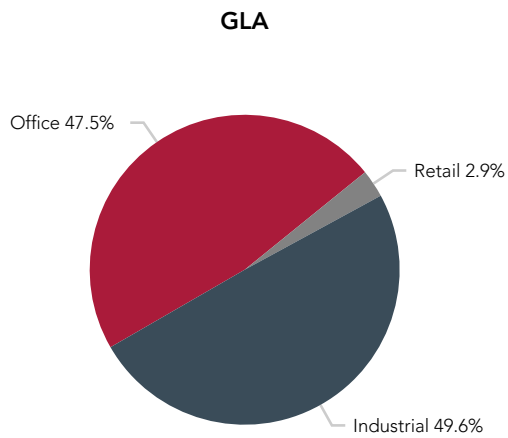
Diversification by Asset Class - Total Canadian and U.S. Portfolio



Diversification by Asset Class - Canadian Portfolio



Diversification by Asset Class - U.S. Portfolio



Portfolio by Asset Class as at March 31, 2017 (in 000's of S.F.)⁽¹⁾

Asset class	City	Province / State	Property count	Owned share of GLA	% of portfolio GLA	% Occupied	% Committed ⁽²⁾
<u>Canadian portfolio:</u>							
Office	Calgary	AB	17	2,260	9.0%	82.0%	84.9%
	Greater Edmonton Area	AB	1	47	0.2%	91.7%	91.7%
	Greater Toronto Area	ON	7	1,085	4.2%	86.7%	86.9%
	Greater Vancouver Area	BC	3	462	1.8%	88.9%	97.3%
	Nanaimo	BC	2	68	0.3%	100.0%	100.0%
	Ottawa	ON	2	287	1.1%	95.2%	96.7%
	Red Deer	AB	1	149	0.6%	89.5%	93.0%
	Saskatoon	SK	1	63	0.2%	100.0%	100.0%
	Winnipeg	MB	9	1,347	5.2%	90.0%	92.5%
Office total			43	5,768	22.6%	86.7%	89.2%
Retail	Calgary	AB	6	418	1.6%	85.2%	86.1%
	Edson	AB	1	21	0.1%	100.0%	100.0%
	Estevan	SK	2	175	0.7%	94.2%	94.2%
	Fort McMurray	AB	8	194	0.8%	93.9%	96.2%
	Grande Prairie	AB	5	362	1.4%	96.7%	97.4%
	Greater Edmonton Area	AB	5	440	1.7%	97.5%	99.0%
	Greater Vancouver Area	BC	1	165	0.7%	97.7%	98.4%
	Nanaimo	BC	3	74	0.3%	52.4%	54.3%
	Regina	SK	8	533	2.1%	95.9%	96.0%
	Saskatoon	SK	3	219	0.9%	100.0%	100.0%
	Winnipeg	MB	6	649	2.5%	95.6%	96.5%
Retail total			48	3,250	12.8%	93.9%	94.8%
Industrial	Calgary	AB	5	275	1.1%	100.0%	100.0%
	Greater Edmonton Area	AB	4	319	1.3%	89.7%	89.7%
	Greater Toronto Area	ON	30	2,504	9.8%	95.8%	98.2%
	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	0.6%	100.0%	100.0%
	Saskatoon	SK	5	327	1.3%	100.0%	100.0%
	Winnipeg	MB	29	1,712	6.8%	97.1%	97.1%
Industrial total			78	5,504	21.8%	96.6%	97.7%
Total Canadian portfolio			169	14,522	57.2%	92.0%	93.7%
<u>U.S. portfolio:</u>							
Office	Greater Denver Area	CO	4	634	2.5%	92.7%	92.7%
	Greater Phoenix Area	AZ	6	1,002	4.0%	95.7%	95.7%
	Madison	WI	16	1,695	6.7%	87.5%	93.2%
	New Hartford	NY	1	123	0.5%	100.0%	100.0%
	Twin Cities Area	MN	5	1,336	5.3%	90.7%	90.9%
Office total			32	4,790	19.0%	91.1%	93.2%
Retail	Twin Cities Area	MN	7	298	1.2%	84.4%	97.2%
Industrial	Greater Phoenix Area	AZ	2	286	1.1%	81.8%	96.6%
	Twin Cities Area	MN	31	4,754	18.7%	89.3%	91.3%
Industrial total			33	5,040	19.8%	88.9%	91.6%
Total U.S. portfolio			72	10,128	40.0%	89.8%	92.5%
Total Canadian and U.S. portfolio			241	24,650	97.2%	91.1%	93.2%

(1) Excluding properties held for redevelopment and completed new developments.

(2) Percentage committed is based on occupancy at March 31, 2017, plus commitments on vacant space.

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

Asset class	City	Province / State	Property count	Owned share of GLA	% of portfolio GLA	Property	Committed % ⁽¹⁾
Industrial	Calgary	AB	1	91	0.4%	McCall Lake Industrial	67.5%
Office	Winnipeg	MB	1	171	0.7%	220 Portage Avenue	67.2%
Office	Calgary	AB	1	62	0.2%	Alex Building	100.0%
Total properties held for redevelopment			3	324	1.3%		73.6%

(1) Percentage committed is based on occupancy at March 31, 2017, plus commitments on vacant space.

McCall Lake Industrial, an industrial property in Calgary, Alberta, is undergoing a significant redevelopment to upgrade mechanical and electrical components and improve the loading and functionality of the building to prepare for a multi-tenant use.

220 Portage Avenue, an office property in Winnipeg, Manitoba, is undergoing an extensive redevelopment to modernize both the exterior and interior of the building. Some of the upgrades include new exterior LED lighting, new building signage, new finishes to the exterior podium, revitalization of the main floor and lower level common areas (new elevator cabs and controls, flooring, wall tile, lighting), as well as considerable upgrades to office space throughout the building (new ceiling grid and tile, new mechanical systems ducted to multiple zones, new LED lighting with daylight harvesting). These upgrades will improve the energy efficiency, functionality and aesthetics of the property.

Alex Building, formerly referred to as Honeywell Building, located in Calgary, Alberta, is undergoing an extensive redevelopment from an industrial property to an office property to accommodate a new tenant who will be leasing 100% of the building commencing in Q3-17.

New Development Activity (in 000's of S.F.)

Asset class	City	Province / State	Property count	Owned share of GLA ⁽¹⁾	% of portfolio GLA	Property	% Completed	% Committed ⁽²⁾
Office	Minneapolis	MN	1	139	0.5%	Millwright Building	100.0%	35.0%
Industrial	Greater Phoenix Area	AZ	1	119	0.5%	Park Lucero Phase II	100.0%	—%
Industrial	Greater Toronto Area	ON	1	130	0.5%	175 Westcreek Boulevard	100.0%	100.0%
Industrial	Greater Phoenix Area	AZ	—	—	—%	Park Lucero Phase III	73.0%	100.0%
Industrial	Houston	TX	—	—	—%	Park 8Ninety Phase I	70.0%	59.0%
Office	Greater Denver Area	CO	—	—	—%	169 Inverness Drive West Phase I	33.0%	—%
Total completed new developments			3	388	1.5%			

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

(2) Percentage committed is based on occupancy at March 31, 2017, plus commitments on vacant space.

Completed New Developments:

In Q3-16, Artis entered into a joint venture arrangement for an 80% ownership interest in the Millwright Building, an office development project located in Minneapolis, 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. Base-building construction of this new development, which comprises approximately 174,000 square feet, was completed in Q1-17.

In Q1-17, Artis completed construction of Park Lucero Phase II, an industrial development comprising approximately 132,000 square feet located in the Greater Phoenix Area, Arizona. This development is part of a four-phase project in which Artis has a 90% ownership interest (in the form of joint venture arrangements).

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 130,000 square foot building, was completed in Q1-17 and the property is now 100% leased to two tenants pursuant to leases that commence in Q2-17 and Q4-17.

New Developments in Process:

Artis has a 90% ownership interest (in the form of joint venture arrangements) in Park Lucero, a four-phase industrial development project on a 48 acre parcel of land in the Greater Phoenix Area, Arizona. Phase I and II of this development are complete and consist of four industrial buildings totaling 340,000 square feet. Construction of Park Lucero Phase III, which will comprise approximately 147,000 square feet, is underway and is expected to be complete in Q2-17. The entire project is expected to total approximately 630,000 square feet.

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 440,000 square feet. Construction of Park 8Ninety Phase I is anticipated to be complete in Q3-17.

Artis has begun construction of 169 Inverness Drive West Phase I, an office development situated on a 10 acre parcel of land adjacent to the AT&T Building in the Greater Denver Area, Colorado. Phase I of this project includes the development of a Class A office building expected to comprise approximately 120,000 square feet. The site 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 underway.

New Development Initiatives**New Development Initiatives - Early Planning Stages:**

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. This densification opportunity is located at 300 Main Street, which is adjacent to Artis' head office located at 360 Main Street. Additional information about this development is expected to be released later in 2017.

Artis owns a 12 acre parcel of land in Winnipeg, Manitoba called Linden Ridge Shopping Centre Phase II, which is located adjacent to Linden Ridge Shopping Centre, a retail property also owned by Artis. A land lease has been negotiated with Lowe's for nine acres at the site. Negotiations are also underway with a new tenant for a 5,200 square foot free-standing development on the site, which would leave the potential to build an additional 30,000 square foot building on the remaining three acres of land.

Artis is exploring opportunities for a densification 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 50 floors of apartment units above this 19-storey office building are under way. Additional information about this development will be released as progress is made and key milestones are achieved.

Artis is exploring opportunities for a densification project at Concorde Corporate Centre in the Greater Toronto Area, Ontario. The site provides direct access to Don Valley Parkway and convenient access to other major thoroughfares in the Greater Toronto Area. Preliminary plans are underway to build 760 apartment units on the site. Additional information about this development will be released as progress is made and key milestones are achieved.

New Development Initiatives - Early Planning Stages and Future Development (in 000's of S.F.):

Asset class	City	Province / State	Estimated Owned share of GLA	Property
Residential	Winnipeg	MB	612	300 Main
Retail	Winnipeg	MB	land lease	Linden Ridge Shopping Centre Phase II
Retail	Winnipeg	MB	35	Linden Ridge Shopping Centre Phase III
Residential	Toronto	ON	403	415 Yonge Street Apartments
Residential	Greater Toronto Area	ON	800	Concorde Apartments
Residential	Calgary	AB	315	Stampede Station Apartments
Industrial	Greater Phoenix Area	AZ	85	Park Lucero Phase IV
Industrial	Houston	TX	1,358	Park 8Ninety - Future Phases
Office	Houston	TX	1,458	Corridor Park
Office	Twin Cities Area	MN	335	801 Carlson Parkway
Office	Greater Denver Area	CO	120	Inverness Drive West Phase II
Retail	Greater Denver Area	CO	20	Inverness Drive West Phase III
Office	Madison	WI	130	Aspen Land ⁽¹⁾
Office	Madison	WI	120	Greenway Land
Office	Madison	WI	165	Heartland Trail Land

(1) Artis has an option to purchase this land.

2017 - FIRST QUARTER HIGHLIGHTS

PORTFOLIO ACTIVITY

During Q1-17, Artis disposed of six properties and completed the development of three properties.

	Office		Retail		Industrial		Total	
	Property count	S.F. (000's) ⁽¹⁾	Property count	S.F. (000's) ⁽¹⁾	Property count	S.F. (000's) ⁽¹⁾	Property count	S.F. (000's) ⁽¹⁾
Portfolio properties, December 31, 2016	79	10,992	58	4,037	113	10,663	250	25,692
New developments	1	139	—	—	2	249	3	388
Dispositions	(2)	(201)	(3)	(489)	(1)	(28)	(6)	(718)
Portfolio properties, March 31, 2017	78	10,930	55	3,548	114	10,884	247	25,362

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

Property Dispositions

Property	Property count	Disposition date	Location	Asset class	Owned share of GLA	Sale price	Capitalization rate
Airdrie Flex Industrial	1	February 6, 2017	Airdrie, AB	Industrial	27,535	\$ 5,432	6.39%
Southview Centre	1	March 10, 2017	Medicine Hat, AB	Retail	162,062	28,100	6.78%
Westbank Hub Shopping Centre and Westbank Hub Centre North ⁽¹⁾	2	March 15, 2017	Westbank, BC	Retail	326,934	80,100	5.52%
Ford Tower and Alpine Building	2	March 30, 2017	Calgary, AB	Office	201,349	37,500	6.12%

(1) Artis disposed of its 75% interest in these properties.

During Q1-17, Artis repaid \$5,596 of mortgage debt related to the disposition of the above properties.

FINANCING ACTIVITIES

Early Redemption of Series G Convertible Debentures

On February 28, 2017, Artis completed the early redemption of the outstanding Series G convertible debentures with a face value of US\$87,975.

Unsecured Revolving Term Credit Facilities

During Q1-17, Artis drew a net balance of \$90,000 on its revolving term credit facilities. These draws were primarily for repayment of maturing mortgages, the redemption of the Series G convertible debentures and for ongoing development expenditures, partially offset by repayments from the proceeds of dispositions of investment properties.

Debt Financing and Repayment Activity

In Q1-17, Artis repaid three maturing mortgages in the aggregate amount of \$37,909. Artis also hedged a previously variable rate mortgage in the amount of \$51,421 with an interest rate swap. In Q1-17, Artis drew on development loans, net of financing costs, in the amount of \$20,794.

Distribution Reinvestment and Unit Purchase Plan ("DRIP")

During Q1-17, Artis announced the suspension of its DRIP until further notice.

DISTRIBUTIONS

Artis declared distributions of \$45,286 to unitholders in Q1-17, which included distributions to preferred unitholders in the amount of \$4,630.

SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	Three months ended			% Change
	2017	March 31, 2016	Change	
Revenue	\$ 139,538	\$ 139,053	\$ 485	0.3 %
Property NOI	83,402	85,296	(1,894)	(2.2)%
Net income	77,016	38,774	38,242	98.6 %
Basic income per common unit	0.48	0.25	0.23	92.0 %
Diluted income per common unit	0.48	0.24	0.24	100.0 %
Distributions to common unitholders	\$ 40,656	\$ 37,614	\$ 3,042	8.1 %
Distributions per common unit	0.27	0.27	—	— %
FFO ⁽¹⁾	\$ 54,853	\$ 53,649	\$ 1,204	2.2 %
FFO per unit	0.36	0.38	(0.02)	(5.3)%
FFO payout ratio	75.0%	71.1%		3.9 %
AFFO ⁽¹⁾	\$ 40,750	\$ 40,262	\$ 488	1.2 %
AFFO per unit ⁽¹⁾	0.27	0.29	(0.02)	(6.9)%
AFFO payout ratio ⁽¹⁾	100.0%	93.1%		6.9 %
Interest coverage ratio	3.03	2.89	0.14	4.8 %
EBITDA interest coverage ratio	3.20	3.00	0.20	6.7 %

(1) The 2016 comparative information has been revised to reflect the impact of the new FFO and AFFO guidelines as issued by REALpac in February 2017. Please refer to the FFO and AFFO section of this MD&A for a comparison of the revised Q1-16 amounts to previously disclosed amounts.

Revenue, Property NOI, FFO and AFFO were impacted by acquisitions, dispositions, completed (re)developments, lease termination income received from tenants, non-recurring other income and the impact of foreign exchange in 2016 and 2017.

	March 31, 2017	December 31, 2016	% Change
Consolidated financial statements debt to GBV:			
Secured mortgages and loans to GBV	38.5%	39.1%	(0.6)%
Total long-term debt and bank indebtedness to GBV	48.8%	49.8%	(1.0)%
Proportionate Share debt to GBV:			
Secured mortgages and loans to GBV	40.2%	40.6%	(0.4)%
Total long-term debt and bank indebtedness to GBV	50.2%	51.0%	(0.8)%
Total long-term debt and bank indebtedness to EBITDA	8.5	8.4	1.2 %
Total assets	\$ 5,597,043	\$ 5,664,907	(1.2)%
Total non-current financial liabilities	1,865,840	1,962,023	(4.9)%

ANALYSIS OF OPERATING RESULTS

The following provides 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 March 31,					
	2017			2016		
	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share
Revenue	\$ 133,557	\$ 5,981	\$ 139,538	\$ 132,994	\$ 6,059	\$ 139,053
Expenses:						
Property operating	31,831	1,813	33,644	28,764	1,673	30,437
Realty taxes	21,448	1,044	22,492	22,244	1,076	23,320
	53,279	2,857	56,136	51,008	2,749	53,757
Net operating income	80,278	3,124	83,402	81,986	3,310	85,296
Other income (expenses):						
Corporate expenses	(3,782)	—	(3,782)	(3,638)	—	(3,638)
Interest expense	(25,082)	(1,301)	(26,383)	(27,276)	(1,097)	(28,373)
Interest income	279	1	280	298	—	298
Net income from investments in joint ventures	6,114	(6,114)	—	243	(243)	—
Fair value gain (loss) on investment properties	13,471	4,290	17,761	(13,151)	(1,970)	(15,121)
Foreign currency translation gain	4,867	—	4,867	6,154	—	6,154
Transaction costs	—	—	—	(39)	—	(39)
Gain (loss) on financial instruments	479	—	479	(5,803)	—	(5,803)
Income before income taxes	76,624	—	76,624	38,774	—	38,774
Income tax recovery	392	—	392	—	—	—
Net income	77,016	—	77,016	38,774	—	38,774
Other comprehensive (loss) income:						
Unrealized foreign currency translation loss	(9,018)	(1,072)	(10,090)	(53,610)	(6,914)	(60,524)
Unrealized foreign currency translation loss on joint ventures	(1,072)	1,072	—	(6,914)	6,914	—
Unrealized (loss) gain from remeasurements of net pension obligation	(46)	—	(46)	9	—	9
	(10,136)	—	(10,136)	(60,515)	—	(60,515)
Total comprehensive income (loss)	\$ 66,880	\$ —	\$ 66,880	\$ (21,741)	\$ —	\$ (21,741)

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

REVENUE AND PROPERTY NOI

	Three months ended			% Change
	2017	March 31, 2016	Change	
Revenue:				
Basic rent, parking and other revenue	\$ 96,304	\$ 95,617	\$ 687	
Operating cost and realty tax recoveries	45,272	46,314	(1,042)	
Amortization of tenant inducements	(4,615)	(4,074)	(541)	
Straight-line rent adjustments	1,663	1,196	467	
Lease termination income	914	—	914	
	139,538	139,053	485	0.3 %
Expenses:				
Property operating	33,644	30,437	3,207	
Realty taxes	22,492	23,320	(828)	
	56,136	53,757	2,379	4.4 %
Property NOI	\$ 83,402	\$ 85,296	\$ (1,894)	(2.2)%

Basic rent, parking and other revenue, as well as 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 investment properties that were owned for a full quarterly reporting period in both the current and comparative year, and excludes properties held for redevelopment.

	Three months ended			% Change
	2017	March 31, 2016	Change	
Revenue ⁽¹⁾	\$ 123,372	\$ 125,978		
Add (deduct) non-cash revenue adjustments:				
Amortization of tenant inducements	4,294	3,653		
Straight-line rent adjustments	(1,064)	(1,093)		
	126,602	128,538		
Property operating and realty tax expenses	49,626	50,280		
Same Property NOI	\$ 76,976	\$ 78,258	\$ (1,282)	(1.6)%

(1) Adjusted for the impact of lease termination income.

Lease termination income related to significant tenants of \$800 in Q1-17, compared to \$nil in Q1-16, 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			Change	% Change
	2017	March 31, 2016			
Office	\$ 37,303	\$ 37,654	\$ (351)	(0.9)%	
Retail	16,205	16,540	(335)	(2.0)%	
Industrial	17,301	16,677	624	3.7 %	
Total in functional currency	70,809	70,871	(62)	(0.1)%	
Foreign exchange	6,167	7,387	(1,220)	(16.5)%	
Total in Canadian dollars	\$ 76,976	\$ 78,258	\$ (1,282)	(1.6)%	

Same Property NOI by Country

	Three months ended			Change	% Change
	2017	March 31, 2016			
Canada	\$ 51,700	\$ 51,171	\$ 529	1.0 %	
U.S.	19,109	19,700	(591)	(3.0)%	
Total in functional currency	70,809	70,871	(62)	(0.1)%	
Foreign exchange	6,167	7,387	(1,220)	(16.5)%	
Total in Canadian dollars	\$ 76,976	\$ 78,258	\$ (1,282)	(1.6)%	

Artis' U.S. portfolio decreased US\$591, or 3.0% in Q1-17 before the impact of foreign exchange. The U.S. retail segment has decreased US\$264 primarily due to a tenant bankruptcy at Oakdale Village in Minnesota. This vacancy has been fully re-leased in Q2-17. The U.S. office segment has decreased US\$246 primarily due to decreased occupancy at Two MarketPointe in Minnesota and 1700 Broadway in Colorado. The U.S. industrial segment has decreased US\$81 in comparison to Q1-16.

Same Property NOI by Geographical Region and stabilized Same Property NOI

	Three months ended			Change	% Change
	2017	March 31, 2016			
Alberta	\$ 22,608	\$ 22,608	\$ —	— %	
British Columbia	3,446	3,466	(20)	(0.6)%	
Manitoba	11,211	10,761	450	4.2 %	
Ontario	9,121	9,169	(48)	(0.5)%	
Saskatchewan	5,314	5,167	147	2.8 %	
Arizona	5,164	5,084	80	1.6 %	
Minnesota	10,990	11,622	(632)	(5.4)%	
U.S. - Other	2,955	2,994	(39)	(1.3)%	
Total Same Property NOI in functional currency	70,809	70,871	(62)	(0.1)%	
Less: properties planned for disposition	(2,545)	(2,939)	394	(13.4)%	
Less: properties planned for re-purposing	(119)	(413)	294	(71.2)%	
Less: Calgary office segment	(10,399)	(10,416)	17	(0.2)%	
Stabilized Same Property NOI in functional currency	57,746	57,103	643	1.1 %	
Foreign exchange	5,471	6,447	(976)	(15.1)%	
Stabilized Same Property NOI in Canadian dollars	\$ 63,217	\$ 63,550	\$ (333)	(0.5)%	

The REIT has presented a stabilized Same Property NOI calculation which excludes properties planned for disposition, those undergoing plans for re-purposing and the Calgary office segment (excluding Sierra Place as this property is planned for re-purposing).

Management has made the strategic decision to list all seven Minnesota retail properties for sale in 2017. During Q1-17, management identified seven industrial properties comprising 1,204,612 square feet in Minnesota to be sold, which have been listed in Q2-17. Additionally, the REIT has determined that the Humana Building, an office building in the Greater Phoenix Area, Arizona, and Horizon Heights, a retail property in Calgary, Alberta, will also be listed for sale in 2017. These properties will be part of a capital recycling program in order to acquire newer generation real estate in Artis' target markets.

Sunridge Pointe, a single tenant retail property in Calgary, Alberta which is currently vacant, is being re-purposed in order to accommodate a grocery store tenant. Sierra Place, an office building in Calgary, Alberta, will be re-purposed into a 100 suite transit-oriented urban apartment complex.

The Calgary office segment has been considered a non-stabilized segment as the recent volatility of oil prices on Alberta's economy has created non-stabilized results. Management has been proactive in new leasing and tenant retention initiatives, and is focused on minimizing risk wherever possible.

Same Property Occupancy Report ⁽¹⁾

Geographical Region	As at March 31,		Asset Class	As at March 31,	
	2017	2016		2017	2016
Alberta	88.0%	87.6%	Office	89.0%	90.2%
British Columbia	89.6%	91.0%	Retail	92.4%	94.5%
Manitoba	94.2%	91.5%	Industrial	92.9%	92.2%
Ontario	93.2%	92.8%			
Saskatchewan	97.8%	98.0%	Total	91.4%	91.9%
Arizona	92.6%	89.3%			
Minnesota	89.4%	93.4%			
U.S. - Other	93.8%	96.7%			
Total	91.4%	91.9%			

(1) This report includes non-stabilized properties.

PROPERTY NOI BY ASSET CLASS

Canadian Portfolio:

In Q1-17, Property NOI in the office segment decreased primarily due to dispositions in 2016 and 2017 and increased vacancy and lower rents in the Calgary office segment, which was partially offset by increased occupancy at Heritage Square. Also contributing to this decrease was lower occupancy at 220 Portage Avenue, an office property in Manitoba currently being redeveloped. The retail and industrial segments decreased primarily due to dispositions in 2016 and 2017.

	Three months ended March 31,					
	2017			2016		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	\$ 44,527	\$ 24,165	\$ 17,056	\$ 46,299	\$ 28,393	\$ 20,517
Property operating and realty tax expenses	19,925	8,055	5,688	20,395	9,070	6,500
Property NOI	\$ 24,602	\$ 16,110	\$ 11,368	\$ 25,904	\$ 19,323	\$ 14,017
Share of Property NOI	47.3%	30.9%	21.8%	43.7%	32.6%	23.7%

U. S. Portfolio:

In Q1-17, Property NOI in the U.S. portfolio increased in the office asset class in comparison to Q1-16. The growth is primarily attributable to acquisitions in 2016. The retail segment has decreased primarily due to a tenant bankruptcy at Oakdale Village. This vacant space has been fully re-leased in Q2-17. Lower occupancy in the Minnesota portfolio and the disposition of a property in 2016 have contributed to the decrease in the industrial segment. During Q1-17, Artis determined seven industrial properties and all seven retail properties in Minnesota will be listed for sale in Q2-17.

	Three months ended March 31,					
	2017			2016		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	\$ 39,747	\$ 2,174	\$ 11,796	\$ 28,483	\$ 2,622	\$ 12,687
Property operating and realty tax expenses	16,840	923	4,705	11,820	946	5,026
Property NOI	\$ 22,907	\$ 1,251	\$ 7,091	\$ 16,663	\$ 1,676	\$ 7,661
Share of Property NOI	73.3%	4.0%	22.7%	64.1%	6.4%	29.5%

Total Canadian and U.S. Portfolio:

	Three months ended March 31,					
	2017			2016		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	\$ 84,274	\$ 26,339	\$ 28,852	\$ 74,782	\$ 31,015	\$ 33,204
Property operating and realty tax expenses	36,765	8,978	10,393	32,215	10,016	11,526
Property NOI	\$ 47,509	\$ 17,361	\$ 18,459	\$ 42,567	\$ 20,999	\$ 21,678
Share of Property NOI	57.0%	20.8%	22.2%	50.0%	24.6%	25.4%

PROPERTY NOI BY GEOGRAPHICAL REGION

In Q1-17, Property NOI decreased in Alberta due to increased vacancy and lower rents in the Calgary office segment which was partially offset by increased occupancy at Heritage Square. British Columbia decreased due to dispositions during 2016 and 2017. Manitoba has decreased primarily due to lower occupancy at 220 Portage Avenue, an office property currently under redevelopment. Minnesota has decreased due to a tenant bankruptcy at Oakdale Village, which was fully re-leased in Q2-17. Lower occupancy in the industrial segment and a disposition in 2016 has also contributed to this decrease. During 2016, Artis entered into the Wisconsin region through a two-phased acquisition of the Madison Lifestyle Office Portfolio. The U.S. region has also been impacted by the effect of foreign exchange.

	Three months ended March 31, 2017								
	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Revenue	\$ 37,046	\$ 6,652	\$ 19,131	\$ 15,204	\$ 7,715	\$ 9,634	\$ 25,156	\$ 12,847	\$ 6,080
Property operating and realty tax expenses	13,692	2,620	8,461	6,463	2,432	3,041	11,248	5,618	2,561
Property NOI	\$ 23,354	\$ 4,032	\$ 10,670	\$ 8,741	\$ 5,283	\$ 6,593	\$ 13,908	\$ 7,229	\$ 3,519
Share of Property NOI	28.0%	4.8%	12.9%	10.5%	6.3%	7.9%	16.7%	8.7%	4.2%

	Three months ended March 31, 2016								
	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Revenue	\$ 43,964	\$ 8,688	\$ 19,578	\$ 15,360	\$ 7,619	\$ 9,985	\$ 27,274	\$ —	\$ 6,533
Property operating and realty tax expenses	15,630	3,149	8,526	6,329	2,331	3,050	12,001	—	2,741
Property NOI	\$ 28,334	\$ 5,539	\$ 11,052	\$ 9,031	\$ 5,288	\$ 6,935	\$ 15,273	\$ —	\$ 3,792
Share of Property NOI	33.2%	6.5%	13.0%	10.6%	6.2%	8.1%	17.9%	—%	4.5%

PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at March 31, 2017, (excluding properties held for redevelopment, completed new developments and new developments in process), and the previous four periods, were as follows:

Occupancy Report by Asset Class

	Q1-17 % Committed ⁽¹⁾	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16
Office	91.0%	88.7%	89.1%	90.0%	90.0%	89.7%
Retail	95.0%	93.1%	93.0%	94.9%	95.6%	96.8%
Industrial	94.8%	92.9%	94.2%	95.0%	96.0%	94.8%
Total portfolio	93.2%	91.1%	91.9%	92.9%	93.5%	93.3%

(1) Percentage committed is based on occupancy at March 31, 2017, plus commitments on vacant space.

Occupancy Report by Geographical Region

	Q1-17 % Committed ⁽¹⁾	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16
Canada:						
Alberta	89.9%	88.0%	86.4%	90.9%	91.9%	90.4%
British Columbia	94.4%	89.6%	92.4%	92.7%	92.1%	94.6%
Manitoba	95.3%	94.2%	93.8%	92.7%	93.1%	91.1%
Ontario	94.9%	93.2%	93.2%	93.5%	92.7%	92.8%
Saskatchewan	97.8%	97.8%	97.6%	96.8%	97.5%	98.0%
U.S.:						
Arizona	95.9%	92.6%	93.4%	99.5%	99.6%	99.6%
Minnesota	91.5%	89.4%	92.9%	93.4%	95.4%	95.2%
Wisconsin	93.2%	87.5%	89.7%	89.6%	87.0%	n/a
Other	93.8%	93.8%	93.8%	94.8%	95.7%	96.7%
Total portfolio	93.2%	91.1%	91.9%	92.9%	93.5%	93.3%

(1) Percentage committed is based on occupancy at March 31, 2017, plus commitments on vacant space.

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary

	Three months ended March 31, 2017	2016
Leasable area renewed	533,860	843,464
Increase in weighted-average rental rate	6.6%	5.9%

Excluding the impact of Calgary office segment lease renewals, Artis' increase in the weighted-average rental rate was 8.0% in Q1-17.

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

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

	Current vacancy	Monthly tenants ⁽²⁾	2017	2018	2019	2020	2021 & later	Total
Office - uncommitted	1,002,053	67,797	672,071	918,191	1,219,979	1,094,054	4,584,145	9,558,290
Office - committed	355,019	—	498,949	82,704	120,223	35,646	140,343	1,232,884
Total office	1,357,072	67,797	1,171,020	1,000,895	1,340,202	1,129,700	4,724,488	10,791,174
Retail - uncommitted	178,783	26,003	162,664	443,358	315,805	528,536	1,690,666	3,345,815
Retail - committed	64,522	—	104,994	7,996	2,638	1,068	21,056	202,274
Total retail	243,305	26,003	267,658	451,354	318,443	529,604	1,711,722	3,548,089
Industrial - uncommitted	580,560	71,724	651,016	1,146,039	999,498	1,289,212	4,343,891	9,081,940
Industrial - committed	195,411	—	1,289,178	48,748	—	19,868	—	1,553,205
Total industrial	775,971	71,724	1,940,194	1,194,787	999,498	1,309,080	4,343,891	10,635,145
Total - uncommitted	1,761,396	165,524	1,485,751	2,507,588	2,535,282	2,911,802	10,618,702	21,986,045
Total - committed	614,952	—	1,893,121	139,448	122,861	56,582	161,399	2,988,363
Total portfolio	2,376,348	165,524	3,378,872	2,647,036	2,658,143	2,968,384	10,780,101	24,974,408

(1) Based on owned share of total leasable area, excluding completed new developments and new developments in process.

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

In-Place Rents

In-place rents reflect the weighted-average net annual rental rate per square foot as at March 31, 2017, for the leasable area expiring in the year indicated. In-place rents do not reflect either the average rate over the term of the lease or the rate in place in the year of expiry.

Market Rents

Market rents are estimates and are shown as a net annual rate per square foot. Artis reviews market rents across the portfolio on an on-going basis. Market rent estimates are based on management's best estimate for each leasable space and may take into consideration the property manager's revenue budget, recent leasing activity, current prospects, future commitments or publicly available market information. Rates applied in future expiry years (with the exception of certain segments of the Alberta market) do not allow for the impact of inflation, nor do they attempt to factor in anticipated higher (or lower) than normal periods of demand or market rent inflation due to specific market conditions.

Market Rents by Asset Class ⁽¹⁾

Canadian Portfolio:

	2017	2018	2019	2020	2021 & later	Total
Office						
In-place rents	\$ 20.71	\$ 16.79	\$ 16.50	\$ 15.55	\$ 18.50	\$ 17.99
Market rents	14.55	14.50	15.01	15.68	19.47	17.26
Change	(29.7)%	(13.6)%	(9.0)%	0.8%	5.2%	(4.1)%
Revenue impact ⁽²⁾	\$ (3,765)	\$ (1,249)	\$ (1,215)	\$ 61	\$ 2,504	\$ (3,664)
Retail						
In-place rents	\$ 19.02	\$ 23.21	\$ 25.11	\$ 19.42	\$ 20.87	\$ 21.28
Market rents	19.39	24.20	25.49	19.59	21.79	22.00
Change	1.9 %	4.3 %	1.5 %	0.9%	4.4%	3.4 %
Revenue impact ⁽²⁾	\$ 80	\$ 436	\$ 115	\$ 80	\$ 1,476	\$ 2,187
Industrial						
In-place rents	\$ 7.03	\$ 5.48	\$ 7.51	\$ 7.71	\$ 10.18	\$ 8.27
Market rents	7.01	5.61	7.45	7.71	10.19	8.28
Change	(0.3)%	2.4 %	(0.8)%	—%	0.1%	0.2 %
Revenue impact ⁽²⁾	\$ (24)	\$ 95	\$ (22)	\$ 1	\$ 17	\$ 67
Total Canadian portfolio						
In-place rents	\$ 12.37	\$ 13.68	\$ 16.26	\$ 12.90	\$ 16.21	\$ 14.87
Market rents	10.56	13.26	15.49	12.98	16.83	14.76
Change	(14.6)%	(3.1)%	(4.7)%	0.6%	3.9%	(0.7)%
Revenue impact ⁽²⁾	\$ (3,709)	\$ (718)	\$ (1,122)	\$ 142	\$ 3,997	\$ (1,410)

U.S. Portfolio:

	2017	2018	2019	2020	2021 & later	Total
Office						
In-place rents	\$ 16.47	\$ 16.76	\$ 21.12	\$ 18.52	\$ 17.93	\$ 18.09
Market rents	18.33	16.65	22.28	18.73	18.77	18.91
Change	11.3%	(0.6)%	5.5 %	1.1 %	4.7 %	4.5 %
Revenue impact ⁽²⁾	\$ 1,041	\$ (49)	\$ 606	\$ 136	\$ 1,802	\$ 3,536
Retail						
In-place rents	\$ 13.51	\$ 21.35	\$ 18.74	\$ 14.05	\$ 15.75	\$ 15.24
Market rents	15.22	20.43	19.78	14.49	15.83	15.74
Change	12.7%	(4.3)%	5.6 %	3.1 %	0.6 %	3.3 %
Revenue impact ⁽²⁾	\$ 86	\$ (10)	\$ 13	\$ 28	\$ 10	\$ 127
Industrial						
In-place rents	\$ 4.81	\$ 4.91	\$ 5.39	\$ 5.34	\$ 6.17	\$ 5.61
Market rents	4.97	4.93	5.23	5.12	6.15	5.58
Change	3.5%	0.5 %	(2.9)%	(4.2)%	(0.3)%	(0.5)%
Revenue impact ⁽²⁾	\$ 119	\$ 11	\$ (104)	\$ (110)	\$ (42)	\$ (126)
Total U.S. portfolio						
In-place rents	\$ 10.07	\$ 10.82	\$ 12.38	\$ 13.00	\$ 12.16	\$ 11.86
Market rents	11.01	10.77	12.81	13.04	12.56	12.25
Change	9.3%	(0.5)%	3.5 %	0.3 %	3.3 %	3.3 %
Revenue impact ⁽²⁾	\$ 1,246	\$ (48)	\$ 515	\$ 54	\$ 1,770	\$ 3,537

(1) Based on owned share of total leasable area, excluding completed new developments and new developments in process.

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

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

	2017	2018	2019	2020	2021 & later	Total
Office						
In-place rents	\$ 18.69	\$ 16.78	\$ 18.31	\$ 17.30	\$ 18.24	\$ 18.04
Market rents	16.36	15.48	17.85	17.47	19.15	18.02
Change	(12.5)%	(7.7)%	(2.5)%	1.0 %	5.0 %	(0.1)%
Revenue impact ⁽²⁾	\$ (2,724)	\$ (1,298)	\$ (609)	\$ 197	\$ 4,306	\$ (128)
Retail						
In-place rents	\$ 17.98	\$ 23.17	\$ 24.87	\$ 18.75	\$ 20.53	\$ 20.82
Market rents	18.61	24.11	25.28	18.96	21.40	21.52
Change	3.5 %	4.1 %	1.6 %	1.1 %	4.2 %	3.4 %
Revenue impact ⁽²⁾	\$ 166	\$ 426	\$ 128	\$ 108	\$ 1,486	\$ 2,314
Industrial						
In-place rents	\$ 6.21	\$ 5.25	\$ 6.10	\$ 6.82	\$ 8.22	\$ 7.05
Market rents	6.26	5.34	5.97	6.74	8.21	7.05
Change	0.8 %	1.7 %	(2.1)%	(1.2)%	(0.1)%	(0.1)%
Revenue impact ⁽²⁾	\$ 95	\$ 106	\$ (126)	\$ (109)	\$ (25)	\$ (59)
Total Canadian and U.S. portfolio						
In-place rents	\$ 11.47	\$ 12.66	\$ 14.50	\$ 12.94	\$ 14.57	\$ 13.65
Market rents	10.74	12.37	14.28	13.00	15.10	13.75
Change	(6.4)%	(2.3)%	(1.6)%	0.5 %	3.7 %	0.7 %
Revenue impact ⁽²⁾	\$ (2,463)	\$ (766)	\$ (607)	\$ 196	\$ 5,767	\$ 2,127
Total Canadian and U.S. portfolio excluding Calgary office segment						
In-place rents	\$ 10.25	\$ 12.13	\$ 13.73	\$ 12.80	\$ 14.01	\$ 13.02
Market rents	10.71	12.50	13.96	12.86	14.30	13.30
Change	4.4 %	3.1 %	1.6 %	0.5 %	2.1 %	2.2 %
Revenue impact ⁽²⁾	\$ 1,412	\$ 917	\$ 560	\$ 184	\$ 2,813	\$ 5,886

(1) Based on owned share of total leasable area, excluding completed new developments and new developments in process.

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

Market rents at March 31, 2017, were estimated to be 0.7% above in-place rents across the portfolio, compared to 0.9% at December 31, 2016. Today's market rents for the 2017 and 2018 lease expiries are estimated to be 6.4% and 2.3% below in-place rents, respectively. The retail segment is expected to be the strongest contributor to incremental rental revenue over the long-term.

Market rents in certain years are estimated to be below in-place rents due to the impact of the Calgary office segment. Excluding the Calgary office segment, today's market rents for the 2017 and 2018 lease expiries are estimated to be 4.4% and 3.1% above in-place rents, respectively.

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

	Current vacancy	Monthly tenants ⁽²⁾	2017	2018	2019	2020	2021 & later	Total
AB - uncommitted	497,643	82,425	424,798	435,572	407,677	410,524	2,223,442	4,482,081
AB - committed	149,205	—	122,574	5,379	2,638	—	2,218	282,014
Total Alberta	646,848	82,425	547,372	440,951	410,315	410,524	2,225,660	4,764,095
BC - uncommitted	48,909	12,824	31,189	99,403	206,255	49,946	347,421	795,947
BC - committed	41,299	—	17,945	—	5,271	8,037	—	72,552
Total British Columbia	90,208	12,824	49,134	99,403	211,526	57,983	347,421	868,499
MB - uncommitted	229,796	14,678	212,474	615,482	307,237	440,330	1,570,487	3,390,484
MB - committed	83,911	—	304,404	65,516	7,454	18,969	7,748	488,002
Total Manitoba	313,707	14,678	516,878	680,998	314,691	459,299	1,578,235	3,878,486
ON - uncommitted	196,871	18,314	135,873	260,820	340,223	759,638	1,471,431	3,183,170
ON - committed	65,724	—	478,438	43,847	104,431	—	—	692,440
Total Ontario	262,595	18,314	614,311	304,667	444,654	759,638	1,471,431	3,875,610
SK - uncommitted	31,731	6,171	164,091	172,667	75,652	60,931	761,965	1,273,208
SK - committed	325	—	162,794	4,267	—	—	18,838	186,224
Total Saskatchewan	32,056	6,171	326,885	176,934	75,652	60,931	780,803	1,459,432
AZ - uncommitted	53,226	1,500	82,515	17,106	110,525	192,947	635,537	1,093,356
AZ - committed	42,240	—	152,512	—	—	—	—	194,752
Total Arizona	95,466	1,500	235,027	17,106	110,525	192,947	635,537	1,288,108
MN - uncommitted	542,092	9,276	309,325	544,787	748,634	775,742	2,675,135	5,604,991
MN - committed	135,595	—	604,934	18,536	—	24,098	—	783,163
Total Minnesota	677,687	9,276	914,259	563,323	748,634	799,840	2,675,135	6,388,154
WI - uncommitted	114,555	6,176	110,628	210,074	179,534	184,338	615,531	1,420,836
WI - committed	96,653	—	36,833	—	3,067	5,478	132,595	274,626
Total Wisconsin	211,208	6,176	147,461	210,074	182,601	189,816	748,126	1,695,462
U.S. - Other - uncommitted	46,573	14,160	14,858	151,677	159,545	37,406	317,753	741,972
U.S. - Other - committed	—	—	12,687	1,903	—	—	—	14,590
Total U.S. - Other	46,573	14,160	27,545	153,580	159,545	37,406	317,753	756,562
Total - uncommitted	1,761,396	165,524	1,485,751	2,507,588	2,535,282	2,911,802	10,618,702	21,986,045
Total - committed	614,952	—	1,893,121	139,448	122,861	56,582	161,399	2,988,363
Total portfolio	2,376,348	165,524	3,378,872	2,647,036	2,658,143	2,968,384	10,780,101	24,974,408

(1) Based on owned share of total leasable area, excluding completed new developments and new developments in process.

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

Market Rents by Geographical Region ⁽¹⁾

	2017	2018	2019	2020	2021 & later	Total
Alberta						
In-place rents	\$ 19.71	\$ 22.27	\$ 25.86	\$ 18.33	\$ 20.48	\$ 20.90
Market rents	12.75	19.46	22.99	18.35	22.40	20.42
Change	(35.3)%	(12.6)%	(11.1)%	0.1 %	9.4 %	(2.3)%
Revenue impact ⁽²⁾	\$ (3,807)	\$ (1,240)	\$ (1,178)	\$ 5	\$ 4,277	\$ (1,943)
British Columbia						
In-place rents	\$ 21.71	\$ 21.78	\$ 16.75	\$ 18.16	\$ 15.77	\$ 17.39
Market rents	21.81	22.11	17.30	19.04	16.14	17.82
Change	0.5 %	1.5 %	3.3 %	4.8 %	2.3 %	2.5 %
Revenue impact ⁽²⁾	\$ 5	\$ 32	\$ 117	\$ 51	\$ 126	\$ 331
Manitoba						
In-place rents	\$ 12.23	\$ 7.48	\$ 9.36	\$ 12.27	\$ 15.10	\$ 12.35
Market rents	12.52	8.10	9.55	12.68	14.83	12.45
Change	2.4 %	8.2 %	2.0 %	3.3 %	(1.8)%	0.9 %
Revenue impact ⁽²⁾	\$ 151	\$ 420	\$ 59	\$ 187	\$ (433)	\$ 384
Ontario						
In-place rents	\$ 6.86	\$ 8.91	\$ 11.12	\$ 9.21	\$ 11.23	\$ 9.85
Market rents	6.83	9.39	10.98	8.99	11.08	9.76
Change	(0.4)%	5.4 %	(1.2)%	(2.3)%	(1.4)%	(0.9)%
Revenue impact ⁽²⁾	\$ (17)	\$ 146	\$ (60)	\$ (162)	\$ (225)	\$ (318)
Saskatchewan						
In-place rents	\$ 9.23	\$ 19.82	\$ 21.67	\$ 22.00	\$ 15.86	\$ 15.40
Market rents	9.10	19.39	20.88	23.01	16.18	15.49
Change	(1.4)%	(2.2)%	(3.6)%	4.6 %	2.0 %	0.6 %
Revenue impact ⁽²⁾	\$ (41)	\$ (76)	\$ (60)	\$ 61	\$ 252	\$ 136
Arizona						
In-place rents	\$ 18.60	\$ 34.39	\$ 28.86	\$ 20.86	\$ 23.13	\$ 22.56
Market rents	21.69	34.50	31.97	23.38	23.35	23.99
Change	16.6 %	0.3 %	10.8 %	12.1 %	1.0 %	6.3 %
Revenue impact ⁽²⁾	\$ 725	\$ 2	\$ 344	\$ 486	\$ 140	\$ 1,697
Minnesota						
In-place rents	\$ 6.56	\$ 6.89	\$ 6.66	\$ 9.92	\$ 8.34	\$ 7.91
Market rents	7.12	6.96	6.51	9.47	8.32	7.92
Change	8.6 %	0.9 %	(2.3)%	(4.5)%	(0.2)%	0.1 %
Revenue impact ⁽²⁾	\$ 515	\$ 35	\$ (116)	\$ (359)	\$ (41)	\$ 34
Wisconsin						
In-place rents	\$ 15.84	\$ 15.89	\$ 15.49	\$ 16.10	\$ 14.12	\$ 14.96
Market rents	15.93	15.20	16.00	15.84	16.02	15.87
Change	0.6 %	(4.3)%	3.3 %	(1.6)%	13.5 %	6.1 %
Revenue impact ⁽²⁾	\$ 13	\$ (145)	\$ 95	\$ (50)	\$ 1,428	\$ 1,341
U.S. - Other						
In-place rents	\$ 22.86	\$ 15.68	\$ 24.24	\$ 22.45	\$ 17.78	\$ 19.25
Market rents	22.59	16.07	25.45	21.83	18.54	19.92
Change	(1.2)%	2.5 %	5.0 %	(2.7)%	4.3 %	3.5 %
Revenue impact ⁽²⁾	\$ (7)	\$ 60	\$ 192	\$ (23)	\$ 243	\$ 465
Total portfolio						
In-place rents	\$ 11.47	\$ 12.66	\$ 14.50	\$ 12.94	\$ 14.57	\$ 13.65
Market rents	10.74	12.37	14.28	13.00	15.10	13.75
Change	(6.4)%	(2.3)%	(1.6)%	0.5 %	3.7 %	0.7 %
Revenue impact ⁽²⁾	\$ (2,463)	\$ (766)	\$ (607)	\$ 196	\$ 5,767	\$ 2,127

(1) Based on owned share of total leasable area, excluding completed new developments and new developments in process.

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

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the office, retail and industrial asset classes. At March 31, 2017, the five largest segments of the REIT's portfolio (by Property NOI) were Calgary office, Madison office, Twin Cities Area industrial, Twin Cities Area office and Greater Phoenix Area office.

The Calgary office segment represents 13.2% of the Q1-17 Property NOI and 9.2% of the overall portfolio by GLA. 36.5% of the Calgary office GLA is located downtown, 24.7% is beltline and 38.8% is suburban. Overall direct vacancy in the Calgary office market, as reported by CBRE, was 15.1% at March 31, 2017, compared to 14.7% at December 31, 2016. At March 31, 2017, the Calgary office segment of Artis' portfolio was 82.0% occupied (excluding properties held for redevelopment), compared to 82.4% at December 31, 2016. During the remainder of 2017, 283,003 square feet comes up for renewal, which represents 1.1% of the total portfolio GLA; 29.3% was renewed or committed to new leases at March 31, 2017. Of Artis' total Calgary office GLA, 48.0% expires in 2021 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 4.9 years. The average size of Artis' Calgary office tenants is approximately 9,600 square feet.

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

	Current vacancy	Monthly tenants ⁽²⁾	2017	2018	2019	2020	2021 & later	Total
Downtown - uncommitted	283,095	11,120	150,146	103,484	93,067	15,558	159,738	816,208
Downtown - committed	9,068	—	20,320	1,650	—	—	—	31,038
Total downtown	292,163	11,120	170,466	105,134	93,067	15,558	159,738	847,246
Beltline - uncommitted	5,084	—	17,664	53,176	35,586	11,758	350,161	473,429
Beltline - committed	47,588	—	53,547	—	—	—	—	101,135
Total beltline	52,672	—	71,211	53,176	35,586	11,758	350,161	574,564
Suburban - uncommitted	53,088	9,966	32,240	33,414	49,780	38,110	604,173	820,771
Suburban - committed	69,891	—	9,086	—	—	—	—	78,977
Total suburban	122,979	9,966	41,326	33,414	49,780	38,110	604,173	899,748
Total - uncommitted	341,267	21,086	200,050	190,074	178,433	65,426	1,114,072	2,110,408
Total - committed	126,547	—	82,953	1,650	—	—	—	211,150
Total Calgary office	467,814	21,086	283,003	191,724	178,433	65,426	1,114,072	2,321,558

(1) Based on owned share of total leasable area, excluding completed new developments and new developments in process.

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

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

	Current vacancy	Monthly tenants ⁽²⁾	2017	2018	2019	2020	2021 & later	Total
Other - uncommitted	660,786	46,711	472,021	728,117	1,041,546	1,028,628	3,470,073	7,447,882
Other - committed	228,472	—	415,996	81,054	120,223	35,646	140,343	1,021,734
Total other office	889,258	46,711	888,017	809,171	1,161,769	1,064,274	3,610,416	8,469,616

(1) Based on owned share of total leasable area, excluding completed new developments and new developments in process.

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

Market Rents for Calgary Office Segment ⁽¹⁾:

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

	2017	2018	2019	2020	2021 & later	Total
Downtown						
In-place rents	\$ 23.98	\$ 17.99	\$ 25.15	\$ 17.08	\$ 22.29	\$ 22.33
Market rents	9.02	9.79	20.14	19.99	23.30	15.58
Change	(62.4)%	(45.6)%	(19.9)%	17.0 %	4.6 %	(30.2)%
Revenue impact ⁽²⁾	\$ (2,550)	\$ (862)	\$ (466)	\$ 45	\$ 162	\$ (3,671)
Beltline						
In-place rents	\$ 30.66	\$ 23.55	\$ 34.06	\$ 18.50	\$ 14.22	\$ 18.87
Market rents	14.65	10.75	19.11	17.00	22.44	19.83
Change	(52.2)%	(54.4)%	(43.9)%	(8.1)%	57.7 %	5.1 %
Revenue impact ⁽²⁾	\$ (1,140)	\$ (681)	\$ (532)	\$ (18)	\$ 2,875	\$ 504
Suburban						
In-place rents	\$ 17.78	\$ 17.74	\$ 19.06	\$ 19.92	\$ 21.67	\$ 21.03
Market rents	13.31	13.54	15.65	19.52	21.53	20.26
Change	(25.1)%	(23.7)%	(17.9)%	(2.0)%	(0.6)%	(3.7)%
Revenue impact ⁽²⁾	\$ (185)	\$ (140)	\$ (169)	\$ (15)	\$ (83)	\$ (592)
Total Calgary Office						
In-place rents	\$ 24.76	\$ 19.49	\$ 25.23	\$ 18.99	\$ 19.42	\$ 20.80
Market rents	11.07	10.71	18.68	19.18	22.07	18.75
Change	(55.3)%	(45.0)%	(25.9)%	1.0 %	13.7 %	(9.9)%
Revenue impact ⁽²⁾	\$ (3,875)	\$ (1,683)	\$ (1,167)	\$ 12	\$ 2,954	\$ (3,759)

(1) Based on owned share of total leasable area, excluding completed new developments and new developments in process.

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

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

	2017	2018	2019	2020	2021 & later	Total
Other office						
In-place rents	\$ 16.75	\$ 16.13	\$ 17.25	\$ 17.19	\$ 17.88	\$ 17.36
Market rents	18.05	16.61	17.73	17.37	18.25	17.85
Change	7.7%	3.0%	2.8%	1.0%	2.1%	2.8%
Revenue impact ⁽²⁾	\$ 1,151	\$ 385	\$ 558	\$ 185	\$ 1,352	\$ 3,631

(1) Based on owned share of total leasable area, excluding completed new developments and new developments in process.

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

The Madison office segment represents 8.7% of the Q1-17 Property NOI and 6.7% of the overall portfolio by GLA. Overall direct vacancy in this office market, as most recently reported by Xceligent, was 8.4% at March 31, 2017, compared to 7.7% at December 31, 2016. At March 31, 2017, the Madison office segment of Artis' portfolio was 87.5% occupied, compared to 89.7% at December 31, 2016. During the remainder of 2017, 147,461 square feet comes up for renewal, which represents 0.6% of the total portfolio GLA; 25.0% was renewed or committed to new leases at March 31, 2017. Of the total Madison office GLA, 44.1% expires in 2021 or later.

The Twin Cities Area industrial segment represents 7.9% of the Q1-17 Property NOI and 18.7% of the overall portfolio by GLA. Direct vacancy in this industrial market, as reported by CBRE, increased from 4.6% at December 31, 2016, to 4.7% at March 31, 2017, with 458,276 square feet of positive absorption reported for the quarter. The average asking market lease rate was \$5.85 per square foot at March 31, 2017, compared to \$5.83 per square foot at December 31, 2016. Occupancy in this segment of the portfolio was 89.3% at March 31, 2017, compared to 93.5% reported at December 31, 2016. During the remainder of 2017, 695,704 square feet comes up for renewal, which represents 2.7% of the total portfolio GLA; 71.6% was renewed or committed to new leases at March 31, 2017. Of Artis' total Twin Cities industrial GLA, 41.0% expires in 2021 or later.

The Twin Cities Area office segment represents 7.5% of the Q1-17 Property NOI and 5.8% of the overall portfolio by GLA. Overall direct vacancy in the Twin Cities Area office market, as reported by CBRE, was 16.7% at March 31, 2017, compared to 15.8% at December 31, 2016. Occupancy in this segment of the portfolio was 90.7% at March 31, 2017 (excluding completed new developments), compared to 92.7% at December 31, 2016. During the remainder of 2017, 168,120 square feet comes up for renewal, which represents 0.7% of the total portfolio GLA; 43.5% had been renewed or committed to new leases at March 31, 2017. Of Artis' total Twin Cities office GLA (excluding completed new developments), 46.0% expires in 2021 or later.

The Greater Phoenix Area office segment represents 7.2% of the Q1-17 Property NOI and 4.0% of the overall portfolio by GLA. Overall direct vacancy in the Greater Phoenix Area office market, as reported by CBRE, was 17.3% at March 31, 2017, decreased from 17.4% at December 31, 2016. At March 31, 2017, the Greater Phoenix Area office segment of Artis' portfolio was 95.7% occupied, compared to 96.8% at December 31, 2016. During the remainder of 2017, 216,631 square feet comes up for renewal, which represents 0.9% of the total portfolio GLA; 61.9% had been renewed or committed to new leases at March 31, 2017. Of Artis' Greater Phoenix Area office GLA, 45.6% expires in 2021 or later.

CORPORATE EXPENSES

	Three months ended			
	2017	March 31, 2016	Change	% Change
Accounting, legal and consulting	\$ 610	\$ 585	\$ 25	4.3 %
Public company costs	504	572	(68)	(11.9)%
Unit-based compensation	624	654	(30)	(4.6)%
Salaries and benefits	984	987	(3)	(0.3)%
Depreciation of property and equipment	241	213	28	13.1 %
General and administrative	819	627	192	30.6 %
Total corporate expenses	\$ 3,782	\$ 3,638	\$ 144	4.0 %

Corporate expenses in Q1-17 were \$3,782, or 2.7% of total revenues compared to \$3,638, or 2.6% of total revenues in Q1-16.

INTEREST EXPENSE

	Three months ended			
	2017	March 31, 2016	Change	% Change
Mortgages and other loans ⁽¹⁾	\$ 19,066	\$ 20,316	\$ (1,250)	
Debentures ⁽¹⁾	2,615	4,363	(1,748)	
Other ⁽¹⁾	2,374	1,377	997	
	24,055	26,056	(2,001)	(7.7)%
Foreign exchange	2,328	2,317	11	
Total interest expense	\$ 26,383	\$ 28,373	\$ (1,990)	(7.0)%

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

Interest expense on mortgages and other loans has decreased primarily due to the repayment of maturing mortgages and the disposition of investment properties in 2016 and 2017. Interest expense on debentures has decreased due to the redemption of the Series F convertible debentures in Q3-16 and the redemption of the Series G convertible debentures in Q1-17. 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 March 31, 2017, on mortgages and other loans secured by properties was 3.85%, increased from 3.74% at December 31, 2016. The weighted-average nominal interest rate on mortgages and other loans secured by properties at March 31, 2017, increased to 3.73% from 3.69% at December 31, 2016.

The REIT's interest coverage ratio, as calculated in the following table, was 3.03 times for Q1-17, compared to 2.89 times for Q1-16.

	Three months ended			% Change
	2017	March 31, 2016	Change	
Property NOI	\$ 83,402	\$ 85,296	\$ (1,894)	
Interest income	280	298	(18)	
Corporate expenses	(3,782)	(3,638)	(144)	
	79,900	81,956	(2,056)	(2.5)%
Interest expense	26,383	28,373	(1,990)	(7.0)%
Interest coverage ratio	3.03	2.89	0.14	4.8 %

The REIT's EBITDA interest coverage ratio, as calculated in the following table, was 3.20 times for Q1-17, compared to 3.00 times for Q1-16.

	Three months ended			% Change
	2017	March 31, 2016	Change	
Property NOI	\$ 83,402	\$ 85,296	\$ (1,894)	
Add (deduct):				
Amortization of tenant inducements	4,615	4,074	541	
Straight-line rent adjustments	(1,663)	(1,196)	(467)	
Interest income	280	298	(18)	
Corporate expenses	(3,782)	(3,638)	(144)	
Depreciation of property and equipment	241	213	28	
EBITDA	83,093	85,047	(1,954)	(2.3)%
Interest expense	26,383	28,373	(1,990)	
Add (deduct):				
Amortization of financing costs	(934)	(791)	(143)	
Amortization of above- and below-market mortgages, net	323	550	(227)	
Accretion on liability component of debentures	175	199	(24)	
Adjusted interest expense	\$ 25,947	\$ 28,331	\$ (2,384)	(8.4)%
EBITDA interest coverage ratio	3.20	3.00	0.20	6.7 %

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 Q1-17, the fair value gain on investment properties was \$17,761, compared to a loss of \$15,121 in Q1-16. 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 Q1-17 was largely the result of capitalization rate compression in the Ontario and Minnesota industrial segments.

FOREIGN CURRENCY TRANSLATION GAIN

In Q1-17, Artis held cash and deposits in US dollars. These assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. This translation along with the settlement of foreign exchange forward contracts and the Series G convertible debentures in Q1-17, resulted in a foreign currency translation gain of \$4,867, compared to a gain of \$6,154 in Q1-16.

GAIN (LOSS) ON FINANCIAL INSTRUMENTS

Artis holds a number of interest rate swaps to effectively lock the interest rate on a portion of variable rate debt. The REIT recorded an unrealized gain on the fair value adjustment of the interest rate swaps outstanding of \$1,080 in Q1-17, compared to an unrealized loss of \$3,843 in Q1-16. The REIT anticipates holding the mortgages and interest rate swap contracts until maturity.

Artis recorded an unrealized loss of \$1,646 in Q1-17 on the fair value of outstanding foreign currency contracts (Q1-16 - loss of \$1,960).

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 is subject to taxation in the U.S. on the taxable income earned by its U.S. management subsidiary. The REIT has recorded an income tax recovery of \$392 in relation to this subsidiary in Q1-17 (Q1-16, \$nil)

The REIT's U.S. properties are owned by subsidiaries that are REITs for U.S. income tax purposes. These 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 on the taxable income earned by these subsidiaries. These 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.

OTHER COMPREHENSIVE (LOSS) INCOME

Other comprehensive (loss) income includes the unrealized foreign currency translation loss in Q1-17 of \$10,090, compared to a loss of \$60,524 in Q1-16. Foreign currency translation gains and losses relate to the REIT's net investments in its U.S. subsidiaries.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Artis calculates FFO and AFFO substantially in accordance with the guidelines set out by REALpac, as issued in February 2017. The comparative periods presented for FFO and AFFO have been revised to comply with these new guidelines. Revisions to AFFO included adjustments to the capital expenditures and leasing costs reserves, as well as removing the add back of unit-based compensation expense.

Reconciliation of Net Income to FFO and AFFO

	Three months ended March 31, 2017		Three months ended March 31, 2016		% Change
Net income	\$	77,016	\$	38,774	
Add (deduct):					
Fair value (gain) loss on investment properties		(17,761)		15,121	
Amortization of tenant inducements		4,615		4,074	
Transaction costs on acquisitions		—		39	
Foreign currency translation gain		(4,867)		(6,154)	
(Gain) loss on financial instruments		(479)		5,803	
Remeasurement component of unit-based compensation		118		13	
Distributions on preferred shares treated as interest expense		46		28	
Incremental leasing costs		795		547	
Preferred unit distributions		(4,630)		(4,596)	
FFO	\$	54,853	\$	53,649	2.2%
Add (deduct):					
Amortization of recoverable capital expenditures		(2,290)		(2,041)	
Non-recoverable property maintenance reserve		(650)		(650)	
Leasing costs reserve		(9,500)		(9,500)	
Straight-line rent adjustments		(1,663)		(1,196)	
Unit-based compensation		—		—	
AFFO	\$	40,750	\$	40,262	1.2%
FFO per unit:					
Basic	\$	0.36	\$	0.39	
Diluted		0.36		0.38	
AFFO per unit:					
Basic	\$	0.27	\$	0.29	
Diluted		0.27		0.29	

(1) This column shows FFO and AFFO as previously disclosed for Q1-16.

Actual capital expenditures are by nature variable and unpredictable. Recoverable capital expenditures are building improvement or property maintenance expenditures recovered from tenants over time. Management has deducted from AFFO the actual amortization of recoverable capital expenditures included in property operating expenses for the period. Approximately 82.9% of this amortization (Q1-16 - 85.3%) is recoverable from tenants in Q1-17. The non-recoverable property maintenance reserve reflects management's estimate of a normalized expenditure using the prior year's actual spends and the current year's annual budgeted amounts. Refer to the Capital Expenditures disclosure under the Assets section of this MD&A for further discussion of actual expenditures for the period.

Actual leasing costs, which are not related to development projects and 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 leasing costs reserve applied in the calculation of AFFO reflects a rolling 4-year average of actual leasing costs.

In Q1-17, FFO and AFFO were impacted by acquisitions, dispositions, completed (re)developments, lease termination income and the impact of foreign exchange in 2016 and 2017.

As a result of units issued under the DRIP and units issued from public offerings, basic units outstanding for the calculation of FFO and AFFO has increased. This increase has diluted the impact of growth in FFO and AFFO 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 (in 000's)		Diluted FFO Reconciliation	
	Three months ended March 31,		Three months ended March 31,	
	2017	2016	2017	2016
Basic units	150,545	139,215	FFO	\$ 54,853
Add:				\$ 53,649
Options ⁽¹⁾	—	—	Options ⁽¹⁾	—
Debtentures ⁽¹⁾	—	10,200	Debtentures ⁽¹⁾	2,865
Restricted units ⁽¹⁾	350	370	Restricted units ⁽¹⁾	—
Deferred units ⁽¹⁾	52	33	Deferred units ⁽¹⁾	—
Diluted units	150,947	149,818	Diluted FFO	\$ 56,514

(1) Restricted and deferred units were dilutive in Q1-17. All convertible debenture series, restricted units and deferred units were dilutive in Q1-16.

ANALYSIS OF FINANCIAL POSITION

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

	March 31, 2017			December 31, 2016		
	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share
ASSETS						
Non-current assets:						
Investment properties	\$ 4,985,706	\$ 339,240	\$ 5,324,946	\$ 4,991,825	\$ 284,249	\$ 5,276,074
Investment properties under development	60,384	60,559	120,943	65,199	92,305	157,504
Investments in joint ventures	219,398	(219,398)	—	213,565	(213,565)	—
Property and equipment	3,887	—	3,887	3,351	—	3,351
Notes receivable	12,446	—	12,446	12,972	—	12,972
	5,281,821	180,401	5,462,222	5,286,912	162,989	5,449,901
Current assets:						
Investment properties held for sale	6,865	—	6,865	119,178	—	119,178
Deposits on investment properties	366	—	366	369	—	369
Prepaid expenses and other assets	11,397	239	11,636	11,728	292	12,020
Notes receivable	2,838	—	2,838	2,815	—	2,815
Accounts receivable and other receivables	15,669	578	16,247	13,173	559	13,732
Cash held in trust	8,817	—	8,817	7,851	—	7,851
Cash	77,487	10,565	88,052	50,729	8,312	59,041
	123,439	11,382	134,821	205,843	9,163	215,006
	\$ 5,405,260	\$ 191,783	\$ 5,597,043	\$ 5,492,755	\$ 172,152	\$ 5,664,907
LIABILITIES AND UNITHOLDERS' EQUITY						
Non-current liabilities:						
Mortgages and loans payable	\$ 1,525,873	\$ 134,707	\$ 1,660,580	\$ 1,520,124	\$ 117,804	\$ 1,637,928
Senior unsecured debentures	199,768	—	199,768	199,740	—	199,740
Convertible debentures	—	—	—	119,358	—	119,358
Other long-term liabilities	5,492	—	5,492	4,997	—	4,997
	1,731,133	134,707	1,865,840	1,844,219	117,804	1,962,023
Current liabilities:						
Mortgages and loans payable	555,743	37,696	593,439	627,838	34,709	662,547
Security deposits and prepaid rent	36,687	2,488	39,175	35,213	2,094	37,307
Accounts payable and other liabilities	75,121	16,892	92,013	88,439	17,545	105,984
Bank indebtedness	358,067	—	358,067	269,680	—	269,680
	1,025,618	57,076	1,082,694	1,021,170	54,348	1,075,518
	2,756,751	191,783	2,948,534	2,865,389	172,152	3,037,541
Unitholders' equity	2,648,509	—	2,648,509	2,627,366	—	2,627,366
	\$ 5,405,260	\$ 191,783	\$ 5,597,043	\$ 5,492,755	\$ 172,152	\$ 5,664,907

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

ASSETS

	March 31, 2017	December 31, 2016	Change
Non-current assets:			
Investment properties and investment properties under development	\$ 5,445,889	\$ 5,433,578	\$ 12,311
Other non-current assets	16,333	16,323	10
Current assets:			
Investment properties held for sale	6,865	119,178	(112,313)
Other current assets	31,087	28,936	2,151
Cash and cash held in trust	96,869	66,892	29,977
	\$ 5,597,043	\$ 5,664,907	\$ (67,864)

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, 2016	\$ 5,276,074	\$ 157,504	\$ 119,178	\$ 5,552,756
Additions:				
Capital expenditures	7,951	28,864	—	36,815
Leasing commissions	3,646	262	—	3,908
Capitalized interest	—	101	—	101
Dispositions	(36,743)	—	(111,480)	(148,223)
Reclassification of investment properties under development	68,180	(68,180)	—	—
Foreign currency translation loss	(17,601)	(1,080)	—	(18,681)
Straight-line rent adjustments	1,680	1	(18)	1,663
Tenant inducement additions, net of amortization	5,021	1,651	(18)	6,654
Fair value gain (loss)	16,738	1,820	(797)	17,761
Balance, March 31, 2017	\$ 5,324,946	\$ 120,943	\$ 6,865	\$ 5,452,754

Capital expenditures:

Building improvements are capital expenditures that increase the long-term value of the property or increase the revenue generating potential of the property. These expenditures include costs to modernize or upgrade existing properties. Property maintenance are capital expenditures to repair or replace components of existing properties such as roofs, HVAC units and parking lots.

In Q1-17, non-recoverable building improvements primarily include exterior and interior upgrades, including \$1,176 for the 360 Main Street curtain wall renewal and \$2,295 for the redevelopment of 220 Portage Avenue.

	Three months ended March 31,			%
	2017	2016	Change	Change
New and (re)development expenditures	\$ 28,864	\$ 16,315	\$ 12,549	76.9 %
Building improvements expenditures:				
Recoverable from tenants	1,937	4,304	(2,367)	(55.0)%
Non-recoverable	5,065	1,141	3,924	343.9 %
Property maintenance expenditures:				
Recoverable from tenants	774	1,178	(404)	(34.3)%
Non-recoverable	175	126	49	38.9 %
Total capital expenditures	\$ 36,815	\$ 23,064	\$ 13,751	59.6 %

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 period include \$1,800 for a significant tenant at the Grande Prairie Power Centre, a retail property in Grande Prairie, Alberta. Tenant inducements related to (re)developments during the period include \$1,097 for a significant tenant at the Alex Building which is currently being converted from an industrial property to an office property and \$1,663 for a tenant at the recently developed Millwright Building in Minneapolis, Minnesota.

	Three months ended March 31,			%
	2017	2016	Change	Change
Investment property leasing costs:				
Tenant inducements	\$ 7,668	\$ 6,202	\$ 1,466	23.6 %
Leasing commissions	3,086	4,244	(1,158)	(27.3)%
Investment property (re)development related leasing costs:				
Tenant inducements	3,601	2,395	1,206	50.4 %
Leasing commissions	822	448	374	83.5 %
Total leasing costs	\$ 15,177	\$ 13,289	\$ 1,888	14.2 %

Dispositions:

During Q1-17, Artis sold two office properties, three retail properties and one industrial property in Canada for an aggregate sale price of \$151,132. The aggregate sale proceeds, net of costs of \$2,940 and related debt of \$5,565, were \$142,627.

Completed new and (re)development properties:

In Q1-17, Artis completed the development of one office and two industrial properties, as discussed in the Portfolio Summary section.

Foreign currency translation loss on investment properties:

In Q1-17, the foreign currency translation loss on investment properties was \$18,681 due to the change in the period end US dollar to Canadian dollar exchange rate from 1.3427 at December 31, 2016, to 1.3310 at March 31, 2017.

Fair value gain (loss) on investment properties:

In Q1-17, the REIT recorded a gain on the fair value of investment properties of \$17,761, compared to a loss of \$15,121 in Q1-16. The fair value gain in Q1-17 was largely the result of capitalization rate compression in the Ontario and Minnesota industrial segments.

Artis determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method, which are generally accepted appraisal methodologies. Capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one income is stabilized and capitalized at a rate deemed appropriate for each investment property. Individual properties were valued using capitalization rates in the range of 4.50% to 8.75%. Additional information on the average capitalization rates and ranges used for the portfolio properties, assuming all properties were valued using an overall capitalization method, broken out by asset class and country are set out in the table below.

	March 31, 2017			December 31, 2016		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
Canada	8.75%	5.00%	6.58%	8.75%	5.00%	6.60%
U.S.	8.25%	5.50%	6.78%	8.25%	5.50%	6.79%
Total office	8.75%	5.00%	6.66%	8.75%	5.00%	6.68%
Retail:						
Canada	8.50%	5.25%	6.43%	8.50%	5.25%	6.38%
U.S.	8.50%	5.75%	6.86%	8.50%	5.75%	6.87%
Total retail	8.50%	5.25%	6.46%	8.50%	5.25%	6.41%
Industrial:						
Canada	7.75%	4.50%	6.36%	7.75%	4.50%	6.41%
U.S.	7.75%	5.75%	6.74%	7.75%	5.75%	6.89%
Total industrial	7.75%	4.50%	6.50%	7.75%	4.50%	6.58%
Total:						
Canadian portfolio	8.75%	4.50%	6.48%	8.75%	4.50%	6.49%
U.S. portfolio	8.50%	5.50%	6.78%	8.50%	5.50%	6.82%
Total portfolio	8.75%	4.50%	6.58%	8.75%	4.50%	6.59%

Notes Receivable

In conjunction with the 2007 acquisition of TransAlta Place, the REIT acquired a note receivable in the amount of \$31,000. The note bears interest at 5.89% per annum and is repayable in varying blended monthly installments of principal and interest. The note is transferable at the option of the REIT and matures in May 2023. The balance outstanding on all notes receivable at March 31, 2017 was \$15,284, compared to \$15,787 at December 31, 2016.

Cash

At March 31, 2017, the REIT had \$88,052 of cash on hand, compared to \$59,041 at December 31, 2016. 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 is held in current accounts.

LIABILITIES

	March 31, 2017	December 31, 2016	Change
Non-current liabilities:			
Mortgages and loans payable	\$ 1,660,580	\$ 1,637,928	\$ 22,652
Senior unsecured debentures	199,768	199,740	28
Convertible debentures	—	119,358	(119,358)
Other non-current liabilities	5,492	4,997	495
Current liabilities:			
Mortgages and loans payable	593,439	662,547	(69,108)
Other current liabilities	131,188	143,291	(12,103)
Bank indebtedness	358,067	269,680	88,387
	\$ 2,948,534	\$ 3,037,541	\$ (89,007)

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 March 31, 2017 was 40.2%, compared to 40.6% at December 31, 2016.

	March 31, 2017	December 31, 2016	Change
GBV	\$ 5,600,712	\$ 5,668,337	\$ (67,625)
Secured mortgages and loans	2,254,019	2,300,475	(46,456)
Secured mortgages and loans to GBV	40.2%	40.6%	(0.4)%
Preferred shares liability	\$ 637	\$ 599	\$ 38
Carrying value of debentures	199,768	319,098	(119,330)
Bank indebtedness	358,067	269,680	88,387
Total long-term debt and bank indebtedness	\$ 2,812,491	\$ 2,889,852	\$ (77,361)
Total long-term debt and bank indebtedness to GBV	50.2%	51.0%	(0.8)%

Artis' total long-term debt and bank indebtedness to EBITDA ratio at March 31, 2017 was 8.5, compared to 8.4 at December 31, 2016.

	March 31, 2017	December 31, 2016	Change
Total long-term debt and bank indebtedness	\$ 2,812,491	\$ 2,889,852	\$ (77,361)
EBITDA ⁽¹⁾	332,372	345,376	(13,004)
Total long-term debt and bank indebtedness to EBITDA	8.5	8.4	0.1

(1) EBITDA, 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 1.7 times at March 31, 2017, compared to 2.1 times at December 31, 2016.

	March 31, 2017	December 31, 2016	Change
Unencumbered assets	\$ 926,712	\$ 998,770	\$ (72,058)
Senior unsecured debentures	199,768	199,740	28
Unsecured credit facilities	358,067	269,680	88,387
Total unsecured debt	\$ 557,835	\$ 469,420	\$ 88,415
Unencumbered assets to unsecured debt	1.7	2.1	(0.4)

Mortgages and Loans Payable

Mortgage financing:

Artis finances acquisitions and development projects 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 Q1-17, \$15,748 of principal repayments were made compared to \$15,364 in Q1-16.

In Q1-17, Artis repaid three maturing mortgages in the aggregate amount of \$37,909. In Q1-17, Artis drew on development loans, net of financing costs, in the amount of \$20,794.

The weighted-average term to maturity on all mortgages and loans payable at March 31, 2017 was 3.6 years, decreased from 3.8 years at December 31, 2016.

Unhedged variable rate mortgage debt:

Management believes that holding 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 March 31, 2017, the REIT was a party to \$496,856 of unhedged variable rate mortgage debt, compared to \$550,545 at December 31, 2016. The decrease is primarily due to the repayment of one maturing mortgage of \$17,000, hedging a previously variable rate mortgage in the amount of \$51,421 with an interest rate swap, mortgage repayments of \$2,945 and the impact of foreign exchange of \$3,369, partially offset by draws on construction loans of \$21,046. The unhedged variable rate mortgage debt is 17.6% of total debt including bank indebtedness at March 31, 2017, compared to 19.0% at December 31, 2016.

Senior Unsecured Debentures

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

	March 31, 2017				December 31, 2016			
	Issued	Maturity	Interest rate	Carrying value	Face value	Carrying value	Face value	
Series A	27-Mar-14 10-Sept-14	27-Mar-19	3.753%	\$ 199,768	\$ 200,000	\$ 199,740	\$ 200,000	

Convertible Debentures

Artis had no convertible debentures outstanding at March 31, 2017. On February 28, 2017, the REIT exercised its early redemption option and repaid the outstanding face value of the Series G convertible debentures in the amount of US\$87,975.

	March 31, 2017				December 31, 2016			
	Issued	Maturity	Interest rate	Carrying value	Face value	Carrying value	Face value	
Series G	21-Apr-11	30-June-18	5.75%	\$ —	\$ —	\$ 119,358	\$ 118,158	

Other Current Liabilities

Included in other current liabilities were accounts payable and other liabilities and security deposits and prepaid rent. Included in accounts payable and other liabilities was accrued distributions payable to unitholders of \$14,215, which was paid subsequent to the end of the period.

Bank Indebtedness

The REIT has unsecured revolving term credit facilities in the aggregate amount of \$500,000. The REIT can draw on the facilities in Canadian or US dollars. The first tranche of the credit facilities in the amount of \$300,000 matures on December 15, 2018. The second tranche of the credit facilities matures on April 29, 2021. Amounts drawn on the facilities bear interest at prime plus 0.70% or at the bankers' acceptance rate plus 1.70%. At March 31, 2017, there was \$358,067 drawn on the facilities (December 31, 2016, \$269,680).

UNITHOLDERS' EQUITY

Unitholders' equity increased overall by \$21,143 between December 31, 2016 and March 31, 2017. The increase was primarily due to net income of \$77,016 and the issuance of new units for \$3,029. This increase was partially offset by distributions made to unitholders of \$48,766 and by an unrealized foreign currency translation loss included in other comprehensive (loss) income of \$10,090.

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.

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

	Three months ended March 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Cash flow from operations	\$ 45,351	\$ 251,820	\$ 220,601
Net income (loss)	77,016	115,935	(175,699)
Distributions declared	45,286	175,450	167,144
Excess of cash flow from operations over distributions declared	65	76,370	53,457
Excess (shortfall) of net income (loss) over distributions declared	31,730	(59,515)	(342,843)

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 19 consecutive quarters.

CAPITAL RESOURCES

At March 31, 2017, Artis had \$88,052 of cash 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 March 31, 2017, the REIT had \$358,067 drawn on the facilities.

At March 31, 2017, the REIT had 56 unencumbered properties and 6 unencumbered parcels of development land, representing a fair value of \$926,712.

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 March 31, 2017.

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 from cash on hand.

CONTRACTUAL OBLIGATIONS

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Bank indebtedness	\$ 358,067	\$ 358,067	\$ —	\$ —	\$ —
Accounts payable and other liabilities	92,013	92,013	—	—	—
Senior unsecured debentures ⁽¹⁾	200,000	—	200,000	—	—
Mortgages and loans payable	2,257,849	595,092	501,004	670,287	491,466
Total contractual obligations	\$ 2,907,929	\$ 1,045,172	\$ 701,004	\$ 670,287	\$ 491,466

(1) It is assumed that the outstanding debentures are not redeemed prior to maturity and that they are paid out in cash on maturity.

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

Year ended December 31,	Debt maturities	% of total principal	Scheduled principal repayments on non-matured debt	Total annual principal repayments	Weighted-average nominal interest rate on balance due at maturity
2017	\$ 485,576	24.6%	\$ 40,678	\$ 526,254	3.93%
2018	218,255	11.1%	44,941	263,196	3.48%
2019	248,294	12.6%	43,412	291,706	3.70%
2020	165,652	8.4%	36,587	202,239	3.64%
2021	440,205	22.3%	26,012	466,217	3.35%
2022 & later	415,602	21.0%	92,635	508,237	3.91%
Total	\$ 1,973,584	100.0%	\$ 284,265	\$ 2,257,849	3.69%

SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15
Revenue	\$ 139,538	\$ 146,378	\$ 148,925	\$ 138,159	\$ 139,053	\$ 142,873	\$ 140,254	\$ 134,629
Expenses:								
Property operating	33,644	38,291	34,298	30,098	30,437	35,158	32,160	28,336
Realty taxes	22,492	22,141	22,772	22,444	23,320	22,382	21,667	20,633
	56,136	60,432	57,070	52,542	53,757	57,540	53,827	48,969
Net operating income	83,402	85,946	91,855	85,617	85,296	85,333	86,427	85,660
Other income (expenses):								
Corporate expenses	(3,782)	(3,234)	(2,929)	(3,521)	(3,638)	(3,089)	(2,728)	(2,831)
Interest expense	(26,383)	(27,563)	(28,521)	(28,260)	(28,373)	(28,684)	(28,365)	(28,148)
Interest income	280	287	298	332	298	288	335	335
Fair value gain (loss) on investment properties	17,761	(92,854)	20,201	(21,640)	(15,121)	(252,058)	(64,343)	(5,252)
Foreign currency translation gain (loss)	4,867	(4,695)	206	(4,010)	6,154	410	(9,913)	3,637
Transaction costs	—	(9)	(195)	(862)	(39)	(521)	(1,248)	68
Gain (loss) on financial instruments	479	12,513	(4,039)	2,921	(5,803)	2,426	(3,612)	3,271
Income (loss) before income taxes	76,624	(29,609)	76,876	30,577	38,774	(195,895)	(23,447)	56,740
Income tax recovery (expense)	392	(683)	—	—	—	—	—	—
Net income (loss)	77,016	(30,292)	76,876	30,577	38,774	(195,895)	(23,447)	56,740
Other comprehensive (loss) income:								
Unrealized foreign currency translation (loss) gain	(10,090)	25,936	9,877	4,066	(60,524)	27,422	65,039	(14,853)
Unrealized (loss) gain from remeasurements of net pension obligation	(46)	(4)	(4)	(35)	9	1	—	43
	(10,136)	25,932	9,873	4,031	(60,515)	27,423	65,039	(14,810)
Total comprehensive income (loss)	\$ 66,880	\$ (4,360)	\$ 86,749	\$ 34,608	\$ (21,741)	\$ (168,472)	\$ 41,592	\$ 41,930
Net income (loss) per unit attributable to common unitholders:								
Basic	\$ 0.48	\$ (0.23)	\$ 0.48	\$ 0.18	\$ 0.25	\$ (1.45)	\$ (0.20)	\$ 0.38
Diluted	0.48	(0.23)	0.48	0.18	0.24	(1.45)	(0.20)	0.37
Secured mortgages and loans to GBV	40.2%	40.6%	40.4%	40.9%	41.3%	41.2%	40.2%	39.9%

The quarterly trend for revenue 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 and AFFO

000's, except per unit amounts	Q1-17	Q4-16 ⁽¹⁾	Q3-16 ⁽¹⁾	Q2-16 ⁽¹⁾	Q1-16 ⁽¹⁾	Q4-15 ⁽²⁾	Q3-15 ⁽²⁾	Q2-15 ⁽²⁾
Net income (loss)	\$ 77,016	\$ (30,292)	\$ 76,876	\$ 30,577	\$ 38,774	\$ (195,895)	\$ (23,447)	\$ 56,740
Add (deduct):								
Fair value (gain) loss on investment properties	(17,761)	92,854	(20,201)	21,640	15,121	252,058	64,343	5,252
Amortization of tenant inducements	4,615	4,873	4,456	4,349	4,074	3,694	3,693	3,465
Transaction costs on acquisitions	—	9	195	862	39	521	1,248	(68)
Foreign currency translation (gain) loss	(4,867)	4,695	(206)	4,010	(6,154)	(410)	9,913	(3,637)
(Gain) loss on financial instruments	(479)	(12,513)	4,039	(2,921)	5,803	(2,426)	3,612	(3,271)
Remeasurement component of unit-based compensation	118	(3)	(294)	148	13	(44)	(206)	(180)
Distributions on preferred shares treated as interest expense	46	20	28	27	28	29	28	50
Incremental leasing costs	795	1,406	806	623	547	579	442	544
Preferred unit distributions	(4,630)	(4,641)	(4,611)	(4,584)	(4,596)	(4,682)	(4,638)	(4,547)
FFO	\$ 54,853	\$ 56,408	\$ 61,088	\$ 54,731	\$ 53,649	\$ 53,424	\$ 54,988	\$ 54,348
Add (deduct):								
Amortization of recoverable capital expenditures	(2,290)	(3,846)	(2,331)	(2,116)	(2,041)	—	—	—
Non-recoverable property maintenance reserve	(650)	(650)	(650)	(650)	(650)	(1,432)	(1,406)	(1,350)
Leasing costs reserve	(9,500)	(9,500)	(9,500)	(9,500)	(9,500)	(5,727)	(5,623)	(5,399)
Straight-line rent adjustments	(1,663)	(1,743)	(1,979)	(1,276)	(1,196)	(1,227)	(1,231)	(93)
Unit-based compensation	—	—	—	—	—	618	302	298
AFFO	\$ 40,750	\$ 40,669	\$ 46,628	\$ 41,189	\$ 40,262	\$ 45,656	\$ 47,030	\$ 47,804
FFO per unit:								
Basic	\$ 0.36	\$ 0.38	\$ 0.41	\$ 0.39	\$ 0.39	\$ 0.39	\$ 0.40	\$ 0.40
Diluted	0.36	0.37	0.41	0.38	0.38	0.38	0.39	0.39
AFFO per unit:								
Basic	\$ 0.27	\$ 0.27	\$ 0.31	\$ 0.29	\$ 0.29	\$ 0.33	\$ 0.34	\$ 0.35
Diluted	0.27	0.27	0.31	0.29	0.29	0.33	0.34	0.34
Weighted-average number of common units outstanding for FFO:								
Basic	150,545	149,937	149,227	141,191	139,215	138,566	137,919	137,275
Diluted ⁽³⁾	150,947	154,921	154,326	151,787	149,818	149,089	148,455	147,799

(1) The 2016 balances have been revised to reflect the impact of the new FFO and AFFO guidelines as issued by REALpac in February 2017.

(2) The 2015 balances have not been revised to reflect the impact of the new FFO and AFFO guidelines as issued by REALpac in February 2017.

(3) 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 AFFO 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.

RELATED PARTY TRANSACTIONS

	Three months ended March 31,	
	2017	2016
Property management fees	\$ 82	\$ 82
Capitalized leasing commissions	7	9
Capitalized project management fees	24	37
Capitalized building improvements	4,318	3,676
Capitalized development projects	2,506	471
Capitalized tenant inducements	1,767	318
Capitalized office furniture and fixtures	—	79
Realty tax assessment consulting fees	31	490
Rental revenues	(89)	(72)

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 March 31, 2017, was \$30 (December 31, 2016, \$28).

The REIT incurred costs for building improvements, development projects and tenant inducements paid to Marwest Construction Ltd. ("Marwest Construction") and Marwest Development Corporation, companies related to certain trustees and officers of the REIT. The amount payable at March 31, 2017, was \$6,194 (December 31, 2016, \$8,680).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction. The amount payable at March 31, 2017, was \$nil (December 31, 2016, \$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 March 31, 2017, was \$nil (December 31, 2016, \$68).

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

As of May 8, 2017, the balance of units outstanding is 150,578,389, 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.

The balance of restricted units outstanding as of May 8, 2017 is 346,482, none of which have vested.

The balance of deferred units outstanding as of May 8, 2017 is 59,160. All of these deferred units have vested, 3,945 of which are redeemable.

OUTLOOK

After a year of GDP contraction in Saskatchewan and Alberta in 2016, Scotiabank's Global Outlook report dated April 6, 2017, is forecasting that GDP in these provinces will grow by 1.7% and 2.4%, respectively, in 2017, while continued GDP growth and declining unemployment rates are predicted for 2018. This predicted growth reflects higher oil production and a gradual pick-up in energy investment, particularly on conventional projects. Accordingly, we continue to be cautiously optimistic that the recent modest increase in leasing activity is indicative of a shift to a more positive outlook for the Alberta market. In the meantime, we continue to monitor both the Alberta and Saskatchewan markets closely and work diligently to maximize occupancy and rental rates. Scotiabank predicts that real GDP in Canada will grow by 2.3% in 2017. GDP in British Columbia, Manitoba and Ontario in 2017 is forecast to grow by 2.4%, 2.3% and 2.5%, respectively, which are all consistent with or above the 2017 national forecast.

The above-mentioned Scotiabank Global Outlook report predicts that U.S. real GDP will grow at a rate of 2.3% in 2017. According to the United States Department of Labor, U.S. unemployment decreased nationally from 5.0% to 4.5% year-over-year in March. Most recently available unemployment rates in our U.S. target markets are generally near or below the national average. We continue to monitor this and other key economic indicators in our target U.S. markets on a continuous 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 2017 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. We will also continue to seek and invest in high-yield development opportunities in our target U.S. markets. Accordingly, at the end of 2016 the Board of Trustees increased our target U.S. weighting from 40.0% to 50.0% of total Property NOI.

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 in 2017. 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.

Year-to-date, including all dispositions completed during and subsequent to the quarter, we have sold one industrial, two retail and two office properties in Alberta and two retail properties in British Columbia. These seven properties were sold for an aggregate price of \$158,157 and total approximately 740,000 square feet of gross leasable area (Artis' interest). The proceeds from these dispositions were used to decrease debt, including repayment of three maturing mortgages in the aggregate amount of \$37,909 and the completion of the early redemption of the outstanding 5.75% Series G convertible debentures with a face value of US\$87,975.

We have also identified numerous assets that are no longer aligned with our long-term strategy and have now been listed, or will be listed for sale in 2017. These sales will provide us with an opportunity to recycle additional capital, improving the quality of our portfolio by acquiring newer generation real estate and providing us with funds to further improve debt metrics. As part of this review, we have identified seven industrial properties in Minnesota that, subsequent to the end of the first quarter, have been listed for sale. We plan to use the proceeds from these sales to acquire newer generation real estate. We will also look to sell our seven Minnesota retail assets in 2017, as U.S. retail properties are no longer considered a part of our long-term strategy. Additionally, the Humana Building in the Greater Phoenix Area, Arizona, and Horizon Heights in Calgary, Alberta, will be listed for sale in 2017.

In conjunction with our review and identification of the above noted properties for disposition, we have also identified two properties that will be re-purposed. Sunridge Pointe, a single tenant retail property in Calgary, Alberta which is currently vacant, will be re-purposed to accommodate a grocery store tenant, while Sierra Place, an office building in Calgary, Alberta, will be re-purposed into a 100 suite transit-oriented urban apartment complex.

Overall, we anticipate that real estate fundamentals in Canada and the U.S. will remain stable during the remainder of 2017 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 development opportunities.

SUBSEQUENT EVENTS

As at March 31, 2017, Artis had \$88,052 of cash on hand and \$141,933 available on its revolving term credit facilities. Subsequent to March 31, 2017, the following transactions took place:

- The REIT disposed of Edson Shoppers, a retail property located in Edson, Alberta. The property was sold for \$7,025.
- The REIT repaid five maturing mortgages in the aggregate amount of \$66,457.
- The REIT drew a net balance on its revolving term credit facilities in the amount of \$42,500.
- The REIT declared a monthly cash distribution of \$0.09 per unit for the month of April 2017.
- The REIT declared a quarterly cash distribution of \$0.3125 per Series G preferred unit for the quarter ending April 30, 2017.

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 March 31, 2017, 54.0% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 24.0% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At March 31, 2017, the REIT is a party to \$1,397,454 of variable rate debt, including bank indebtedness (December 31, 2016, \$1,309,535). At March 31, 2017, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$542,531 of variable rate debt (December 31, 2016, \$489,310). 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 March 31, 2017, the REIT's ratio of secured mortgages and loans to GBV was 40.2%, compared to 40.6% at December 31, 2016. The REIT's ratio of total long-term debt and bank indebtedness to GBV was 50.2%, compared to 51.0% at December 31, 2016. Approximately 24.6% of Artis' maturing mortgage debt comes up for renewal in 2017, and 11.1% in 2018. Management is in discussion with various lenders with respect to the renewal or refinancing of the 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 2,027 tenant leases with a weighted-average term to maturity of 4.1 years. Approximately 56.5% of the REIT's gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is Bell MTS, which is one of Canada's leading national communication companies providing voice services, internet and data services, and television. The second largest tenant by gross revenue is WorleyParsons Canada. WorleyParsons delivers projects, provides expertise in engineering, procurement and construction and offers a wide range of consulting and advisory services.

Top 20 Tenants by Gross Revenue ⁽¹⁾

Tenant	% of total gross revenue ⁽²⁾	Owned share of GLA (in 000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Bell MTS	2.1%	322	1.3%	5.9
WorleyParsons Canada	1.7%	211	0.9%	4.4
Graham Group Ltd.	1.6%	243	1.0%	17.3
AT&T	1.4%	257	1.0%	8.3
Bell Canada	1.2%	115	0.5%	12.3
Stantec Consulting Ltd.	1.2%	133	0.5%	6.4
TransAlta Corp	1.0%	336	1.4%	6.2
TDS Telecommunications Corporation	1.0%	195	0.8%	7.8
Schneider Electric Software Canada Inc.	1.0%	98	0.4%	6.4
Bellatrix Exploration Ltd.	1.0%	94	0.4%	6.8
Shoppers Drug Mart	1.0%	153	0.6%	8.0
TD Canada Trust	1.0%	128	0.5%	3.3
Canada Institute for Health Info.	0.9%	92	0.4%	8.4
IHS Global Canada Limited	0.9%	78	0.3%	0.8
CB Richard Ellis, Inc.	0.8%	108	0.4%	9.8
Home Depot	0.8%	122	0.5%	4.4
Fairview Health Services	0.8%	179	0.7%	6.4
3M Canada Company	0.8%	319	1.3%	3.0
Cara Operations Limited	0.7%	100	0.4%	11.8
Birchcliff Energy	0.7%	59	0.2%	0.7
Total	21.6%	3,342	13.5%	7.1

(1) Excluding properties held for redevelopment, completed new developments and new developments in process.

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

Government Tenants by Gross Revenue ⁽¹⁾

Tenant	% of total gross revenue ⁽²⁾	Owned share of GLA (in 000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Federal Government	3.3%	494	2.0%	7.3
Provincial Government	2.2%	340	1.4%	3.2
Civic or Municipal Government	0.5%	106	0.4%	13.3
Total	6.0%	940	3.8%	6.5
Weighted-average term to maturity (entire portfolio)				4.1

(1) Excluding properties held for redevelopment, completed new developments and new developments in process.

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

LEASE ROLLOVER RISK

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

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

Expiry Year	Canada						U.S.					Total
	AB	BC	MB	SK	ON	Calgary office only	AZ	MN	WI	Other		
2017	2.0%	0.3%	2.0%	1.3%	2.4%	1.1%	0.9%	3.6%	0.6%	0.1%	13.2%	
2018	1.7%	0.4%	2.7%	0.7%	1.2%	0.8%	0.1%	2.2%	0.8%	0.6%	10.4%	
2019	1.6%	0.8%	1.2%	0.3%	1.8%	0.7%	0.5%	3.0%	0.7%	0.6%	10.5%	
2020	1.6%	0.2%	1.8%	0.2%	3.0%	0.3%	0.8%	3.2%	0.8%	0.1%	11.7%	
2021	2.7%	0.2%	2.0%	0.4%	1.5%	1.7%	0.7%	4.3%	0.6%	0.1%	12.5%	
2022	0.9%	0.1%	0.3%	0.5%	0.5%	0.5%	0.2%	1.6%	0.2%	0.1%	4.4%	
2023 & later	5.2%	0.9%	3.7%	2.3%	3.8%	2.2%	1.4%	4.6%	2.2%	1.1%	25.2%	
Month-to-month	0.3%	0.1%	0.1%	—%	0.1%	0.1%	—%	—%	—%	0.1%	0.7%	
Vacant	2.2%	0.4%	0.8%	0.1%	1.0%	1.6%	0.4%	2.7%	0.8%	0.2%	8.6%	
New development/ redevelopment	0.6%	—%	0.7%	—%	0.5%	0.2%	0.5%	0.5%	—%	—%	2.8%	
Total	18.8%	3.4%	15.3%	5.8%	15.8%	9.2%	5.5%	25.7%	6.7%	3.0%	100.0%	

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

TAX RISK

The Tax Act contains the SIFT Rules, which are applicable to publicly traded income trusts unless the trust satisfies the REIT Exception. The REIT Exception to the SIFT Rules is comprised of a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of the taxation year. Management believes that the REIT has met the requirements of the REIT Exception in each taxation year since 2009 and that it has met the REIT Exception throughout the three months ended March 31, 2017 and the year ended December 31, 2016. 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 is 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, 2016.

CHANGES IN ACCOUNTING STANDARDS

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 does not expect a material impact to its consolidated financial statements from the adoption 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 does not expect a material impact to its consolidated financial statements from the adoption 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. The changes do not materially impact the lessor accounting model. 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 ("CEO") and Chief Financial Officer ("CFO") 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 March 31, 2017, 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 CEO and CFO, to allow timely decisions regarding required disclosure.

As of March 31, 2017, an evaluation was carried out, under the supervision of and with the participation of management, including the CEO and CFO, of the effectiveness of the REIT's disclosure controls and procedures (as defined in NI 52-109). Based on the evaluation, the CEO and CFO have concluded that the REIT's disclosure controls and procedures were effective for the three months ended March 31, 2017.