



Management's Discussion and Analysis Q2-17

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

Management's Discussion and Analysis - Q2-17

(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 and six months ended June 30, 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 August 3, 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 new guidelines set out by REALpac, as issued in February 2017. Q1-17 was the first quarter the REIT 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. Amounts presented on a Proportionate Share basis include 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.

Net Asset Value ("NAV") per Unit

Artis calculates NAV per unit as its unitholders' equity, adjusted for the outstanding face value in Canadian dollars of its preferred units, divided by its total number of dilutive units outstanding. Management considers this metric to be a valuable measure of the REIT's residual equity available to its common unitholders. Refer to the Unitholders' Equity section of this MD&A for further discussion and calculation of this measure.

TABLE OF CONTENTS

| | |
|--|-----------|
| OVERVIEW | 4 |
| Primary Objective | 4 |
| Second Quarter Overview | 4 |
| Portfolio Summary | 5 |
| 2017 - SECOND QUARTER HIGHLIGHTS | 10 |
| Portfolio Activity | 10 |
| Financing Activities | 10 |
| Distributions | 10 |
| SELECTED FINANCIAL INFORMATION | 11 |
| ANALYSIS OF OPERATING RESULTS | 12 |
| Revenue and Property NOI | 14 |
| Same Property NOI Analysis | 14 |
| Property NOI by Asset Class | 16 |
| Property NOI by Geographical Region | 18 |
| Portfolio Occupancy | 19 |
| Portfolio Leasing Activity and Lease Expiries | 20 |
| Corporate Expenses | 28 |
| Interest Expense | 28 |
| Fair Value (Loss) Gain on Investment Properties | 29 |
| Foreign Currency Translation Gain (Loss) | 30 |
| Gain (Loss) on Financial Instruments | 30 |
| Income Tax | 30 |
| Other Comprehensive (Loss) Income | 30 |
| Funds from Operations and Adjusted Funds from Operations | 31 |
| ANALYSIS OF FINANCIAL POSITION | 33 |
| Assets | 34 |
| Liabilities | 37 |
| Unitholders' Equity | 39 |
| LIQUIDITY AND CAPITAL RESOURCES | 40 |
| Distributions | 40 |
| Capital Resources | 40 |
| Contractual Obligations | 40 |
| SUMMARIZED QUARTERLY INFORMATION | 42 |
| RELATED PARTY TRANSACTIONS | 44 |
| OUTSTANDING UNIT DATA | 44 |
| OUTLOOK | 44 |
| Subsequent Events | 45 |
| RISKS AND UNCERTAINTIES | 46 |
| Real Estate Ownership | 46 |
| Interest Rate and Debt Financing | 46 |
| Credit Risk and Tenant Concentration | 46 |
| Lease Rollover Risk | 47 |
| Tax Risk | 48 |
| Foreign Currency Risk | 48 |
| Other Risks | 48 |
| CRITICAL ACCOUNTING ESTIMATES | 49 |
| CHANGES IN ACCOUNTING STANDARDS | 49 |
| CONTROLS AND PROCEDURES | 49 |
| Internal Controls Over Financial Reporting | 49 |
| Disclosure Controls and Procedures | 50 |

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 August 3, 2017, there were 150,593,232 units, 13,650,000 preferred units, 376,355 restricted units and 69,106 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.

SECOND QUARTER OVERVIEW

During the second quarter of 2017, we completed the sale of one retail property located in Edson, Alberta. One of our objectives, due to the volatility in the oil market since 2014, has been to further diversify our portfolio and reduce the percentage of NOI derived from our Alberta properties. Accordingly, from Q2-14 to Q2-17, our Alberta NOI weighting has decreased from 39.2% to 25.6% and our Calgary office NOI weighting has decreased from 19.1% to 11.1%. During this time frame, we have sold 19 assets in Alberta, including three office properties, six retail properties and 10 industrial properties, four of which were located in Calgary. These assets, totaling 1.9 million square feet of gross leasable area, were sold for an aggregate price of \$354,939 and a weighted-average capitalization rate of 6.30%. We are pleased with the progress we've made in reducing our Alberta exposure. The funds generated from these sales have been used in a prudent manner to pay down debt, improve our balance sheet, and to acquire and develop Class A real estate in our other target markets. Subsequent to the end of the quarter, we completed the sale of an additional retail property located in Calgary. There continues to be interest in our Calgary office properties at prices that reflect our internal valuations.

In Q1-17, we identified numerous assets that are no longer aligned with our long-term strategy which have now been listed, or will be listed for sale in 2017. These sales will provide us with funds to further improve our debt metrics and the opportunity to recycle additional capital, improving the quality of our portfolio by acquiring newer generation real estate. As part of this review, we identified seven industrial properties in Minnesota that were listed for sale in Q2-17. There has been considerable interest in these assets from qualified buyers. We plan to use the proceeds from these sales to acquire or develop newer generation industrial real estate in our target markets.

During Q2-17, we entered into unconditional agreements to sell Sherwood Centre, an industrial property in Edmonton, Alberta, and 6075 Kestrel Road, an industrial property in the Greater Toronto Area, Ontario. We also plan 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, has been listed for sale.

In Q1-17, we identified two properties in Calgary, Alberta, for re-purposing. Sunridge Pointe, a single tenant retail property which is currently vacant, is being redeveloped to accommodate a grocery store tenant with a long-term lease commencing in Q4-17, while Sierra Place, an office building located downtown, will be re-purposed into a 100 suite transit-oriented urban apartment complex.

Additionally, during the quarter, we entered into a new unsecured non-revolving term credit facility in the amount of \$150,000 for a five-year term. This new credit facility provides us with access to capital that can be utilized for general corporate and working capital purposes, property acquisitions and development financing.

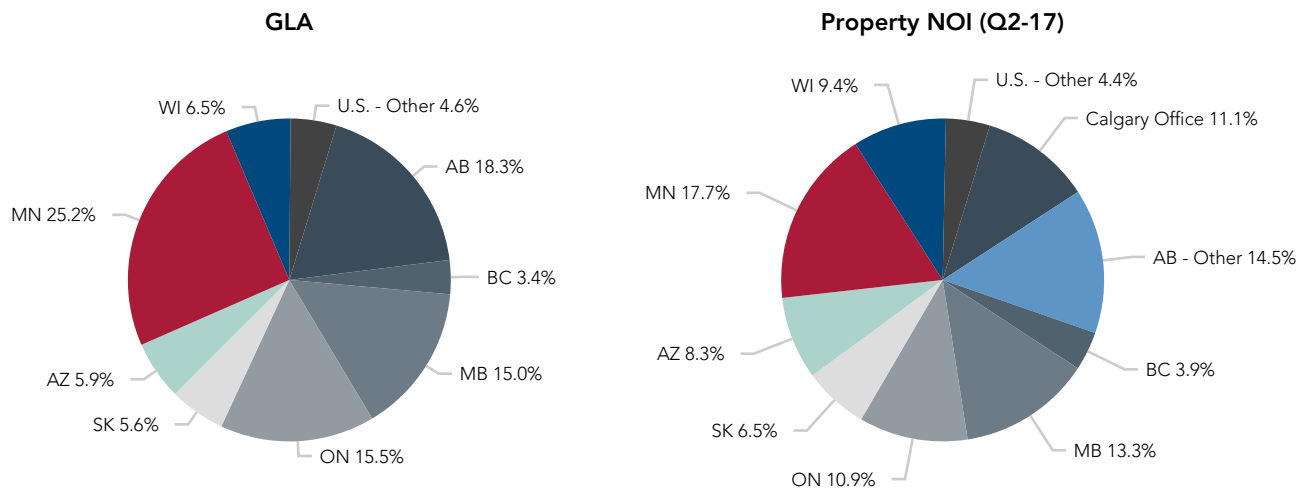
Corporate Sustainability Progress

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 June 30, 2017, we have 22 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.

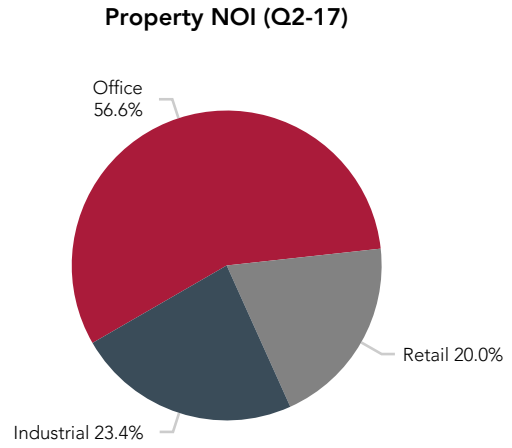
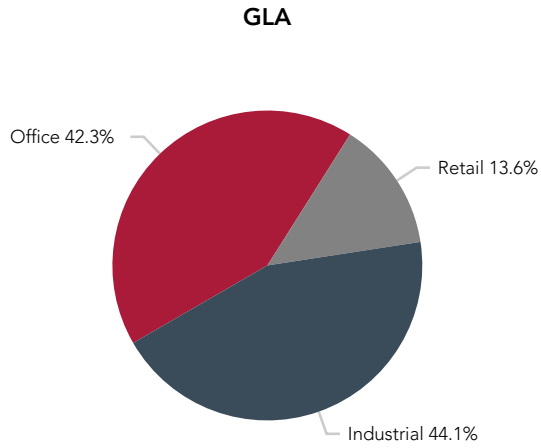
PORTFOLIO SUMMARY

At June 30, 2017, the REIT's portfolio was comprised of 248 commercial properties totaling approximately 25.9 million square feet ("S.F.") of gross leasable area ("GLA").

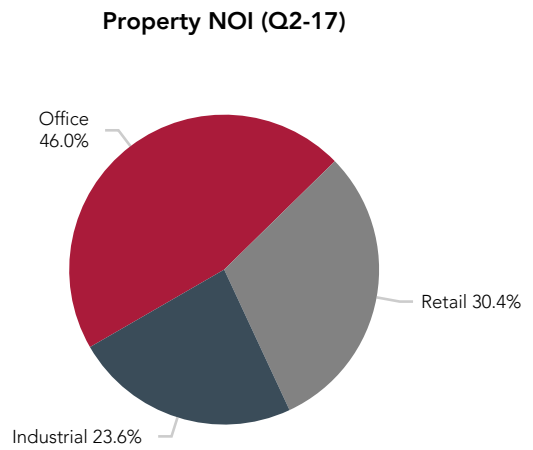
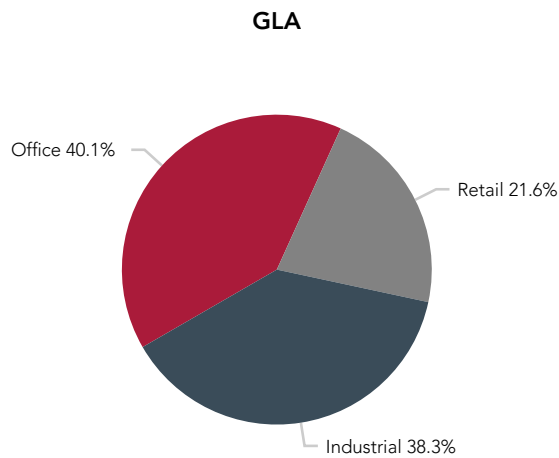
Diversification by Geographical Region



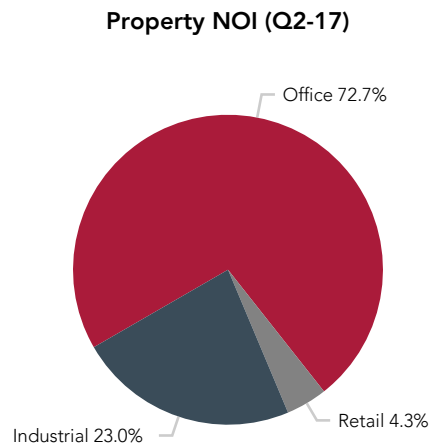
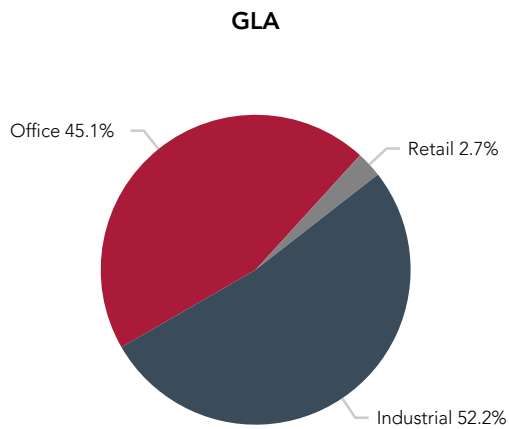
Diversification by Asset Class - Total Canadian and U.S. Portfolio



Diversification by Asset Class - Canadian Portfolio



Diversification by Asset Class - U.S. Portfolio



Portfolio by Asset Class as at June 30, 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⁾ |
|-----------------------------------|------------------------|------------------|----------------|--------------------|--------------------|------------|----------------------------|
| Canadian portfolio: | | | | | | | |
| Office | Calgary | AB | 17 | 2,259 | 8.7% | 81.0% | 85.1% |
| | Greater Edmonton Area | AB | 1 | 48 | 0.2% | 91.7% | 91.7% |
| | Greater Toronto Area | ON | 7 | 1,085 | 4.2% | 84.7% | 84.8% |
| | Greater Vancouver Area | BC | 3 | 462 | 1.8% | 95.6% | 98.1% |
| | Nanaimo | BC | 2 | 68 | 0.3% | 100.0% | 100.0% |
| | Ottawa | ON | 2 | 287 | 1.1% | 96.7% | 96.7% |
| | Red Deer | AB | 1 | 149 | 0.6% | 87.9% | 91.4% |
| | Saskatoon | SK | 1 | 63 | 0.2% | 100.0% | 100.0% |
| | Winnipeg | MB | 9 | 1,347 | 5.2% | 90.2% | 93.3% |
| Office total | | | 43 | 5,768 | 22.3% | 86.5% | 89.1% |
| Retail | Calgary | AB | 6 | 418 | 1.6% | 85.4% | 98.9% |
| | Estevan | SK | 2 | 175 | 0.7% | 92.6% | 92.6% |
| | Fort McMurray | AB | 8 | 194 | 0.7% | 94.0% | 97.0% |
| | Grande Prairie | AB | 5 | 362 | 1.4% | 96.7% | 97.4% |
| | Greater Edmonton Area | AB | 5 | 440 | 1.7% | 98.5% | 99.0% |
| | Greater Vancouver Area | BC | 1 | 166 | 0.6% | 98.4% | 99.0% |
| | Nanaimo | BC | 3 | 74 | 0.3% | 52.4% | 61.3% |
| | Regina | SK | 8 | 533 | 2.1% | 95.7% | 96.6% |
| | Saskatoon | SK | 3 | 219 | 0.8% | 99.2% | 100.0% |
| | Winnipeg | MB | 6 | 649 | 2.5% | 95.8% | 97.9% |
| Retail total | | | 47 | 3,230 | 12.4% | 94.0% | 96.9% |
| Industrial | Calgary | AB | 5 | 275 | 1.1% | 100.0% | 100.0% |
| | Greater Edmonton Area | AB | 4 | 319 | 1.2% | 73.4% | 73.4% |
| | Greater Toronto Area | ON | 30 | 2,504 | 9.6% | 96.5% | 98.7% |
| | Greater Vancouver Area | BC | 2 | 98 | 0.4% | 100.0% | 100.0% |
| | Red Deer | AB | 1 | 126 | 0.5% | 96.0% | 96.0% |
| | Regina | SK | 2 | 143 | 0.6% | 49.4% | 49.4% |
| | Saskatoon | SK | 5 | 327 | 1.3% | 100.0% | 100.0% |
| | Winnipeg | MB | 29 | 1,713 | 6.6% | 95.9% | 96.8% |
| Industrial total | | | 78 | 5,505 | 21.3% | 94.2% | 95.5% |
| Total Canadian portfolio | | | 168 | 14,503 | 56.0% | 91.1% | 93.3% |
| U.S. portfolio: | | | | | | | |
| Office | Greater Denver Area | CO | 4 | 634 | 2.4% | 91.2% | 92.0% |
| | Greater Phoenix Area | AZ | 6 | 1,002 | 3.9% | 95.7% | 95.7% |
| | Madison | WI | 16 | 1,696 | 6.5% | 92.2% | 92.9% |
| | New Hartford | NY | 1 | 123 | 0.5% | 100.0% | 100.0% |
| | Twin Cities Area | MN | 5 | 1,337 | 5.2% | 90.6% | 91.1% |
| Office total | | | 32 | 4,792 | 18.5% | 92.5% | 93.0% |
| Retail | Twin Cities Area | MN | 7 | 298 | 1.2% | 92.4% | 92.4% |
| Industrial | Greater Phoenix Area | AZ | 2 | 286 | 1.1% | 100.0% | 100.0% |
| | Twin Cities Area | MN | 31 | 4,754 | 18.4% | 90.2% | 92.1% |
| Industrial total | | | 33 | 5,040 | 19.5% | 90.8% | 92.5% |
| Total U.S. portfolio | | | 72 | 10,130 | 39.2% | 91.6% | 92.8% |
| Total Canadian and U.S. portfolio | | | 240 | 24,633 | 95.2% | 91.3% | 93.1% |

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

(2) Percentage committed is based on occupancy at June 30, 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 | 87 | 0.3% | McCall Lake Industrial | 70.7% |
| Office | Winnipeg | MB | 1 | 171 | 0.7% | 220 Portage Avenue | 72.4% |
| Office | Calgary | AB | 1 | 62 | 0.2% | Alex Building | 100.0% |
| Total properties held for redevelopment | | | 3 | 320 | 1.2% | | 77.3% |

(1) Percentage committed is based on occupancy at June 30, 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 Phoenix Area | AZ | 1 | 132 | 0.5% | Park Lucero Phase III | 100.0% | 100.0% |
| Industrial | Houston | TX | 1 | 418 | 1.6% | Park 8Ninety Phase I | 100.0% | 59.0% |
| Industrial | Greater Toronto Area | ON | 1 | 130 | 0.5% | 175 Westcreek Boulevard | 100.0% | 100.0% |
| Office | Greater Denver Area | CO | — | — | —% | 169 Inverness Drive West Phase I | 47.0% | —% |
| Total completed new developments | | | 5 | 938 | 3.6% | | | |

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

(2) Percentage committed is based on occupancy at June 30, 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.

Artis has a 90% ownership interest (in the form of joint venture arrangements) in Park Lucero, a four phase industrial project located in the Greater Phoenix Area, Arizona. Construction of Park Lucero Phase II comprising 132,000 square feet was completed in Q1-17, and construction of Park Lucero Phase III, which is 100% leased and comprises 147,000 square feet, was completed 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 comprises four buildings totaling approximately 440,000 square feet. Construction of Park 8Ninety Phase I was completed in Q2-17.

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 a lease that commenced in Q2-17 and a lease that commences in Q4-17.

New Development in Process:

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 under way.

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. Artis has 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 approximately 400 apartment units above this 19-storey office building are underway. 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 700 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 | 30 | 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 - SECOND QUARTER HIGHLIGHTS

PORTFOLIO ACTIVITY

During Q2-17, Artis disposed of one property and completed the development of two 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, March 31, 2017 | 78 | 10,932 | 55 | 3,548 | 114 | 10,881 | 247 | 25,361 |
| New developments | — | — | — | — | 2 | 550 | 2 | 550 |
| Disposition | — | — | (1) | (20) | — | — | (1) | (20) |
| Portfolio properties, June 30, 2017 | 78 | 10,932 | 54 | 3,528 | 116 | 11,431 | 248 | 25,891 |

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

Property Disposition

| Property | Property count | Disposition date | Location | Asset class | Owned share of GLA | Sale price | Capitalization rate |
|----------------|----------------|------------------|-----------|-------------|--------------------|------------|---------------------|
| Edson Shoppers | 1 | April 7, 2017 | Edson, AB | Retail | 20,405 | \$7,025 | 6.73% |

FINANCING ACTIVITIES

Credit Facilities

On June 30, 2017, Artis entered into a new unsecured non-revolving term credit facility in the amount of \$150,000 which can be utilized for general corporate and working capital purposes, property acquisitions and development financing. There was no activity on this facility in Q2-17. The facility was fully drawn on July 6, 2017 and matures on July 6, 2022. Amounts drawn on the facility bear interest at the bankers' acceptance rate plus 1.60% or at prime plus 0.60%.

During Q2-17, Artis drew a net balance of \$78,500 on its unsecured revolving term credit facilities. These draws were primarily for repayment of maturing mortgages and for ongoing development expenditures, partially offset by repayments from the proceeds of dispositions of investment properties.

Debt Financing and Repayment Activity

During Q2-17, Artis repaid six maturing mortgages in the aggregate amount of \$84,485. Artis refinanced one maturing mortgage and received upward financing on one mortgage, net of financing costs, for a total of \$5,200. In Q2-17, Artis drew on development loans, net of financing costs, in the amount of \$15,702.

DISTRIBUTIONS

Artis declared distributions of \$45,255 (YTD - \$90,541) to unitholders in Q2-17, which included distributions to preferred unitholders in the amount of \$4,597 (YTD - \$9,227).

SELECTED FINANCIAL INFORMATION

| 000's, except per unit amounts | Three months ended | | | | Six months ended | | | |
|-------------------------------------|--------------------|---------------|------------|----------|------------------|---------------|------------|----------|
| | 2017 | June 30, 2016 | Change | % Change | 2017 | June 30, 2016 | Change | % Change |
| Revenue | \$ 136,217 | \$ 138,159 | \$ (1,942) | (1.4)% | \$ 275,755 | \$ 277,212 | \$ (1,457) | (0.5)% |
| Property NOI | 82,268 | 85,617 | (3,349) | (3.9)% | 165,670 | 170,913 | (5,243) | (3.1)% |
| Net income | 38,553 | 30,577 | 7,976 | 26.1 % | 115,569 | 69,351 | 46,218 | 66.6 % |
| Basic income per common unit | 0.23 | 0.18 | 0.05 | 27.8 % | 0.71 | 0.43 | 0.28 | 65.1 % |
| Diluted income per common unit | 0.22 | 0.18 | 0.04 | 22.2 % | 0.71 | 0.43 | 0.28 | 65.1 % |
| Distributions to common unitholders | \$ 40,658 | \$ 38,569 | \$ 2,089 | 5.4 % | \$ 81,314 | \$ 76,183 | \$ 5,131 | 6.7 % |
| Distributions per common unit | 0.27 | 0.27 | — | — % | 0.54 | 0.54 | — | — % |
| FFO ⁽¹⁾ | \$ 54,442 | \$ 54,731 | \$ (289) | (0.5)% | \$ 109,295 | \$ 108,380 | \$ 915 | 0.8 % |
| FFO per unit | 0.36 | 0.38 | (0.02) | (5.3)% | 0.72 | 0.76 | (0.04) | (5.3)% |
| FFO payout ratio ⁽¹⁾ | 75.0% | 71.1% | | 3.9 % | 75.0% | 71.1% | | 3.9 % |
| AFFO ⁽¹⁾ | \$ 40,134 | \$ 41,189 | \$ (1,055) | (2.6)% | \$ 80,884 | \$ 81,451 | \$ (567) | (0.7)% |
| AFFO per unit ⁽¹⁾ | 0.27 | 0.29 | (0.02) | (6.9)% | 0.54 | 0.58 | (0.04) | (6.9)% |
| AFFO payout ratio ⁽¹⁾ | 100.0% | 93.1% | | 6.9 % | 100.0% | 93.1% | | 6.9 % |
| Interest coverage ratio | 3.11 | 2.92 | 0.19 | 6.5 % | 3.07 | 2.90 | 0.17 | 5.9 % |
| EBITDA interest coverage ratio | 3.30 | 3.05 | 0.25 | 8.2 % | 3.25 | 3.02 | 0.23 | 7.6 % |

(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 Q2-16 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 and the impact of foreign exchange in 2016 and 2017.

| 000's, except per unit amounts | June 30, 2017 | March 31, 2017 | December 31, 2016 |
|--|---------------|----------------|-------------------|
| Consolidated financial statements debt to GBV: | | | |
| Secured mortgages and loans to GBV | 36.9% | 38.5% | 39.1% |
| Total long-term debt and credit facilities to GBV | 48.8% | 48.8% | 49.8% |
| Proportionate Share debt to GBV: | | | |
| Secured mortgages and loans to GBV | 38.9% | 40.2% | 40.6% |
| Total long-term debt and credit facilities to GBV | 50.4% | 50.2% | 51.0% |
| Total long-term debt and credit facilities to EBITDA | 8.5 | 8.5 | 8.4 |
| NAV per unit | \$ 14.89 | \$ 15.12 | \$ 15.00 |
| Total assets | \$ 5,524,874 | \$ 5,597,043 | \$ 5,664,907 |
| Total non-current financial liabilities | 1,690,349 | 1,865,840 | 1,962,023 |

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 June 30, | | | | | |
|---|---------------------------------------|---------------------------|---------------------------|---------------------------------------|---------------------------|---------------------------|
| | 2017 | | | 2016 | | |
| | Per consolidated financial statements | Adjustment ⁽¹⁾ | Total Proportionate Share | Per consolidated financial statements | Adjustment ⁽¹⁾ | Total Proportionate Share |
| Revenue | \$ 129,507 | \$ 6,710 | \$ 136,217 | \$ 132,400 | \$ 5,759 | \$ 138,159 |
| Expenses: | | | | | | |
| Property operating | 29,737 | 2,009 | 31,746 | 28,466 | 1,632 | 30,098 |
| Realty taxes | 21,070 | 1,133 | 22,203 | 21,557 | 887 | 22,444 |
| | 50,807 | 3,142 | 53,949 | 50,023 | 2,519 | 52,542 |
| Net operating income | 78,700 | 3,568 | 82,268 | 82,377 | 3,240 | 85,617 |
| Other income (expenses): | | | | | | |
| Corporate expenses | (3,330) | — | (3,330) | (3,521) | — | (3,521) |
| Interest expense | (24,070) | (1,410) | (25,480) | (27,193) | (1,067) | (28,260) |
| Interest income | 262 | 2 | 264 | 330 | 2 | 332 |
| Net income from investments in joint ventures | 1,528 | (1,528) | — | 3,280 | (3,280) | — |
| Fair value (loss) gain on investment properties | (16,169) | (632) | (16,801) | (22,745) | 1,105 | (21,640) |
| Foreign currency translation gain (loss) | 1,552 | — | 1,552 | (4,010) | — | (4,010) |
| Transaction costs | — | — | — | (862) | — | (862) |
| Gain on financial instruments | 131 | — | 131 | 2,921 | — | 2,921 |
| Income before income taxes | 38,604 | — | 38,604 | 30,577 | — | 30,577 |
| Income tax expense | (51) | — | (51) | — | — | — |
| Net income | 38,553 | — | 38,553 | 30,577 | — | 30,577 |
| Other comprehensive (loss) income: | | | | | | |
| Unrealized foreign currency translation (loss) gain | (26,329) | (3,743) | (30,072) | 3,559 | 507 | 4,066 |
| Unrealized foreign currency translation (loss) gain on joint ventures | (3,743) | 3,743 | — | 507 | (507) | — |
| Unrealized gain (loss) from remeasurements of net pension obligation | 38 | — | 38 | (35) | — | (35) |
| | (30,034) | — | (30,034) | 4,031 | — | 4,031 |
| Total comprehensive income | \$ 8,519 | \$ — | \$ 8,519 | \$ 34,608 | \$ — | \$ 34,608 |

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

| | Six months ended June 30, | | | | | |
|--|---------------------------------------|---------------------------|---------------------------|---------------------------------------|---------------------------|---------------------------|
| | 2017 | | | 2016 | | |
| | Per consolidated financial statements | Adjustment ⁽¹⁾ | Total Proportionate Share | Per consolidated financial statements | Adjustment ⁽¹⁾ | Total Proportionate Share |
| Revenue | \$ 263,064 | \$ 12,691 | \$ 275,755 | \$ 265,394 | \$ 11,818 | \$ 277,212 |
| Expenses: | | | | | | |
| Property operating | 61,568 | 3,822 | 65,390 | 57,230 | 3,305 | 60,535 |
| Realty taxes | 42,518 | 2,177 | 44,695 | 43,801 | 1,963 | 45,764 |
| | 104,086 | 5,999 | 110,085 | 101,031 | 5,268 | 106,299 |
| Net operating income | 158,978 | 6,692 | 165,670 | 164,363 | 6,550 | 170,913 |
| Other income (expenses): | | | | | | |
| Corporate expenses | (7,112) | — | (7,112) | (7,159) | — | (7,159) |
| Interest expense | (49,152) | (2,711) | (51,863) | (54,469) | (2,164) | (56,633) |
| Interest income | 541 | 3 | 544 | 628 | 2 | 630 |
| Net income from investments in joint ventures | 7,642 | (7,642) | — | 3,523 | (3,523) | — |
| Fair value (loss) gain on investment properties | (2,698) | 3,658 | 960 | (35,896) | (865) | (36,761) |
| Foreign currency translation gain | 6,419 | — | 6,419 | 2,144 | — | 2,144 |
| Transaction costs | — | — | — | (901) | — | (901) |
| Gain (loss) on financial instruments | 610 | — | 610 | (2,882) | — | (2,882) |
| Income before income taxes | 115,228 | — | 115,228 | 69,351 | — | 69,351 |
| Income tax recovery | 341 | — | 341 | — | — | — |
| Net income | 115,569 | — | 115,569 | 69,351 | — | 69,351 |
| Other comprehensive loss: | | | | | | |
| Unrealized foreign currency translation loss | (35,347) | (4,815) | (40,162) | (50,051) | (6,407) | (56,458) |
| Unrealized foreign currency translation loss on joint ventures | (4,815) | 4,815 | — | (6,407) | 6,407 | — |
| Unrealized loss from remeasurements of net pension obligation | (8) | — | (8) | (26) | — | (26) |
| | (40,170) | — | (40,170) | (56,484) | — | (56,484) |
| Total comprehensive income | \$ 75,399 | \$ — | \$ 75,399 | \$ 12,867 | \$ — | \$ 12,867 |

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

REVENUE AND PROPERTY NOI

| | Three months ended | | | % Change | Six months ended | | | % Change |
|--|--------------------|------------------|------------|-------------|------------------|------------------|------------|-------------|
| | 2017 | June 30, 2016 | Change | | 2017 | June 30, 2016 | Change | |
| Revenue: | | | | | | | | |
| Basic rent, parking and other revenue | \$ 94,950 | \$ 94,384 | \$ 566 | | \$ 191,254 | \$ 190,001 | \$ 1,253 | |
| Operating cost and realty tax recoveries | 43,911 | 44,890 | (979) | | 89,183 | 91,204 | (2,021) | |
| Amortization of tenant inducements | (4,544) | (4,349) | (195) | | (9,159) | (8,423) | (736) | |
| Straight-line rent adjustments | 1,871 | 1,276 | 595 | | 3,534 | 2,472 | 1,062 | |
| Lease termination income | 29 | 1,958 | (1,929) | | 943 | 1,958 | (1,015) | |
| | 136,217 | 138,159 | (1,942) | (1.4)% | 275,755 | 277,212 | (1,457) | (0.5)% |
| Expenses: | | | | | | | | |
| Property operating | 31,746 | 30,098 | 1,648 | | 65,390 | 60,535 | 4,855 | |
| Realty taxes | 22,203 | 22,444 | (241) | | 44,695 | 45,764 | (1,069) | |
| | 53,949 | 52,542 | 1,407 | 2.7 % | 110,085 | 106,299 | 3,786 | 3.6 % |
| Property NOI | \$ 82,268 | \$ 85,617 | \$ (3,349) | (3.9)% | \$ 165,670 | \$ 170,913 | \$ (5,243) | (3.1)% |

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, insurance, utilities and property management expenses.

SAME PROPERTY NOI ANALYSIS

Same Property NOI 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 (re)development.

| | Three months ended | | | % Change | Six months ended | | | % Change |
|--|--------------------|------------------|--------|-------------|------------------|------------------|----------|-------------|
| | 2017 | June 30, 2016 | Change | | 2017 | June 30, 2016 | Change | |
| Revenue ⁽¹⁾ | \$ 122,650 | \$ 123,040 | | | \$ 246,022 | \$ 249,018 | | |
| Add (deduct) non-cash revenue adjustments: | | | | | | | | |
| Amortization of tenant inducements | 4,298 | 3,891 | | | 8,592 | 7,544 | | |
| Straight-line rent adjustments | (1,207) | (1,099) | | | (2,271) | (2,192) | | |
| | 125,741 | 125,832 | | | 252,343 | 254,370 | | |
| Property operating and realty tax expenses | 48,884 | 49,288 | | | 98,510 | 99,568 | | |
| Same Property NOI | \$ 76,857 | \$ 76,544 | \$ 313 | 0.4% | \$ 153,833 | \$ 154,802 | \$ (969) | (0.6)% |

(1) Adjusted for non-recurring revenue amounts such as lease termination income.

Lease termination income related to significant tenants of \$nil (YTD - \$800) in Q2-17, compared to \$1,774 (YTD - \$1,774) in Q2-16, 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 | | | | Six months ended | | | |
|------------------------------|--------------|---------------|----------|----------|------------------|---------------|----------|----------|
| | 2017 | June 30, 2016 | Change | % Change | 2017 | June 30, 2016 | Change | % Change |
| Canada | | | | | | | | |
| Office | \$ 24,587 | \$ 25,374 | \$ (787) | (3.1)% | \$ 49,691 | \$ 50,583 | \$ (892) | (1.8)% |
| Retail | 14,973 | 15,087 | (114) | (0.8)% | 30,189 | 30,375 | (186) | (0.6)% |
| Industrial | 11,188 | 10,920 | 268 | 2.5 % | 22,568 | 21,594 | 974 | 4.5 % |
| Total Canada | 50,748 | 51,381 | (633) | (1.2)% | 102,448 | 102,552 | (104) | (0.1)% |
| U.S. | | | | | | | | |
| Office | 12,106 | 12,085 | 21 | — % | 24,305 | 24,530 | (225) | (0.6)% |
| Retail | 1,120 | 1,222 | (102) | (0.1)% | 2,109 | 2,474 | (365) | (0.9)% |
| Industrial | 6,190 | 6,223 | (33) | — % | 12,111 | 12,226 | (115) | (0.3)% |
| Total U.S. | 19,416 | 19,530 | (114) | (0.1)% | 38,525 | 39,230 | (705) | (1.8)% |
| Total in functional currency | 70,164 | 70,911 | (747) | (1.1)% | 140,973 | 141,782 | (809) | (0.6)% |
| Foreign exchange | 6,693 | 5,633 | 1,060 | 18.8 % | 12,860 | 13,020 | (160) | (1.2)% |
| Total in Canadian dollars | \$ 76,857 | \$ 76,544 | \$ 313 | 0.4 % | \$ 153,833 | \$ 154,802 | \$ (969) | (0.6)% |

Artis' Canadian office segment decreased primarily due to increased vacancy and lower rents in Calgary, Alberta. Excluding the impact of the Calgary office properties, the Canadian office segment increased \$276 (YTD - increased \$270) or 1.9% (YTD - increased 0.9%).

Same Property NOI by Geographical Region and stabilized Same Property NOI

| | Three months | | | | Six months ended | | | |
|---|--------------|---------------|------------|----------|------------------|---------------|------------|----------|
| | 2017 | June 30, 2016 | Change | % Change | 2017 | June 30, 2016 | Change | % Change |
| Alberta | \$ 21,660 | \$ 22,996 | \$ (1,336) | (5.8)% | \$ 44,268 | \$ 45,604 | \$ (1,336) | (2.9)% |
| British Columbia | 3,457 | 3,465 | (8) | (0.2)% | 6,903 | 6,931 | (28) | (0.4)% |
| Manitoba | 11,238 | 10,749 | 489 | 4.5 % | 22,449 | 21,510 | 939 | 4.4 % |
| Ontario | 9,213 | 9,029 | 184 | 2.0 % | 18,334 | 18,198 | 136 | 0.7 % |
| Saskatchewan | 5,180 | 5,142 | 38 | 0.7 % | 10,494 | 10,309 | 185 | 1.8 % |
| Arizona | 5,187 | 4,894 | 293 | 6.0 % | 10,351 | 9,978 | 373 | 3.7 % |
| Minnesota | 11,255 | 11,700 | (445) | (3.8)% | 22,245 | 23,322 | (1,077) | (4.6)% |
| U.S. - Other | 2,974 | 2,936 | 38 | 1.3 % | 5,929 | 5,930 | (1) | — % |
| Total Same Property NOI in functional currency | 70,164 | 70,911 | (747) | (1.1)% | 140,973 | 141,782 | (809) | (0.6)% |
| Less: properties planned for disposition | (2,934) | (3,148) | 214 | (6.8)% | (5,479) | (6,087) | 608 | (10.0)% |
| Less: properties planned for re-purposing | (84) | (318) | 234 | (73.6)% | (203) | (731) | 528 | (72.2)% |
| Less: Calgary office segment | (9,907) | (10,972) | 1,065 | (9.7)% | (20,306) | (21,388) | 1,082 | (5.1)% |
| Stabilized Same Property NOI in functional currency | 57,239 | 56,473 | 766 | 1.4 % | 114,985 | 113,576 | 1,409 | 1.2 % |
| Foreign exchange | 5,854 | 4,898 | 956 | 19.5 % | 11,325 | 11,345 | (20) | (0.2)% |
| Stabilized Same Property NOI in Canadian dollars | \$ 63,093 | \$ 61,371 | \$ 1,722 | 2.8 % | \$ 126,310 | \$ 124,921 | \$ 1,389 | 1.1 % |

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 Q2-17, management listed seven industrial properties comprising 1,204,612 square feet in Minnesota for sale. Additionally, the REIT listed for sale the Humana Building, an office building in the Greater Phoenix Area, Arizona. During Q2-17, the REIT entered into unconditional sale agreements for 6075 Kestrel Road, an industrial building in the Greater Toronto Area, Ontario, and Sherwood Centre, an industrial building in Edmonton, Alberta. Subsequent to Q2-17, the REIT sold Horizon Heights, a retail property in Calgary, Alberta. These properties are part of a capital recycling program 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 with a long-term lease commencing in Q4-17. 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 June 30, | | Asset Class | As at June 30, | |
|---------------------|----------------|--------------|-------------|----------------|-------|
| | 2017 | 2016 | | 2017 | 2016 |
| Alberta | 86.2% | 90.4% | Office | 88.7% | 90.9% |
| British Columbia | 93.3% | 89.4% | Retail | 93.0% | 93.6% |
| Manitoba | 93.9% | 93.6% | Industrial | 93.2% | 96.2% |
| Ontario | 93.2% | 92.7% | | | |
| Saskatchewan | 92.5% | 97.5% | Total | 91.5% | 93.8% |
| Arizona | 96.0% | 99.6% | | | |
| Minnesota | 91.5% | 95.6% | | | |
| U.S. - Other | 92.6% | 95.7% | | | |
| Total | 91.5% | 93.8% | | | |

(1) This report includes non-stabilized properties.

PROPERTY NOI BY ASSET CLASS

Canadian Portfolio:

In Q2-17, 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. Also contributing to this decrease was lower occupancy at 220 Portage Avenue, an office property in Manitoba currently being redeveloped, and at the Alex Building, a property located in Calgary, Alberta undergoing extensive redevelopment from an industrial property to an office property. The retail segment decreased primarily due to dispositions in 2016 and 2017, lease termination income received in Q2-16 and vacancy at Sunridge Pointe, a retail property currently being re-purposed in order to accommodate a grocery store tenant. The industrial segment decreased due to dispositions in 2016.

| | Three months ended June 30, | | | | | |
|--|-----------------------------|-----------|------------|-----------|-----------|------------|
| | 2017 | | | 2016 | | |
| | Office | Retail | Industrial | Office | Retail | Industrial |
| Revenue | \$ 42,412 | \$ 22,019 | \$ 16,898 | \$ 47,292 | \$ 27,379 | \$ 20,748 |
| Property operating and realty tax expenses | 19,692 | 7,000 | 5,222 | 20,789 | 8,283 | 6,359 |
| Property NOI | \$ 22,720 | \$ 15,019 | \$ 11,676 | \$ 26,503 | \$ 19,096 | \$ 14,389 |
| Share of Property NOI | 46.0% | 30.4% | 23.6% | 44.2% | 31.8% | 24.0% |

U.S. Portfolio:

In Q2-17, Property NOI increased in the office asset class in comparison to Q2-16. The growth is primarily attributable to acquisitions in 2016. The retail segment has decreased primarily due to a tenant bankruptcy at Oakdale Village, which has been fully re-leased as of April 25, 2017. Artis has determined that all seven retail properties in Minnesota will be listed for sale. The disposition of a property in 2016 and lower occupancy in the Minnesota portfolio has continued to contribute to the decrease in the industrial segment. During Q2-17, Artis listed seven industrial properties for sale in Minnesota.

| | Three months ended June 30, | | | | | |
|--|-----------------------------|----------|------------|-----------|----------|------------|
| | 2017 | | | 2016 | | |
| | Office | Retail | Industrial | Office | Retail | Industrial |
| Revenue | \$ 40,603 | \$ 2,303 | \$ 11,924 | \$ 28,012 | \$ 2,459 | \$ 12,184 |
| Property operating and realty tax expenses | 16,780 | 887 | 4,368 | 11,744 | 939 | 4,428 |
| Property NOI | \$ 23,823 | \$ 1,416 | \$ 7,556 | \$ 16,268 | \$ 1,520 | \$ 7,756 |
| Share of Property NOI | 72.7% | 4.3% | 23.0% | 63.7% | 6.0% | 30.3% |

Total Canadian and U.S. Portfolio:

| | Three months ended June 30, | | | | | |
|--|-----------------------------|-----------|------------|-----------|-----------|------------|
| | 2017 | | | 2016 | | |
| | Office | Retail | Industrial | Office | Retail | Industrial |
| Revenue | \$ 83,015 | \$ 24,322 | \$ 28,822 | \$ 75,304 | \$ 29,838 | \$ 32,932 |
| Property operating and realty tax expenses | 36,472 | 7,887 | 9,590 | 32,533 | 9,222 | 10,787 |
| Property NOI | \$ 46,543 | \$ 16,435 | \$ 19,232 | \$ 42,771 | \$ 20,616 | \$ 22,145 |
| Share of Property NOI | 56.6% | 20.0% | 23.4% | 50.0% | 24.1% | 25.9% |

Canadian Portfolio:

| | Six months ended June 30, | | | | | |
|--|---------------------------|-----------|------------|-----------|-----------|------------|
| | 2017 | | | 2016 | | |
| | Office | Retail | Industrial | Office | Retail | Industrial |
| Revenue | \$ 86,939 | \$ 46,184 | \$ 33,954 | \$ 93,591 | \$ 55,772 | \$ 41,265 |
| Property operating and realty tax expenses | 39,617 | 15,055 | 10,910 | 41,184 | 17,353 | 12,859 |
| Property NOI | \$ 47,322 | \$ 31,129 | \$ 23,044 | \$ 52,407 | \$ 38,419 | \$ 28,406 |
| Share of Property NOI | 46.6% | 30.7% | 22.7% | 44.0% | 32.2% | 23.8% |

U.S. Portfolio:

| | Six months ended June 30, | | | | | |
|--|---------------------------|----------|------------|-----------|----------|------------|
| | 2017 | | | 2016 | | |
| | Office | Retail | Industrial | Office | Retail | Industrial |
| Revenue | \$ 80,350 | \$ 4,477 | \$ 23,720 | \$ 56,495 | \$ 5,081 | \$ 24,871 |
| Property operating and realty tax expenses | 33,620 | 1,810 | 9,073 | 23,564 | 1,885 | 9,454 |
| Property NOI | \$ 46,730 | \$ 2,667 | \$ 14,647 | \$ 32,931 | \$ 3,196 | \$ 15,417 |
| Share of Property NOI | 73.0% | 4.1% | 22.9% | 63.9% | 6.2% | 29.9% |

Total Canadian and U.S. Portfolio:

| | Six months ended June 30, | | | | | |
|--|---------------------------|-----------|------------|------------|-----------|------------|
| | 2017 | | | 2016 | | |
| | Office | Retail | Industrial | Office | Retail | Industrial |
| Revenue | \$ 167,289 | \$ 50,661 | \$ 57,674 | \$ 150,086 | \$ 60,853 | \$ 66,136 |
| Property operating and realty tax expenses | 73,237 | 16,865 | 19,983 | 64,748 | 19,238 | 22,313 |
| Property NOI | \$ 94,052 | \$ 33,796 | \$ 37,691 | \$ 85,338 | \$ 41,615 | \$ 43,823 |
| Share of Property NOI | 56.8% | 20.4% | 22.8% | 49.9% | 24.4% | 25.7% |

PROPERTY NOI BY GEOGRAPHICAL REGION

In Q2-17, Property NOI decreased in Alberta due to dispositions in 2016 and 2017, increased vacancy and lower rents in the Calgary office segment and lease termination income received in Q2-16. The Alberta region was also impacted by vacancy at the Alex Building, a property undergoing extensive redevelopment from an industrial property to an office property to a new tenant who will be leasing 100% of the building commencing in Q3-17. Property NOI decreased in British Columbia due to dispositions in 2016 and 2017. 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 June 30, 2017 | | | | | | | | |
|--|----------------------------------|----------|-----------|-----------|----------|-----------|-----------|-----------|----------|
| | Canada | | | | | U.S. | | | |
| | AB | BC | MB | ON | SK | AZ | MN | WI | Other |
| Revenue | \$ 34,363 | \$ 5,354 | \$ 18,774 | \$ 15,199 | \$ 7,639 | \$ 10,035 | \$ 25,545 | \$ 13,087 | \$ 6,163 |
| Property operating and realty tax expenses | 13,334 | 2,182 | 7,852 | 6,215 | 2,330 | 3,236 | 10,872 | 5,345 | 2,583 |
| Property NOI | \$ 21,029 | \$ 3,172 | \$ 10,922 | \$ 8,984 | \$ 5,309 | \$ 6,799 | \$ 14,673 | \$ 7,742 | \$ 3,580 |
| Share of Property NOI | 25.6% | 3.9% | 13.3% | 10.9% | 6.5% | 8.3% | 17.7% | 9.4% | 4.4% |

| Three months ended June 30, 2016 | | | | | | | | | |
|--|-----------|----------|-----------|-----------|----------|----------|-----------|----------|----------|
| | Canada | | | | | U.S. | | | |
| | AB | BC | MB | ON | SK | AZ | MN | WI | Other |
| Revenue | \$ 45,648 | \$ 7,451 | \$ 19,019 | \$ 15,590 | \$ 7,711 | \$ 9,377 | \$ 25,666 | \$ 1,624 | \$ 5,988 |
| Property operating and realty tax expenses | 15,417 | 2,975 | 8,140 | 6,472 | 2,427 | 3,206 | 10,919 | 584 | 2,402 |
| Property NOI | \$ 30,231 | \$ 4,476 | \$ 10,879 | \$ 9,118 | \$ 5,284 | \$ 6,171 | \$ 14,747 | \$ 1,040 | \$ 3,586 |
| Share of Property NOI | 35.4% | 5.2% | 12.7% | 10.7% | 6.2% | 7.2% | 17.2% | 1.2% | 4.2% |

| Six months ended June 30, 2017 | | | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Canada | | | | | U.S. | | | |
| | AB | BC | MB | ON | SK | AZ | MN | WI | Other |
| Revenue | \$ 71,409 | \$ 12,006 | \$ 37,905 | \$ 30,403 | \$ 15,354 | \$ 19,669 | \$ 50,701 | \$ 25,934 | \$ 12,243 |
| Property operating and realty tax expenses | 27,026 | 4,802 | 16,313 | 12,678 | 4,762 | 6,277 | 22,120 | 10,963 | 5,144 |
| Property NOI | \$ 44,383 | \$ 7,204 | \$ 21,592 | \$ 17,725 | \$ 10,592 | \$ 13,392 | \$ 28,581 | \$ 14,971 | \$ 7,099 |
| Share of Property NOI | 26.8% | 4.4% | 13.0% | 10.7% | 6.4% | 8.1% | 17.3% | 9.0% | 4.3% |

| Six months ended June 30, 2016 | | | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|-----------|
| | Canada | | | | | U.S. | | | |
| | AB | BC | MB | ON | SK | AZ | MN | WI | Other |
| Revenue | \$ 89,612 | \$ 16,139 | \$ 38,597 | \$ 30,950 | \$ 15,330 | \$ 19,362 | \$ 52,940 | \$ 1,624 | \$ 12,521 |
| Property operating and realty tax expenses | 31,047 | 6,124 | 16,666 | 12,801 | 4,758 | 6,256 | 22,920 | 584 | 5,143 |
| Property NOI | \$ 58,565 | \$ 10,015 | \$ 21,931 | \$ 18,149 | \$ 10,572 | \$ 13,106 | \$ 30,020 | \$ 1,040 | \$ 7,378 |
| Share of Property NOI | 34.3% | 5.9% | 12.8% | 10.6% | 6.2% | 7.7% | 17.6% | 0.6% | 4.3% |

PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at June 30, 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

| | Q2-17 % Committed ⁽¹⁾ | Q2-17 | Q1-17 | Q4-16 | Q3-16 | Q2-16 |
|-----------------|-------------------------------------|--------|--------|--------|--------|--------|
| Office | 90.9 % | 89.2 % | 88.7 % | 89.1 % | 90.0 % | 90.0 % |
| Retail | 96.5 % | 93.9 % | 93.1 % | 93.0 % | 94.9 % | 95.6 % |
| Industrial | 94.0 % | 92.5 % | 92.9 % | 94.2 % | 95.0 % | 96.0 % |
| Total portfolio | 93.1 % | 91.3 % | 91.1 % | 91.9 % | 92.9 % | 93.5 % |

(1) Percentage committed is based on occupancy at June 30, 2017, plus commitments on vacant space.

Occupancy Report by Geographical Region

| | Q2-17 % Committed ⁽¹⁾ | Q2-17 | Q1-17 | Q4-16 | Q3-16 | Q2-16 |
|------------------|-------------------------------------|--------|--------|--------|--------|--------|
| Canada: | | | | | | |
| Alberta | 89.8 % | 86.2 % | 88.0 % | 86.4 % | 90.9 % | 91.9 % |
| British Columbia | 95.5 % | 93.3 % | 89.6 % | 92.4 % | 92.7 % | 92.1 % |
| Manitoba | 95.7 % | 93.8 % | 94.2 % | 93.8 % | 92.7 % | 93.1 % |
| Ontario | 94.6 % | 93.2 % | 93.2 % | 93.2 % | 93.5 % | 92.7 % |
| Saskatchewan | 92.9 % | 92.5 % | 97.8 % | 97.6 % | 96.8 % | 97.5 % |
| U.S.: | | | | | | |
| Arizona | 96.6 % | 96.6 % | 92.6 % | 93.4 % | 99.5 % | 99.6 % |
| Minnesota | 91.9 % | 90.4 % | 89.4 % | 92.9 % | 93.4 % | 95.4 % |
| Wisconsin | 92.9 % | 92.2 % | 87.5 % | 89.7 % | 89.6 % | 87.0 % |
| Other | 93.3 % | 92.6 % | 93.8 % | 93.8 % | 94.8 % | 95.7 % |
| Total portfolio | 93.1 % | 91.3 % | 91.1 % | 91.9 % | 92.9 % | 93.5 % |

(1) Percentage committed is based on occupancy at June 30, 2017, plus commitments on vacant space.

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|---------|------------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Leasable area renewed | 672,673 | 417,174 | 1,206,533 | 1,260,637 |
| Increase in weighted-average rental rate | 0.8% | 1.6% | 3.5% | 4.4% |

Excluding the impact of Calgary office segment lease renewals, Artis' increase in the weighted-average rental rate was 7.4% in Q2-17 (YTD - increase of 7.7%).

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 | 960,999 | 48,877 | 382,494 | 920,651 | 1,203,331 | 1,123,139 | 4,856,940 | 9,496,431 |
| Office - committed | 176,489 | — | 506,779 | 92,823 | 117,156 | 35,646 | 135,318 | 1,064,211 |
| Total office | 1,137,488 | 48,877 | 889,273 | 1,013,474 | 1,320,487 | 1,158,785 | 4,992,258 | 10,560,642 |
| Retail - uncommitted | 122,571 | 30,789 | 66,678 | 443,481 | 315,805 | 551,844 | 1,779,626 | 3,310,794 |
| Retail - committed | 94,150 | — | 88,512 | 9,796 | 2,638 | 1,068 | 21,056 | 217,220 |
| Total retail | 216,721 | 30,789 | 155,190 | 453,277 | 318,443 | 552,912 | 1,800,682 | 3,528,014 |
| Industrial - uncommitted | 627,712 | 45,905 | 299,650 | 1,005,735 | 1,048,879 | 1,324,205 | 4,641,370 | 8,993,456 |
| Industrial - committed | 160,240 | — | 1,064,421 | 223,748 | 18,524 | 21,882 | 62,350 | 1,551,165 |
| Total industrial | 787,952 | 45,905 | 1,364,071 | 1,229,483 | 1,067,403 | 1,346,087 | 4,703,720 | 10,544,621 |
| Total - uncommitted | 1,711,282 | 125,571 | 748,822 | 2,369,867 | 2,568,015 | 2,999,188 | 11,277,936 | 21,800,681 |
| Total - committed | 430,879 | — | 1,659,712 | 326,367 | 138,318 | 58,596 | 218,724 | 2,832,596 |
| Total portfolio | 2,142,161 | 125,571 | 2,408,534 | 2,696,234 | 2,706,333 | 3,057,784 | 11,496,660 | 24,633,277 |

(1) Based on owned share of total leasable area excluding properties held for redevelopment, 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 June 30, 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 | \$ 20.91 | \$ 17.01 | \$ 16.54 | \$ 15.53 | \$ 18.35 | \$ 17.91 |
| Market rents | 14.43 | 14.29 | 14.39 | 15.64 | 19.36 | 17.12 |
| Change | (31.0)% | (16.0)% | (13.0)% | 0.7 % | 5.5 % | (4.4)% |
| Revenue impact ⁽²⁾ | \$ (3,396) | \$ (1,486) | \$ (1,724) | \$ 51 | \$ 2,645 | \$ (3,910) |
| Retail | | | | | | |
| In-place rents | \$ 17.41 | \$ 23.22 | \$ 25.20 | \$ 19.45 | \$ 21.12 | \$ 21.39 |
| Market rents | 17.66 | 24.40 | 25.49 | 19.61 | 21.94 | 22.06 |
| Change | 1.4 % | 5.1 % | 1.2 % | 0.8 % | 3.9 % | 3.1 % |
| Revenue impact ⁽²⁾ | \$ 39 | \$ 434 | \$ 89 | \$ 74 | \$ 1,352 | \$ 1,988 |
| Industrial | | | | | | |
| In-place rents | \$ 7.28 | \$ 5.42 | \$ 7.27 | \$ 7.73 | \$ 9.82 | \$ 8.29 |
| Market rents | 7.29 | 5.56 | 7.07 | 7.72 | 9.78 | 8.28 |
| Change | 0.1 % | 2.6 % | (2.8)% | (0.1)% | (0.4)% | (0.1)% |
| Revenue impact ⁽²⁾ | \$ 10 | \$ 95 | \$ (76) | \$ (8) | \$ (86) | \$ (65) |
| Total Canadian portfolio | | | | | | |
| In-place rents | \$ 13.15 | \$ 13.82 | \$ 15.94 | \$ 12.88 | \$ 15.93 | \$ 14.93 |
| Market rents | 10.89 | 13.26 | 14.79 | 12.95 | 16.51 | 14.78 |
| Change | (17.2)% | (4.1)% | (7.2)% | 0.5 % | 3.6 % | (1.0)% |
| Revenue impact ⁽²⁾ | \$ (3,347) | \$ (957) | \$ (1,711) | \$ 117 | \$ 3,911 | \$ (1,987) |

U.S. Portfolio:

| | 2017 | 2018 | 2019 | 2020 | 2021 & later | Total |
|-------------------------------|----------|----------|----------|----------|-----------------|----------|
| Office | | | | | | |
| In-place rents | \$ 18.01 | \$ 16.92 | \$ 21.10 | \$ 18.66 | \$ 17.78 | \$ 18.24 |
| Market rents | 19.90 | 16.69 | 22.33 | 18.82 | 18.24 | 18.78 |
| Change | 10.5 % | (1.4)% | 5.8 % | 0.9% | 2.6 % | 3.0 % |
| Revenue impact ⁽²⁾ | \$ 691 | \$ (106) | \$ 637 | \$ 106 | \$ 1,091 | \$ 2,419 |
| Retail | | | | | | |
| In-place rents | \$ 29.59 | \$ 21.61 | \$ 18.74 | \$ 12.96 | \$ 14.73 | \$ 14.80 |
| Market rents | 18.53 | 20.43 | 19.78 | 14.60 | 14.98 | 15.32 |
| Change | (37.4)% | (5.5)% | 5.5 % | 12.7% | 1.7 % | 3.5 % |
| Revenue impact ⁽²⁾ | \$ (32) | \$ (13) | \$ 12 | \$ 137 | \$ 40 | \$ 144 |
| Industrial | | | | | | |
| In-place rents | \$ 4.36 | \$ 5.00 | \$ 5.44 | \$ 5.22 | \$ 6.18 | \$ 5.60 |
| Market rents | 4.41 | 4.97 | 5.27 | 5.35 | 6.14 | 5.58 |
| Change | 1.1 % | (0.6)% | (3.1)% | 2.5% | (0.6)% | (0.4)% |
| Revenue impact ⁽²⁾ | \$ 30 | \$ (13) | \$ (110) | \$ 61 | \$ (71) | \$ (103) |
| Total U.S. portfolio | | | | | | |
| In-place rents | \$ 9.80 | \$ 10.72 | \$ 12.26 | \$ 12.98 | \$ 12.20 | \$ 11.91 |
| Market rents | 10.55 | 10.59 | 12.70 | 13.21 | 12.42 | 12.18 |
| Change | 7.7 % | (1.2)% | 3.6 % | 1.8% | 1.8 % | 2.3 % |
| Revenue impact ⁽²⁾ | \$ 689 | \$ (132) | \$ 539 | \$ 304 | \$ 1,060 | \$ 2,460 |

(1) Based on owned share of total leasable area excluding properties held for redevelopment, 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 | \$ 19.72 | \$ 16.97 | \$ 18.33 | \$ 17.39 | \$ 18.08 | \$ 18.07 |
| Market rents | 16.68 | 15.40 | 17.51 | 17.53 | 18.83 | 17.91 |
| Change | (15.4)% | (9.3)% | (4.5)% | 0.8% | 4.1 % | (0.9)% |
| Revenue impact ⁽²⁾ | \$ (2,705) | \$ (1,592) | \$ (1,087) | \$ 157 | \$ 3,736 | \$ (1,491) |
| Retail | | | | | | |
| In-place rents | \$ 17.64 | \$ 23.18 | \$ 24.96 | \$ 18.47 | \$ 20.53 | \$ 20.84 |
| Market rents | 17.68 | 24.11 | 25.28 | 18.85 | 21.30 | 21.49 |
| Change | 0.2 % | 4.0 % | 1.3 % | 2.1% | 3.8 % | 3.1 % |
| Revenue impact ⁽²⁾ | \$ 7 | \$ 421 | \$ 101 | \$ 211 | \$ 1,392 | \$ 2,132 |
| Industrial | | | | | | |
| In-place rents | \$ 6.08 | \$ 5.24 | \$ 6.09 | \$ 6.79 | \$ 8.05 | \$ 7.03 |
| Market rents | 6.10 | 5.31 | 5.92 | 6.83 | 8.02 | 7.01 |
| Change | 0.3 % | 1.3 % | (2.8)% | 0.6% | (0.4)% | (0.3)% |
| Revenue impact ⁽²⁾ | \$ 40 | \$ 82 | \$ (186) | \$ 53 | \$ (157) | \$ (168) |
| Total Canadian and U.S. portfolio | | | | | | |
| In-place rents | \$ 11.86 | \$ 12.67 | \$ 14.29 | \$ 12.92 | \$ 14.36 | \$ 13.68 |
| Market rents | 10.75 | 12.26 | 13.85 | 13.06 | 14.79 | 13.70 |
| Change | (9.4)% | (3.2)% | (3.1)% | 1.1% | 3.0 % | 0.1 % |
| Revenue impact ⁽²⁾ | \$ (2,658) | \$ (1,089) | \$ (1,172) | \$ 421 | \$ 4,971 | \$ 473 |
| Total Canadian and U.S. portfolio excluding Calgary office segment | | | | | | |
| In-place rents | \$ 10.60 | \$ 11.94 | \$ 13.26 | \$ 12.29 | \$ 13.41 | \$ 12.76 |
| Market rents | 11.03 | 12.23 | 13.46 | 12.49 | 13.62 | 13.00 |
| Change | 4.1 % | 2.4 % | 1.5 % | 1.6% | 1.6 % | 1.9 % |
| Revenue impact ⁽²⁾ | \$ 880 | \$ 702 | \$ 483 | \$ 548 | \$ 2,110 | \$ 4,723 |

(1) Based on owned share of total leasable area excluding properties held for redevelopment, 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 June 30, 2017 were estimated to be 0.1% above in-place rents across the portfolio, compared to 0.7% at March 31, 2017. Today's market rents for the 2017 and 2018 lease expiries are estimated to be 9.4% and 3.2% 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 4.1% and 2.4% 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 | 468,133 | 40,003 | 267,583 | 425,150 | 398,041 | 416,729 | 2,252,971 | 4,268,610 |
| AB - committed | 163,828 | — | 139,196 | 13,111 | 2,638 | — | 2,218 | 320,991 |
| Total Alberta | 631,961 | 40,003 | 406,779 | 438,261 | 400,679 | 416,729 | 2,255,189 | 4,589,601 |
| BC - uncommitted | 39,325 | 16,303 | 28,688 | 99,403 | 206,255 | 49,946 | 391,741 | 831,661 |
| BC - committed | 19,087 | — | 4,443 | — | 5,271 | 8,037 | — | 36,838 |
| Total British Columbia | 58,412 | 16,303 | 33,131 | 99,403 | 211,526 | 57,983 | 391,741 | 868,499 |
| MB - uncommitted | 158,927 | 14,995 | 98,998 | 427,830 | 346,668 | 440,539 | 1,557,800 | 3,045,757 |
| MB - committed | 71,233 | — | 322,090 | 242,835 | 7,454 | 18,969 | — | 662,581 |
| Total Manitoba | 230,160 | 14,995 | 421,088 | 670,665 | 354,122 | 459,508 | 1,557,800 | 3,708,338 |
| ON - uncommitted | 208,145 | 20,686 | 87,210 | 261,149 | 344,752 | 781,340 | 1,636,125 | 3,339,407 |
| ON - committed | 56,378 | — | 330,145 | 43,847 | 104,431 | 2,014 | — | 536,815 |
| Total Ontario | 264,523 | 20,686 | 417,355 | 304,996 | 449,183 | 783,354 | 1,636,125 | 3,876,222 |
| SK - uncommitted | 103,456 | 6,171 | 39,512 | 172,667 | 75,652 | 60,931 | 810,623 | 1,269,012 |
| SK - committed | 6,232 | — | 161,653 | 4,267 | — | — | 18,838 | 190,990 |
| Total Saskatchewan | 109,688 | 6,171 | 201,165 | 176,934 | 75,652 | 60,931 | 829,461 | 1,460,002 |
| AZ - uncommitted | 43,523 | 1,500 | 73,346 | 17,106 | 110,525 | 220,297 | 677,776 | 1,144,073 |
| AZ - committed | — | — | 125,597 | — | 18,524 | — | — | 144,121 |
| Total Arizona | 43,523 | 1,500 | 198,943 | 17,106 | 129,049 | 220,297 | 677,776 | 1,288,194 |
| MN - uncommitted | 518,744 | 16,350 | 122,293 | 592,885 | 746,250 | 803,986 | 2,904,786 | 5,705,294 |
| MN - committed | 96,235 | — | 481,773 | 20,404 | — | 24,098 | 62,350 | 684,860 |
| Total Minnesota | 614,979 | 16,350 | 604,066 | 613,289 | 746,250 | 828,084 | 2,967,136 | 6,390,154 |
| WI - uncommitted | 120,392 | 5,639 | 24,798 | 220,353 | 180,327 | 184,338 | 727,101 | 1,462,948 |
| WI - committed | 12,435 | — | 79,526 | — | — | 5,478 | 135,318 | 232,757 |
| Total Wisconsin | 132,827 | 5,639 | 104,324 | 220,353 | 180,327 | 189,816 | 862,419 | 1,695,705 |
| U.S. - Other - uncommitted | 50,637 | 3,924 | 6,394 | 153,324 | 159,545 | 41,082 | 319,013 | 733,919 |
| U.S. - Other - committed | 5,451 | — | 15,289 | 1,903 | — | — | — | 22,643 |
| Total U.S. - Other | 56,088 | 3,924 | 21,683 | 155,227 | 159,545 | 41,082 | 319,013 | 756,562 |
| Total - uncommitted | 1,711,282 | 125,571 | 748,822 | 2,369,867 | 2,568,015 | 2,999,188 | 11,277,936 | 21,800,681 |
| Total - committed | 430,879 | — | 1,659,712 | 326,367 | 138,318 | 58,596 | 218,724 | 2,832,596 |
| Total portfolio | 2,142,161 | 125,571 | 2,408,534 | 2,696,234 | 2,706,333 | 3,057,784 | 11,496,660 | 24,633,277 |

(1) Based on owned share of total leasable area excluding properties held for redevelopment, 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 | \$ 20.15 | \$ 22.33 | \$ 26.15 | \$ 18.37 | \$ 20.51 | \$ 21.03 |
| Market rents | 11.46 | 19.33 | 21.93 | 18.37 | 22.44 | 20.47 |
| Change | (43.1)% | (13.4)% | (16.1)% | — % | 9.4 % | (2.7)% |
| Revenue impact ⁽²⁾ | \$ (3,535) | \$ (1,312) | \$ (1,691) | \$ 3 | \$ 4,350 | \$ (2,185) |
| British Columbia | | | | | | |
| In-place rents | \$ 20.23 | \$ 21.81 | \$ 16.75 | \$ 18.18 | \$ 16.16 | \$ 17.34 |
| Market rents | 20.77 | 22.11 | 17.30 | 19.04 | 16.58 | 17.82 |
| Change | 2.7 % | 1.4 % | 3.3 % | 4.7 % | 2.6 % | 2.8 % |
| Revenue impact ⁽²⁾ | \$ 18 | \$ 30 | \$ 116 | \$ 50 | \$ 163 | \$ 377 |
| Manitoba | | | | | | |
| In-place rents | \$ 13.22 | \$ 7.50 | \$ 8.74 | \$ 12.16 | \$ 14.92 | \$ 12.28 |
| Market rents | 13.64 | 8.12 | 8.78 | 12.56 | 14.65 | 12.39 |
| Change | 3.2 % | 8.3 % | 0.5 % | 3.3 % | (1.8)% | 0.9 % |
| Revenue impact ⁽²⁾ | \$ 176 | \$ 416 | \$ 14 | \$ 184 | \$ (418) | \$ 372 |
| Ontario | | | | | | |
| In-place rents | \$ 7.07 | \$ 9.43 | \$ 11.11 | \$ 9.28 | \$ 10.73 | \$ 9.92 |
| Market rents | 7.10 | 9.39 | 10.95 | 9.05 | 10.50 | 9.75 |
| Change | 0.4 % | (0.4)% | (1.4)% | (2.5)% | (2.1)% | (1.7)% |
| Revenue impact ⁽²⁾ | \$ 12 | \$ (14) | \$ (68) | \$ (179) | \$ (370) | \$ (619) |
| Saskatchewan | | | | | | |
| In-place rents | \$ 10.26 | \$ 19.82 | \$ 21.96 | \$ 22.04 | \$ 15.48 | \$ 15.93 |
| Market rents | 10.18 | 19.39 | 20.88 | 23.01 | 15.70 | 15.98 |
| Change | (0.8)% | (2.2)% | (4.9)% | 4.4 % | 1.4 % | 0.3 % |
| Revenue impact ⁽²⁾ | \$ (18) | \$ (78) | \$ (82) | \$ 59 | \$ 187 | \$ 68 |
| Arizona | | | | | | |
| In-place rents | \$ 19.30 | \$ 34.39 | \$ 25.66 | \$ 20.88 | \$ 21.94 | \$ 21.89 |
| Market rents | 22.53 | 34.50 | 28.36 | 23.07 | 22.36 | 23.30 |
| Change | 16.7 % | 0.3 % | 10.5 % | 10.5 % | 1.9 % | 6.4 % |
| Revenue impact ⁽²⁾ | \$ 641 | \$ 2 | \$ 349 | \$ 484 | \$ 284 | \$ 1,760 |
| Minnesota | | | | | | |
| In-place rents | \$ 5.11 | \$ 6.82 | \$ 6.67 | \$ 9.80 | \$ 8.83 | \$ 8.09 |
| Market rents | 5.19 | 6.83 | 6.48 | 9.68 | 8.52 | 7.89 |
| Change | 1.6 % | 0.1 % | (2.8)% | (1.2)% | (3.5)% | (2.5)% |
| Revenue impact ⁽²⁾ | \$ 44 | \$ 4 | \$ (138) | \$ (105) | \$ (920) | \$ (1,115) |
| Wisconsin | | | | | | |
| In-place rents | \$ 16.17 | \$ 16.16 | \$ 15.15 | \$ 16.11 | \$ 14.03 | \$ 14.86 |
| Market rents | 16.36 | 15.28 | 15.94 | 15.84 | 15.72 | 15.74 |
| Change | 1.2 % | (5.4)% | 5.2 % | (1.7)% | 12.0 % | 5.9 % |
| Revenue impact ⁽²⁾ | \$ 20 | \$ (195) | \$ 142 | \$ (51) | \$ 1,454 | \$ 1,370 |
| U.S. - Other | | | | | | |
| In-place rents | \$ 22.66 | \$ 15.81 | \$ 24.28 | \$ 20.05 | \$ 17.82 | \$ 19.13 |
| Market rents | 21.93 | 16.19 | 25.45 | 19.46 | 18.57 | 19.77 |
| Change | (3.2)% | 2.4 % | 4.8 % | (2.9)% | 4.2 % | 3.3 % |
| Revenue impact ⁽²⁾ | \$ (16) | \$ 58 | \$ 186 | \$ (24) | \$ 241 | \$ 445 |
| Total portfolio | | | | | | |
| In-place rents | \$ 11.86 | \$ 12.67 | \$ 14.29 | \$ 12.92 | \$ 14.36 | \$ 13.68 |
| Market rents | 10.75 | 12.26 | 13.85 | 13.06 | 14.79 | 13.70 |
| Change | (9.4)% | (3.2)% | (3.1)% | 1.1 % | 3.0 % | 0.1 % |
| Revenue impact ⁽²⁾ | \$ (2,658) | \$ (1,089) | \$ (1,172) | \$ 421 | \$ 4,971 | \$ 473 |

(1) Based on owned share of total leasable area excluding properties held for redevelopment, 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 June 30, 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 11.1% of the Q2-17 Property NOI and 8.9% 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 16.1% at June 30, 2017, compared to 15.1% at March 31, 2017. At June 30, 2017, the Calgary office segment of Artis' portfolio was 81.0% occupied (excluding properties held for redevelopment), compared to 82.0% at March 31, 2017. During the remainder of 2017, 233,369 square feet comes up for renewal, which represents 0.9% of the total portfolio GLA; 36.9% was renewed or committed to new leases at June 30, 2017. Of Artis' total Calgary office GLA, 49.6% expires in 2021 or later. Artis' largest 10 Calgary office tenants by GLA lease over half of Artis' Calgary office space with a weighted-average lease term of 4.6 years. The average size of Artis' Calgary office tenants is approximately 9,700 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 | 281,206 | 11,120 | 119,570 | 105,791 | 85,344 | 15,558 | 174,636 | 793,225 |
| Downtown - committed | 24,034 | — | 21,332 | 8,744 | — | — | — | 54,110 |
| Total downtown | 305,240 | 11,120 | 140,902 | 114,535 | 85,344 | 15,558 | 174,636 | 847,335 |
| Beltline - uncommitted | 5,084 | — | 5,707 | 53,176 | 35,586 | 11,758 | 355,675 | 466,986 |
| Beltline - committed | 47,588 | — | 59,160 | — | — | — | — | 106,748 |
| Total beltline | 52,672 | — | 64,867 | 53,176 | 35,586 | 11,758 | 355,675 | 573,734 |
| Suburban - uncommitted | 50,886 | 3,260 | 22,044 | 28,014 | 47,867 | 39,207 | 620,168 | 811,446 |
| Suburban - committed | 20,261 | — | 5,556 | 638 | — | — | — | 26,455 |
| Total suburban | 71,147 | 3,260 | 27,600 | 28,652 | 47,867 | 39,207 | 620,168 | 837,901 |
| Total - uncommitted | 337,176 | 14,380 | 147,321 | 186,981 | 168,797 | 66,523 | 1,150,479 | 2,071,657 |
| Total - committed | 91,883 | — | 86,048 | 9,382 | — | — | — | 187,313 |
| Total Calgary office | 429,059 | 14,380 | 233,369 | 196,363 | 168,797 | 66,523 | 1,150,479 | 2,258,970 |

(1) Based on owned share of total leasable area excluding properties held for redevelopment, 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 | 623,823 | 34,497 | 235,173 | 733,670 | 1,034,534 | 1,056,616 | 3,706,461 | 7,424,774 |
| Other - committed | 84,606 | — | 420,731 | 83,441 | 117,156 | 35,646 | 135,318 | 876,898 |
| Total other office | 708,429 | 34,497 | 655,904 | 817,111 | 1,151,690 | 1,092,262 | 3,841,779 | 8,301,672 |

(1) Based on owned share of total leasable area excluding properties held for redevelopment, 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 | \$ 24.02 | \$ 17.28 | \$ 26.04 | \$ 17.08 | \$ 20.99 | \$ 21.69 |
| Market rents | 7.97 | 9.22 | 15.47 | 19.99 | 21.99 | 14.41 |
| Change | (66.8)% | (46.6)% | (40.6)% | 17.0 % | 4.8 % | (33.6)% |
| Revenue impact ⁽²⁾ | \$ (2,262) | \$ (923) | \$ (902) | \$ 45 | \$ 174 | \$ (3,868) |
| Beltline | | | | | | |
| In-place rents | \$ 30.52 | \$ 23.68 | \$ 34.06 | \$ 18.50 | \$ 14.21 | \$ 18.66 |
| Market rents | 13.00 | 10.40 | 18.75 | 17.00 | 22.40 | 19.63 |
| Change | (57.4)% | (56.1)% | (45.0)% | (8.1)% | 57.6 % | 5.2 % |
| Revenue impact ⁽²⁾ | \$ (1,137) | \$ (706) | \$ (545) | \$ (18) | \$ 2,914 | \$ 508 |
| Suburban | | | | | | |
| In-place rents | \$ 17.73 | \$ 18.11 | \$ 19.31 | \$ 19.79 | \$ 21.35 | \$ 20.89 |
| Market rents | 13.06 | 13.67 | 14.60 | 19.34 | 21.32 | 20.21 |
| Change | (26.3)% | (24.5)% | (24.4)% | (2.3)% | (0.1)% | (3.3)% |
| Revenue impact ⁽²⁾ | \$ (129) | \$ (128) | \$ (225) | \$ (17) | \$ (19) | \$ (518) |
| Total Calgary Office | | | | | | |
| In-place rents | \$ 25.09 | \$ 19.14 | \$ 25.82 | \$ 18.93 | \$ 19.09 | \$ 20.48 |
| Market rents | 9.97 | 10.19 | 15.92 | 19.08 | 21.75 | 18.35 |
| Change | (60.3)% | (46.8)% | (38.3)% | 0.8 % | 13.9 % | (10.4)% |
| Revenue impact ⁽²⁾ | \$ (3,528) | \$ (1,757) | \$ (1,672) | \$ 10 | \$ 3,069 | \$ (3,878) |

(1) Based on owned share of total leasable area excluding properties held for redevelopment, 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 | \$ 17.81 | \$ 16.45 | \$ 17.23 | \$ 17.30 | \$ 17.78 | \$ 17.48 |
| Market rents | 19.06 | 16.65 | 17.74 | 17.44 | 17.95 | 17.80 |
| Change | 7.0% | 1.2% | 3.0% | 0.8% | 1.0% | 1.8% |
| Revenue impact ⁽²⁾ | \$ 823 | \$ 165 | \$ 585 | \$ 147 | \$ 667 | \$ 2,387 |

(1) Based on owned share of total leasable area excluding properties held for redevelopment, 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 9.4% of the Q2-17 Property NOI and 6.5% of the overall portfolio by GLA. Overall direct vacancy in this office market, as most recently reported by Xceligent, was 8.0% at June 30, 2017, compared to 8.4% at March 31, 2017. At June 30, 2017, the Madison office segment of Artis' portfolio was 92.2% occupied, compared to 87.5% at March 31, 2017. During the remainder of 2017, 104,324 square feet comes up for renewal, which represents 0.4% of the total portfolio GLA; 76.2% was renewed or committed to new leases at June 30, 2017. Of the total Madison office GLA, 50.9% expires in 2021 or later.

The Twin Cities Area industrial segment represents 8.4% of the Q2-17 Property NOI and 18.4% of the overall portfolio by GLA. Direct vacancy in this industrial market, as reported by CBRE, increased from 4.7% at March 31, 2017, to 4.9% at June 30, 2017, with 802,124 square feet of positive absorption reported for the quarter. The average asking market lease rate was \$5.96 per square foot at June 30, 2017, compared to \$5.85 per square foot at March 31, 2017. Occupancy in this segment of the portfolio was 90.2% at June 30, 2017, compared to 89.3% reported at March 31, 2017. During the remainder of 2017, 560,955 square feet comes up for renewal, which represents 2.2% of the total portfolio GLA; 82.4% was renewed or committed to new leases at June 30, 2017. Of Artis' total Twin Cities industrial GLA, 43.3% expires in 2021 or later.

The Twin Cities Area office segment represents 7.8% of the Q2-17 Property NOI and 5.7% of the overall portfolio by GLA. Overall direct vacancy in the Twin Cities Area office market, as reported by CBRE, was 16.8% at June 30, 2017, compared to 16.7% at March 31, 2017. Occupancy in this segment of the portfolio was 90.6% at June 30, 2017 (excluding completed new developments), compared to 90.7% at March 31, 2017. During the remainder of 2017, 40,203 square feet comes up for renewal, which represents 0.2% of the total portfolio GLA; 41.2% had been renewed or committed to new leases at June 30, 2017. Of Artis' total Twin Cities office GLA (excluding completed new developments), 55.5% expires in 2021 or later.

The Greater Phoenix Area office segment represents 7.3% of the Q2-17 Property NOI and 3.9% of the overall portfolio by GLA. Overall direct vacancy in the Greater Phoenix Area office market, as reported by CBRE, was 17.6% at June 30, 2017, compared to 17.3% at March 31, 2017. At June 30, 2017, the Greater Phoenix Area office segment of Artis' portfolio was 95.7% occupied, unchanged from March 31, 2017. During the remainder of 2017, 198,943 square feet comes up for renewal, which represents 0.8% of the total portfolio GLA; 63.1% had been renewed or committed to new leases at June 30, 2017. Of Artis' Greater Phoenix Area office GLA, 45.6% expires in 2021 or later.

CORPORATE EXPENSES

| | Three months ended | | | % Change | Six months ended | | | % Change |
|--|--------------------|------------------|-----------------|---------------|------------------|------------------|----------------|---------------|
| | 2017 | June 30, 2016 | Change | | 2017 | June 30, 2016 | Change | |
| Accounting, legal and consulting | \$ 794 | \$ 618 | \$ 176 | 28.5 % | \$ 1,404 | \$ 1,203 | \$ 201 | 16.7 % |
| Public company costs | 298 | 415 | (117) | (28.2)% | 802 | 987 | (185) | (18.7)% |
| Unit-based compensation | 523 | 777 | (254) | (32.7)% | 1,147 | 1,431 | (284) | (19.8)% |
| Salaries and benefits | 884 | 946 | (62) | (6.6)% | 1,868 | 1,933 | (65) | (3.4)% |
| Depreciation of property and equipment | 224 | 219 | 5 | 2.3 % | 465 | 432 | 33 | 7.6 % |
| General and administrative | 607 | 546 | 61 | 11.2 % | 1,426 | 1,173 | 253 | 21.6 % |
| Total corporate expenses | \$ 3,330 | \$ 3,521 | \$ (191) | (5.4)% | \$ 7,112 | \$ 7,159 | \$ (47) | (0.7)% |

Corporate expenses in Q2-17 were \$3,330 (YTD - \$7,112), or 2.4% (YTD - 2.6%) of total revenues compared to \$3,521 (YTD - \$7,159), or 2.5% (YTD - 2.6%) of total revenues in Q2-16.

INTEREST EXPENSE

| | Three months ended | | | % Change | Six months ended | | | % Change |
|--|--------------------|------------------|-------------------|---------------|------------------|------------------|-------------------|---------------|
| | 2017 | June 30, 2016 | Change | | 2017 | June 30, 2016 | Change | |
| Mortgages and other loans ⁽¹⁾ | \$ 18,439 | \$ 20,479 | \$ (2,040) | | \$ 37,505 | \$ 40,795 | \$ (3,290) | |
| Debentures ⁽¹⁾ | 1,885 | 4,343 | (2,458) | | 4,500 | 8,706 | (4,206) | |
| Credit facilities ⁽¹⁾ | 2,782 | 1,620 | 1,162 | | 5,122 | 2,976 | 2,146 | |
| Preferred shares ⁽¹⁾ | 34 | 21 | 13 | | 68 | 42 | 26 | |
| | 23,140 | 26,463 | (3,323) | (12.6)% | 47,195 | 52,519 | (5,324) | (10.1)% |
| Foreign exchange | 2,340 | 1,797 | 543 | | 4,668 | 4,114 | 554 | |
| Total interest expense | \$ 25,480 | \$ 28,260 | \$ (2,780) | (9.8)% | \$ 51,863 | \$ 56,633 | \$ (4,770) | (8.4)% |

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

Interest expense on mortgages and other loans has decreased primarily due to the repayment of maturing mortgages 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. Financing costs on mortgages and other loans and debentures are netted against the related debt, and amortized on an effective interest basis over the expected term of the debt.

The REIT's weighted-average effective rate at June 30, 2017, on mortgages and other loans secured by properties was 3.90%, increased from 3.74% at December 31, 2016. The weighted-average nominal interest rate on mortgages and other loans secured by properties at June 30, 2017, increased to 3.75% from 3.69% at December 31, 2016.

The REIT's interest coverage ratio, as calculated in the following table, was 3.11 times (YTD - 3.07 times) for Q2-17, compared to 2.92 times (YTD - 2.90 times) for Q2-16.

| | Three months ended | | | | Six months ended | | | |
|-------------------------|--------------------|---------------|------------|----------|------------------|---------------|------------|----------|
| | 2017 | June 30, 2016 | Change | % Change | 2017 | June 30, 2016 | Change | % Change |
| Property NOI | \$ 82,268 | \$ 85,617 | \$ (3,349) | | \$ 165,670 | \$ 170,913 | \$ (5,243) | |
| Interest income | 264 | 332 | (68) | | 544 | 630 | (86) | |
| Corporate expenses | (3,330) | (3,521) | 191 | | (7,112) | (7,159) | 47 | |
| | 79,202 | 82,428 | (3,226) | (3.9)% | 159,102 | 164,384 | (5,282) | (3.2)% |
| Interest expense | \$ 25,480 | \$ 28,260 | \$ (2,780) | (9.8)% | \$ 51,863 | \$ 56,633 | \$ (4,770) | (8.4)% |
| Interest coverage ratio | 3.11 | 2.92 | 0.19 | 6.5 % | 3.07 | 2.90 | 0.17 | 5.9 % |

The REIT's EBITDA interest coverage ratio, as calculated in the following table, was 3.30 times (YTD - 3.25 times) for Q2-17, compared to 3.05 times (YTD - 3.02 times) for Q2-16.

| | Three months ended | | | | Six months ended | | | |
|--|--------------------|---------------|------------|----------|------------------|---------------|------------|----------|
| | 2017 | June 30, 2016 | Change | % Change | 2017 | June 30, 2016 | Change | % Change |
| Property NOI | \$ 82,268 | \$ 85,617 | \$ (3,349) | | \$ 165,670 | \$ 170,913 | \$ (5,243) | |
| Add (deduct): | | | | | | | | |
| Amortization of tenant inducements | 4,544 | 4,349 | 195 | | 9,159 | 8,423 | 736 | |
| Straight-line rent adjustments | (1,871) | (1,276) | (595) | | (3,534) | (2,472) | (1,062) | |
| Interest income | 264 | 332 | (68) | | 544 | 630 | (86) | |
| Corporate expenses | (3,330) | (3,521) | 191 | | (7,112) | (7,159) | 47 | |
| Depreciation of property and equipment | 224 | 219 | 5 | | 465 | 432 | 33 | |
| EBITDA | 82,099 | 85,720 | (3,621) | (4.2)% | 165,192 | 170,767 | (5,575) | (3.3)% |
| Interest expense | 25,480 | 28,260 | (2,780) | | 51,863 | 56,633 | (4,770) | |
| Add (deduct): | | | | | | | | |
| Amortization of financing costs | (962) | (841) | (121) | | (1,896) | (1,632) | (264) | |
| Amortization of above- and below-market mortgages, net | 293 | 545 | (252) | | 616 | 1,095 | (479) | |
| Accretion on liability component of debentures | 52 | 187 | (135) | | 227 | 386 | (159) | |
| Adjusted interest expense | \$ 24,863 | \$ 28,151 | \$ (3,288) | (11.7)% | \$ 50,810 | \$ 56,482 | \$ (5,672) | (10.0)% |
| EBITDA interest coverage ratio | 3.30 | 3.05 | 0.25 | 8.2 % | 3.25 | 3.02 | 0.23 | 7.6 % |

FAIR VALUE (LOSS) GAIN ON INVESTMENT PROPERTIES

The changes in fair value of investment properties, period-over-period, are recognized as fair value gains and losses in the consolidated statement of operations. Fair values of the investment properties are determined through either the discounted cash flow method or the overall capitalization method which are generally accepted appraisal methodologies. External valuations are performed for a selection of properties representing various geographical regions and asset classes across the REIT's portfolio. In Q2-17, the fair value loss on investment properties was \$16,801 (YTD - gain of \$960), compared to a loss of \$21,640 (YTD - loss of \$36,761) in Q2-16. 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 loss in Q2-17 primarily reflects valuation adjustments related to a new 10-year lease with a federal government tenant at 360 Main in Winnipeg, Manitoba for 134,000 square feet. The lease commences in Q1-21 following a three-year fixturing period.

FOREIGN CURRENCY TRANSLATION GAIN (LOSS)

In Q2-17, Artis held cash, deposits and a portion of its revolving term credit facilities 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 resulted in a foreign currency translation gain of \$1,552 (YTD - gain of \$6,419), compared to a loss of \$4,010 (YTD - gain of \$2,144) in Q2-16.

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 \$1,741 (YTD - gain of \$2,821) in Q2-17, compared to an unrealized loss of \$1,084 (YTD - loss of \$4,927) in Q2-16. The REIT anticipates holding the mortgages and interest rate swap contracts until maturity.

Artis recorded an unrealized loss of \$1,610 (YTD - loss of \$3,256) in Q2-17 on the fair value of outstanding foreign currency swap contracts, compared to an unrealized gain of \$4,005 (YTD - gain of \$2,045) in Q2-16.

INCOME TAX

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

The REIT's U.S. 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 federal U.S. income taxes on the taxable income earned by these subsidiaries. These U.S. subsidiaries are subject to certain state taxes and a 30% to 35% withholding tax on distributions to Canada. Any withholding taxes paid are recorded with the related distributions.

The REIT is subject to federal and state taxation in the U.S. on the taxable income earned by its U.S. management subsidiary.

OTHER COMPREHENSIVE (LOSS) INCOME

Other comprehensive (loss) income includes the unrealized foreign currency translation loss in Q2-17 of \$30,072 (YTD - loss of \$40,162), compared to a gain of \$4,066 (YTD - loss of \$56,458) in Q2-16. 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

| 000's, except per unit amounts | Three months ended | | % Change | Three months ended | Six months ended | | % Change | Six months ended |
|---|--------------------|------------------|---------------|---------------------------------|-------------------|-------------------|---------------|---------------------------------|
| | 2017 | June 30, 2016 | | June 30, 2016 ⁽¹⁾ | 2017 | June 30, 2016 | | June 30, 2016 ⁽¹⁾ |
| Net income | \$ 38,553 | \$ 30,577 | | \$ 30,577 | \$ 115,569 | \$ 69,351 | | \$ 69,351 |
| Add (deduct): | | | | | | | | |
| Fair value loss (gain) on investment properties | 16,801 | 21,640 | | 21,640 | (960) | 36,761 | | 36,761 |
| Amortization of tenant inducements | 4,544 | 4,349 | | 4,349 | 9,159 | 8,423 | | 8,423 |
| Transaction costs on acquisitions | — | 862 | | 862 | — | 901 | | 901 |
| Foreign currency translation (gain) loss | (1,552) | 4,010 | | 4,010 | (6,419) | (2,144) | | (2,144) |
| (Gain) loss on financial instruments | (131) | (2,921) | | (2,921) | (610) | 2,882 | | 2,882 |
| Remeasurement component of unit-based compensation | (13) | 148 | | — | 105 | 161 | | — |
| Distributions on preferred shares treated as interest expense | 45 | 27 | | — | 91 | 55 | | — |
| Incremental leasing costs | 792 | 623 | | 623 | 1,587 | 1,170 | | 1,170 |
| Preferred unit distributions | (4,597) | (4,584) | | (4,584) | (9,227) | (9,180) | | (9,180) |
| FFO | \$ 54,442 | \$ 54,731 | (0.5)% | \$ 54,556 | \$ 109,295 | \$ 108,380 | 0.8% | \$ 108,164 |
| Add (deduct): | | | | | | | | |
| Amortization of recoverable capital expenditures | (2,137) | (2,116) | | — | (4,427) | (4,157) | | — |
| Non-recoverable property maintenance reserve | (700) | (650) | | (1,384) | (1,350) | (1,300) | | (2,778) |
| Leasing costs reserve | (9,600) | (9,500) | | (6,924) | (19,100) | (19,000) | | (13,892) |
| Straight-line rent adjustments | (1,871) | (1,276) | | (1,276) | (3,534) | (2,472) | | (2,472) |
| Unit-based compensation | — | — | | 777 | — | — | | 1,431 |
| AFFO | \$ 40,134 | \$ 41,189 | (2.6)% | \$ 45,749 | \$ 80,884 | \$ 81,451 | (0.7)% | \$ 90,453 |
| FFO per unit: | | | | | | | | |
| Basic | \$ 0.36 | \$ 0.39 | | \$ 0.39 | \$ 0.73 | \$ 0.77 | | \$ 0.77 |
| Diluted | 0.36 | 0.38 | | 0.38 | 0.72 | 0.76 | | 0.76 |
| AFFO per unit: | | | | | | | | |
| Basic | \$ 0.27 | \$ 0.29 | | \$ 0.32 | \$ 0.54 | \$ 0.58 | | \$ 0.65 |
| Diluted | 0.27 | 0.29 | | 0.32 | 0.54 | 0.58 | | 0.64 |

(1) This column shows FFO and AFFO as previously disclosed for Q2-16.

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 charged to tenants for the period. Approximately 82.6% of this amortization (YTD - 82.7%) is recoverable from tenants in Q2-17 compared to 85.3% in Q2-16 (YTD - 85.3%). 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 (re)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 five-year average of actual leasing costs.

In Q2-17, 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 | | | Three months ended | |
| | 2017 | June 30, 2016 | | 2017 | June 30, 2016 |
| Basic units | 150,581 | 141,191 | FFO | \$ 54,442 | \$ 54,731 |
| Add: | | | Add: | | |
| Options ⁽¹⁾ | — | — | Options ⁽¹⁾ | — | — |
| Debentures ⁽¹⁾ | — | 10,200 | Debentures ⁽¹⁾ | — | 2,767 |
| Restricted units ⁽¹⁾ | 325 | 361 | Restricted units ⁽¹⁾ | — | — |
| Deferred units ⁽¹⁾ | 60 | 28 | Deferred units ⁽¹⁾ | — | — |
| Diluted units | 150,966 | 151,780 | Diluted FFO | \$ 54,442 | \$ 57,498 |

(1) Restricted and deferred units were dilutive in Q2-17. All convertible debenture series, restricted units and deferred units were dilutive in Q2-16.

| Diluted Common Units Reconciliation (in 000's) | | | Diluted FFO Reconciliation | | |
|--|------------------|----------------|---------------------------------|-------------------|-------------------|
| | Six months ended | | | Six months ended | |
| | 2017 | June 30, 2016 | | 2017 | June 30, 2016 |
| Basic units | 150,563 | 140,203 | FFO | \$ 109,295 | \$ 108,380 |
| Add: | | | Add: | | |
| Options ⁽¹⁾ | — | — | Options ⁽¹⁾ | — | — |
| Debentures ⁽¹⁾ | — | 10,200 | Debentures ⁽¹⁾ | — | 5,630 |
| Restricted units ⁽¹⁾ | 321 | 358 | Restricted units ⁽¹⁾ | — | — |
| Deferred units ⁽¹⁾ | 56 | 24 | Deferred units ⁽¹⁾ | — | — |
| Diluted units | 150,940 | 150,785 | Diluted FFO | \$ 109,295 | \$ 114,010 |

(1) Restricted units and deferred units were dilutive in 2017. All convertible debenture series, restricted units and deferred units were dilutive in 2016.

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.

| | June 30, 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 | \$ 4,808,105 | \$ 403,248 | \$ 5,211,353 | \$ 4,991,825 | \$ 284,249 | \$ 5,276,074 |
| Investment properties under development | 66,229 | 3,917 | 70,146 | 65,199 | 92,305 | 157,504 |
| Investments in joint ventures | 218,623 | (218,623) | — | 213,565 | (213,565) | — |
| Property and equipment | 3,746 | — | 3,746 | 3,351 | — | 3,351 |
| Notes receivable | 11,897 | — | 11,897 | 12,972 | — | 12,972 |
| | 5,108,600 | 188,542 | 5,297,142 | 5,286,912 | 162,989 | 5,449,901 |
| Current assets: | | | | | | |
| Investment properties held for sale | 139,248 | — | 139,248 | 119,178 | — | 119,178 |
| Deposits on investment properties | 357 | — | 357 | 369 | — | 369 |
| Prepaid expenses and other assets | 9,550 | 232 | 9,782 | 11,728 | 292 | 12,020 |
| Notes receivable | 2,865 | — | 2,865 | 2,815 | — | 2,815 |
| Accounts receivable and other receivables | 15,224 | 927 | 16,151 | 13,173 | 559 | 13,732 |
| Cash held in trust | 8,511 | — | 8,511 | 7,851 | — | 7,851 |
| Cash | 43,117 | 7,701 | 50,818 | 50,729 | 8,312 | 59,041 |
| | 218,872 | 8,860 | 227,732 | 205,843 | 9,163 | 215,006 |
| | \$ 5,327,472 | \$ 197,402 | \$ 5,524,874 | \$ 5,492,755 | \$ 172,152 | \$ 5,664,907 |
| LIABILITIES AND UNITHOLDERS' EQUITY | | | | | | |
| Non-current liabilities: | | | | | | |
| Mortgages and loans payable | \$ 1,338,094 | \$ 146,675 | \$ 1,484,769 | \$ 1,520,124 | \$ 117,804 | \$ 1,637,928 |
| Senior unsecured debentures | 199,796 | — | 199,796 | 199,740 | — | 199,740 |
| Convertible debentures | — | — | — | 119,358 | — | 119,358 |
| Other long-term liabilities | 5,784 | — | 5,784 | 4,997 | — | 4,997 |
| | 1,543,674 | 146,675 | 1,690,349 | 1,844,219 | 117,804 | 1,962,023 |
| Current liabilities: | | | | | | |
| Mortgages and loans payable | 628,506 | 36,508 | 665,014 | 627,838 | 34,709 | 662,547 |
| Security deposits and prepaid rent | 35,749 | 3,113 | 38,862 | 35,213 | 2,094 | 37,307 |
| Accounts payable and other liabilities | 72,603 | 11,106 | 83,709 | 88,439 | 17,545 | 105,984 |
| Credit facilities | 434,978 | — | 434,978 | 269,680 | — | 269,680 |
| | 1,171,836 | 50,727 | 1,222,563 | 1,021,170 | 54,348 | 1,075,518 |
| | 2,715,510 | 197,402 | 2,912,912 | 2,865,389 | 172,152 | 3,037,541 |
| Unitholders' equity | 2,611,962 | — | 2,611,962 | 2,627,366 | — | 2,627,366 |
| | \$ 5,327,472 | \$ 197,402 | \$ 5,524,874 | \$ 5,492,755 | \$ 172,152 | \$ 5,664,907 |

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

ASSETS

| | June 30, 2017 | December 31, 2016 | Change |
|---|------------------|----------------------|--------------|
| Non-current assets: | | | |
| Investment properties and investment properties under development | \$ 5,281,499 | \$ 5,433,578 | \$ (152,079) |
| Other non-current assets | 15,643 | 16,323 | (680) |
| Current assets: | | | |
| Investment properties held for sale | 139,248 | 119,178 | 20,070 |
| Other current assets | 29,155 | 28,936 | 219 |
| Cash and cash held in trust | 59,329 | 66,892 | (7,563) |
| | \$ 5,524,874 | \$ 5,664,907 | \$ (140,033) |

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 |
| Capitalized interest | — | 101 | — | 101 |
| Leasing commissions | 3,646 | 262 | — | 3,908 |
| 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 |
| Additions: | | | | |
| Capital expenditures | 11,604 | 19,319 | — | 30,923 |
| Capitalized interest | — | 222 | — | 222 |
| Leasing commissions | 4,002 | 285 | — | 4,287 |
| Dispositions | (1,059) | — | (6,604) | (7,663) |
| Reclassification of investment properties under development | 68,380 | (68,380) | — | — |
| Reclassification of investment properties held for sale | (139,248) | — | 139,248 | — |
| Foreign currency translation loss | (51,964) | (3,428) | — | (55,392) |
| Straight-line rent adjustments | 1,870 | 1 | — | 1,871 |
| Tenant inducement additions, net of amortization | 7,808 | 2,738 | — | 10,546 |
| Fair value loss | (14,986) | (1,554) | (261) | (16,801) |
| Balance, June 30, 2017 | \$ 5,211,353 | \$ 70,146 | \$ 139,248 | \$ 5,420,747 |

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 Q2-17, non-recoverable building improvements primarily included exterior and interior upgrades, including \$3,197 for the 360 Main curtain wall renewal.

| | Three months ended | | | % Change | Six months ended | | | % Change |
|--------------------------------------|--------------------|------------------|-----------------|-------------|------------------|------------------|------------------|--------------|
| | 2017 | June 30, 2016 | Change | | 2017 | June 30, 2016 | Change | |
| New and (re)development expenditures | \$ 19,319 | \$ 8,050 | \$ 11,269 | | \$ 48,183 | \$ 24,365 | \$ 23,818 | |
| Building improvements expenditures: | | | | | | | | |
| Recoverable from tenants | 1,424 | 3,186 | (1,762) | | 3,361 | 7,490 | (4,129) | |
| Non-recoverable | 6,742 | 15,481 | (8,739) | | 11,807 | 16,622 | (4,815) | |
| Property maintenance expenditures: | | | | | | | | |
| Recoverable from tenants | 2,036 | 2,679 | (643) | | 2,810 | 3,857 | (1,047) | |
| Non-recoverable | 1,402 | 318 | 1,084 | | 1,577 | 444 | 1,133 | |
| Total capital expenditures | \$ 30,923 | \$ 29,714 | \$ 1,209 | 4.1% | \$ 67,738 | \$ 52,778 | \$ 14,960 | 28.3% |

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. During Q2-17, the REIT incurred \$2,002 for a significant tenant at the Alex Building, which is currently being converted from an industrial property to an office property. Tenant inducements related to new developments during the period included \$4,820 for tenants at Park Lucero Phase I, Park Lucero Phase III and Park 8Ninety Phase I.

| | Three months ended | | | % Change | Six months ended | | | % Change |
|--|--------------------|------------------|-----------------|--------------|------------------|------------------|-----------------|--------------|
| | 2017 | June 30, 2016 | Change | | 2017 | June 30, 2016 | Change | |
| Investment property leasing costs: | | | | | | | | |
| Tenant inducements | \$ 7,003 | \$ 9,453 | \$ (2,450) | | \$ 14,671 | \$ 15,655 | \$ (984) | |
| Leasing commissions | 3,247 | 2,569 | 678 | | 6,333 | 6,813 | (480) | |
| Investment property (re)development related leasing costs: | | | | | | | | |
| Tenant inducements | 8,087 | 2,627 | 5,460 | | 11,688 | 5,022 | 6,666 | |
| Leasing commissions | 1,040 | 293 | 747 | | 1,862 | 741 | 1,121 | |
| Total leasing costs | \$ 19,377 | \$ 14,942 | \$ 4,435 | 29.7% | \$ 34,554 | \$ 28,231 | \$ 6,323 | 22.4% |

Disposition:

During Q2-17, Artis sold one unencumbered retail property in Alberta for a sale price of \$7,025. The sale proceeds, net of costs of \$411, were \$6,614.

Completed new and (re)development properties:

In Q2-17, Artis completed the development of two industrial properties, as discussed in the Portfolio Summary section.

Investment properties held for sale:

At June 30, 2017, the REIT had one retail property and nine industrial properties with an aggregate fair value of \$139,248 classified as held for sale. These properties were either listed for sale with an external broker or held under unconditional sale agreements.

Foreign currency translation loss on investment properties:

In Q2-17, the foreign currency translation loss on investment properties was \$55,392 (YTD - loss of \$74,073) due to the change in the period end US dollar to Canadian dollar exchange rate from 1.3310 at March 31, 2017, to 1.2977 at June 30, 2017.

Fair value (loss) gain on investment properties:

In Q2-17, the REIT recorded a loss on the fair value of investment properties of \$16,801 (YTD - gain of \$960), compared to a loss of \$21,640 (YTD - loss of \$36,761) in Q2-16. The fair value loss in Q2-17 primarily reflects valuation adjustments related to a new 10-year lease with a federal government tenant at 360 Main in Winnipeg, Manitoba for 134,000 square feet. The lease commences in Q1-21 following a three-year fixturing period.

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.

| | June 30, 2017 | | | December 31, 2016 | | |
|--------------------|---------------|---------|------------------|-------------------|---------|------------------|
| | Maximum | Minimum | Weighted-average | Maximum | Minimum | Weighted-average |
| Office: | | | | | | |
| Canada | 8.75% | 5.00% | 6.60% | 8.75% | 5.00% | 6.60% |
| U.S. | 8.25% | 5.50% | 6.82% | 8.25% | 5.50% | 6.79% |
| Total office | 8.75% | 5.00% | 6.69% | 8.75% | 5.00% | 6.68% |
| Retail: | | | | | | |
| Canada | 8.50% | 5.25% | 6.42% | 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% | 6.45% | 8.50% | 5.25% | 6.41% |
| Industrial: | | | | | | |
| Canada | 7.75% | 4.50% | 6.34% | 7.75% | 4.50% | 6.41% |
| U.S. | 8.00% | 5.75% | 6.74% | 7.75% | 5.75% | 6.89% |
| Total industrial | 8.00% | 4.50% | 6.49% | 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% | 6.80% | 8.50% | 5.50% | 6.82% |
| Total portfolio | 8.75% | 4.50% | 6.59% | 8.75% | 4.50% | 6.59% |

Notes Receivable

In conjunction with the 2007 acquisition of TransAlta Place, the REIT acquired a note receivable in the amount of \$31,000. The note bears interest at 5.89% per annum and is repayable in varying blended monthly installments of principal and interest. The note is transferable at the option of the REIT and matures in May 2023. The balance outstanding on all notes receivable at June 30, 2017 was \$14,762, compared to \$15,787 at December 31, 2016.

Cash

At June 30, 2017, the REIT had \$50,818 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

| | June 30, 2017 | December 31, 2016 | Change |
|-------------------------------|------------------|----------------------|--------------|
| Non-current liabilities: | | | |
| Mortgages and loans payable | \$ 1,484,769 | \$ 1,637,928 | \$ (153,159) |
| Senior unsecured debentures | 199,796 | 199,740 | 56 |
| Convertible debentures | — | 119,358 | (119,358) |
| Other non-current liabilities | 5,784 | 4,997 | 787 |
| Current liabilities: | | | |
| Mortgages and loans payable | 665,014 | 662,547 | 2,467 |
| Other current liabilities | 122,571 | 143,291 | (20,720) |
| Credit facilities | 434,978 | 269,680 | 165,298 |
| | \$ 2,912,912 | \$ 3,037,541 | \$ (124,629) |

Under the terms of the REIT's Declaration of Trust, the total indebtedness of the REIT (excluding indebtedness related to the convertible debentures) is limited to 70% of GBV.

Artis' secured mortgages and loans to GBV ratio at June 30, 2017 was 38.9%, compared to 40.6% at December 31, 2016.

| | June 30, 2017 | December 31, 2016 | Change |
|---|------------------|----------------------|--------------|
| GBV | \$ 5,528,759 | \$ 5,668,337 | \$ (139,578) |
| Secured mortgages and loans | 2,149,783 | 2,300,475 | (150,692) |
| Secured mortgages and loans to GBV | 38.9% | 40.6% | (1.7)% |
| Preferred shares liability | \$ 621 | \$ 599 | \$ 22 |
| Carrying value of debentures | 199,796 | 319,098 | (119,302) |
| Credit facilities | 434,978 | 269,680 | 165,298 |
| Total long-term debt and credit facilities | \$ 2,785,178 | \$ 2,889,852 | \$ (104,674) |
| Total long-term debt and credit facilities to GBV | 50.4% | 51.0% | (0.6)% |

Artis' total long-term debt and credit facilities to EBITDA ratio at June 30, 2017 was 8.5, compared to 8.4 at December 31, 2016.

| | June 30, 2017 | December 31, 2016 | Change |
|--|------------------|----------------------|--------------|
| Total long-term debt and credit facilities | \$ 2,785,178 | \$ 2,889,852 | \$ (104,674) |
| EBITDA ⁽¹⁾ | 328,396 | 345,376 | (16,980) |
| Total long-term debt and credit facilities 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 June 30, 2017, compared to 2.1 times at December 31, 2016.

| | June 30, 2017 | December 31, 2016 | Change |
|---------------------------------------|-------------------|----------------------|-------------------|
| Unencumbered assets | \$ 1,101,024 | \$ 998,770 | \$ 102,254 |
| Senior unsecured debentures | 199,796 | 199,740 | 56 |
| Unsecured credit facilities | 434,978 | 269,680 | 165,298 |
| Total unsecured debt | \$ 634,774 | \$ 469,420 | \$ 165,354 |
| 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 Q2-17, \$15,276 (YTD - \$31,024) of principal repayments were made compared to \$14,676 in Q2-16 (YTD - \$30,040).

In Q2-17, Artis repaid six maturing mortgages in the aggregate amount of \$84,485. Artis refinanced one maturing mortgage and received upward financing on one mortgage, net of financing costs, for a total of \$5,200. In Q2-17, Artis drew on development loans, net of financing costs, in the amount of \$15,702.

The weighted-average term to maturity on all mortgages and loans payable at June 30, 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 June 30, 2017, the REIT was a party to \$498,049 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 variable rate mortgage in the amount of \$51,421 with an interest rate swap, mortgage repayments of \$5,855 and the impact of foreign exchange of \$13,679, partially offset by draws on construction loans of \$35,459. The unhedged variable rate mortgage debt is 17.9% of total debt including credit facilities at June 30, 2017, compared to 19.0% at December 31, 2016.

Senior Unsecured Debentures

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

| | June 30, 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 % | \$ 199,796 | \$ 200,000 | \$ 199,740 | \$ 200,000 | |

Convertible Debentures

Artis had no convertible debentures outstanding at June 30, 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.

| | June 30, 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 \$14,216, which was paid subsequent to the end of the period.

Credit Facilities

The REIT has unsecured revolving term credit facilities in the aggregate amount of \$500,000. 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. The REIT can draw on the facilities in Canadian or US dollars. Amounts drawn on the facilities in Canadian dollars bear interest at the bankers' acceptance rate plus 1.70% or at prime plus 0.70%. Amounts drawn on the facilities in US dollars bear interest at LIBOR plus 1.70% or at the U.S. base rate plus 0.70%. At June 30, 2017, there was \$434,978 drawn on the facilities (December 31, 2016, \$269,680).

The REIT entered into a new unsecured non-revolving term credit facility on June 30, 2017 in the amount of \$150,000. At June 30, 2017, there was no balance drawn on this facility. The facility was fully drawn on July 6, 2017 and matures on July 6, 2022. Amounts drawn on the facility bear interest at the bankers' acceptance rate plus 1.60% or at prime plus 0.60%.

UNITHOLDERS' EQUITY

Unitholders' equity decreased overall by \$15,404 between December 31, 2016 and June 30, 2017. The decrease was primarily due to distributions made to unitholders of \$94,021 and by an unrealized foreign currency translation loss included in other comprehensive (loss) income of \$40,162. This decrease was partially offset by net income of \$115,569 and the issuance of new units for \$3,218.

Net Asset Value

This is the first quarter that Artis is disclosing a NAV calculation as a non-GAAP measure in its MD&A. Management considers this metric to be a valuable measure of the REIT's residual equity available to its common unitholders.

Artis' NAV per unit at June 30, 2017 was 14.89 compared to 15.00 at December 31, 2016.

| 000's, except unit and per unit amounts | June 30, 2017 | December 31, 2016 | Change |
|---|---------------|-------------------|-------------|
| Unitholders' equity | \$ 2,611,962 | \$ 2,627,366 | \$ (15,404) |
| Less value of preferred equity ⁽¹⁾ | (363,578) | (366,953) | 3,375 |
| NAV attributable to common unitholders | \$ 2,248,384 | \$ 2,260,413 | \$ (12,029) |
| Total number of dilutive units outstanding: | | | |
| Common units | 150,592,741 | 150,333,077 | 259,664 |
| Restricted units | 382,044 | 359,819 | 22,225 |
| Deferred units | 59,968 | 43,250 | 16,718 |
| | 151,034,753 | 150,736,146 | 298,607 |
| NAV per unit | 14.89 | 15.00 | (0.11) |

(1) The value of preferred equity is calculated using the outstanding face value in Canadian dollars of preferred units at the end of the period.

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 June 30, 2017 | Six months ended June 30, 2017 | Year ended December 31, 2016 | Year ended December 31, 2015 |
|---|--|--------------------------------------|------------------------------------|------------------------------------|
| Cash flow from operations | \$ 55,212 | \$ 100,563 | \$ 251,820 | \$ 220,601 |
| Net income (loss) | 38,553 | 115,569 | 115,935 | (175,699) |
| Distributions declared | 45,255 | 90,541 | 175,450 | 167,144 |
| Excess of cash flow from operations over distributions declared | 9,957 | 10,022 | 76,370 | 53,457 |
| (Shortfall) excess of net income (loss) over distributions declared | (6,702) | 25,028 | (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 20 consecutive quarters. The shortfall in Q2-17 of \$6,702 is primarily due to the non-cash impact of fair value losses on investment properties.

CAPITAL RESOURCES

At June 30, 2017, Artis had \$50,818 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 June 30, 2017, the REIT had \$434,978 drawn on these facilities.

At June 30, 2017, the REIT had 60 unencumbered properties and 6 unencumbered parcels of development land, representing a fair value of \$1,101,024.

Artis is not in default or arrears on any of its obligations, including distributions to unitholders, interest or principal payments on debt or any debt covenants at June 30, 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 |
|--|---------------------|---------------------|-------------------|-------------------|-------------------|
| Credit facilities | \$ 434,978 | \$ 434,978 | \$ — | \$ — | \$ — |
| Accounts payable and other liabilities | 83,709 | 83,709 | — | — | — |
| Senior unsecured debentures ⁽¹⁾ | 200,000 | — | 200,000 | — | — |
| Mortgages and loans payable | 2,153,325 | 595,136 | 430,047 | 655,115 | 473,027 |
| Total contractual obligations | \$ 2,872,012 | \$ 1,113,823 | \$ 630,047 | \$ 655,115 | \$ 473,027 |

(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 | \$ 353,383 | 18.8% | \$ 25,479 | \$ 378,862 | 4.01% |
| 2018 | 252,242 | 13.4% | 45,037 | 297,279 | 3.41% |
| 2019 | 252,732 | 13.4% | 43,544 | 296,276 | 3.82% |
| 2020 | 163,342 | 8.7% | 36,830 | 200,172 | 3.71% |
| 2021 | 433,531 | 23.0% | 26,430 | 459,961 | 3.45% |
| 2022 & later | 429,110 | 22.7% | 91,665 | 520,775 | 3.89% |
| Total | \$ 1,884,340 | 100.0% | \$ 268,985 | \$ 2,153,325 | 3.72% |

SUMMARIZED QUARTERLY INFORMATION

| \$000's, except per unit amounts | Q2-17 | Q1-17 | Q4-16 | Q3-16 | Q2-16 | Q1-16 | Q4-15 | Q3-15 |
|--|------------|------------|------------|------------|------------|-------------|--------------|------------|
| Revenue | \$ 136,217 | \$ 139,538 | \$ 146,378 | \$ 148,925 | \$ 138,159 | \$ 139,053 | \$ 142,873 | \$ 140,254 |
| Expenses: | | | | | | | | |
| Property operating | 31,746 | 33,644 | 38,291 | 34,298 | 30,098 | 30,437 | 35,158 | 32,160 |
| Realty taxes | 22,203 | 22,492 | 22,141 | 22,772 | 22,444 | 23,320 | 22,382 | 21,667 |
| | 53,949 | 56,136 | 60,432 | 57,070 | 52,542 | 53,757 | 57,540 | 53,827 |
| Net operating income | 82,268 | 83,402 | 85,946 | 91,855 | 85,617 | 85,296 | 85,333 | 86,427 |
| Other income (expenses): | | | | | | | | |
| Corporate expenses | (3,330) | (3,782) | (3,234) | (2,929) | (3,521) | (3,638) | (3,089) | (2,728) |
| Interest expense | (25,480) | (26,383) | (27,563) | (28,521) | (28,260) | (28,373) | (28,684) | (28,365) |
| Interest income | 264 | 280 | 287 | 298 | 332 | 298 | 288 | 335 |
| Fair value (loss) gain on investment properties | (16,801) | 17,761 | (92,854) | 20,201 | (21,640) | (15,121) | (252,058) | (64,343) |
| Foreign currency translation gain (loss) | 1,552 | 4,867 | (4,695) | 206 | (4,010) | 6,154 | 410 | (9,913) |
| Transaction costs | — | — | (9) | (195) | (862) | (39) | (521) | (1,248) |
| Gain (loss) on financial instruments | 131 | 479 | 12,513 | (4,039) | 2,921 | (5,803) | 2,426 | (3,612) |
| Income (loss) before income taxes | 38,604 | 76,624 | (29,609) | 76,876 | 30,577 | 38,774 | (195,895) | (23,447) |
| Income tax (expense) recovery | (51) | 392 | (683) | — | — | — | — | — |
| Net income (loss) | 38,553 | 77,016 | (30,292) | 76,876 | 30,577 | 38,774 | (195,895) | (23,447) |
| Other comprehensive (loss) income: | | | | | | | | |
| Unrealized foreign currency translation (loss) gain | (30,072) | (10,090) | 25,936 | 9,877 | 4,066 | (60,524) | 27,422 | 65,039 |
| Unrealized gain (loss) from remeasurements of net pension obligation | 38 | (46) | (4) | (4) | (35) | 9 | 1 | — |
| | (30,034) | (10,136) | 25,932 | 9,873 | 4,031 | (60,515) | 27,423 | 65,039 |
| Total comprehensive income (loss) | \$ 8,519 | \$ 66,880 | \$ (4,360) | \$ 86,749 | \$ 34,608 | \$ (21,741) | \$ (168,472) | \$ 41,592 |
| Net income (loss) per unit attributable to common unitholders: | | | | | | | | |
| Basic | \$ 0.23 | \$ 0.48 | \$ (0.23) | \$ 0.48 | \$ 0.18 | \$ 0.25 | \$ (1.45) | \$ (0.20) |
| Diluted | 0.22 | 0.48 | (0.23) | 0.48 | 0.18 | 0.24 | (1.45) | (0.20) |
| Secured mortgages and loans to GBV | 38.9% | 40.2% | 40.6% | 40.4% | 40.9% | 41.3% | 41.2% | 40.2% |

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 | Q2-17 | Q1-17 | Q4-16 ⁽¹⁾ | Q3-16 ⁽¹⁾ | Q2-16 ⁽¹⁾ | Q1-16 ⁽¹⁾ | Q4-15 ⁽²⁾ | Q3-15 ⁽²⁾ |
|---|------------------|------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Net income (loss) | \$ 38,553 | \$ 77,016 | \$ (30,292) | \$ 76,876 | \$ 30,577 | \$ 38,774 | \$ (195,895) | \$ (23,447) |
| Add (deduct): | | | | | | | | |
| Fair value loss (gain) on investment properties | 16,801 | (17,761) | 92,854 | (20,201) | 21,640 | 15,121 | 252,058 | 64,343 |
| Amortization of tenant inducements | 4,544 | 4,615 | 4,873 | 4,456 | 4,349 | 4,074 | 3,694 | 3,693 |
| Transaction costs on acquisitions | — | — | 9 | 195 | 862 | 39 | 521 | 1,248 |
| Foreign currency translation (gain) loss | (1,552) | (4,867) | 4,695 | (206) | 4,010 | (6,154) | (410) | 9,913 |
| (Gain) loss on financial instruments | (131) | (479) | (12,513) | 4,039 | (2,921) | 5,803 | (2,426) | 3,612 |
| Remeasurement component of unit-based compensation | (13) | 118 | (3) | (294) | 148 | 13 | (44) | (206) |
| Distributions on preferred shares treated as interest expense | 45 | 46 | 20 | 28 | 27 | 28 | 29 | 28 |
| Incremental leasing costs | 792 | 795 | 1,406 | 806 | 623 | 547 | 579 | 442 |
| Preferred unit distributions | (4,597) | (4,630) | (4,641) | (4,611) | (4,584) | (4,596) | (4,682) | (4,638) |
| FFO | \$ 54,442 | \$ 54,853 | \$ 56,408 | \$ 61,088 | \$ 54,731 | \$ 53,649 | \$ 53,424 | \$ 54,988 |
| Add (deduct): | | | | | | | | |
| Amortization of recoverable capital expenditures | (2,137) | (2,290) | (3,846) | (2,331) | (2,116) | (2,041) | — | — |
| Non-recoverable property maintenance reserve | (700) | (650) | (650) | (650) | (650) | (650) | (1,432) | (1,406) |
| Leasing costs reserve | (9,600) | (9,500) | (9,500) | (9,500) | (9,500) | (9,500) | (5,727) | (5,623) |
| Straight-line rent adjustments | (1,871) | (1,663) | (1,743) | (1,979) | (1,276) | (1,196) | (1,227) | (1,231) |
| Unit-based compensation | — | — | — | — | — | — | 618 | 302 |
| AFFO | \$ 40,134 | \$ 40,750 | \$ 40,669 | \$ 46,628 | \$ 41,189 | \$ 40,262 | \$ 45,656 | \$ 47,030 |
| FFO per unit: | | | | | | | | |
| Basic | \$ 0.36 | \$ 0.36 | \$ 0.38 | \$ 0.41 | \$ 0.39 | \$ 0.39 | \$ 0.39 | \$ 0.40 |
| Diluted | 0.36 | 0.36 | 0.37 | 0.41 | 0.38 | 0.38 | 0.38 | 0.39 |
| AFFO per unit: | | | | | | | | |
| Basic | \$ 0.27 | \$ 0.27 | \$ 0.27 | \$ 0.31 | \$ 0.29 | \$ 0.29 | \$ 0.33 | \$ 0.34 |
| Diluted | 0.27 | 0.27 | 0.27 | 0.31 | 0.29 | 0.29 | 0.33 | 0.34 |
| Weighted-average number of common units outstanding for FFO: | | | | | | | | |
| Basic | 150,581 | 150,545 | 149,937 | 149,227 | 141,191 | 139,215 | 138,566 | 137,919 |
| Diluted ⁽³⁾ | 150,966 | 150,947 | 154,921 | 154,326 | 151,780 | 149,805 | 149,089 | 148,455 |

(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 | | Six months ended | |
|---|--------------------|---------------|------------------|---------------|
| | 2017 | June 30, 2016 | 2017 | June 30, 2016 |
| Property management fees | \$ 84 | \$ 54 | \$ 166 | \$ 136 |
| Capitalized leasing commissions | 20 | 2 | 27 | 11 |
| Capitalized project management fees | 16 | 21 | 40 | 58 |
| Capitalized building improvements | 5,006 | 11,613 | 9,324 | 15,289 |
| Capitalized development projects | 1,089 | 744 | 3,595 | 1,215 |
| Capitalized tenant inducements | 2,880 | 204 | 4,647 | 522 |
| Capitalized office furniture and fixtures | — | 69 | — | 148 |
| Realty tax assessment consulting fees | 427 | 49 | 458 | 539 |
| Rental revenues | (88) | (72) | (177) | (144) |

The REIT incurred property management fees, leasing commission fees and project management fees under property management agreements with Marwest Management Canada Ltd. ("Marwest Management"), a company related to certain trustees and officers of the REIT, for three properties owned by the REIT. The amount payable at June 30, 2017, was \$29 (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 June 30, 2017, was \$4,242 (December 31, 2016, \$8,680).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction. The amount payable at June 30, 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 June 30, 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 August 3, 2017, the balance of units outstanding is 150,593,232, 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 August 3, 2017 is 376,355, none of which have vested.

The balance of deferred units outstanding as of August 3, 2017 is 69,106. All of these deferred units have vested, 4,027 of which are redeemable.

OUTLOOK

After a year of GDP contraction in Saskatchewan and Alberta in 2016, Scotiabank's Global Outlook dated July 6, 2017, forecasts that GDP in these provinces will grow by 1.9% and 2.9%, respectively, in 2017, while continued GDP growth and declining unemployment rates are predicted for 2018. These forecasts are supported by Scotiabank's prediction that the oil and gas industry is at the beginning an extended recovery period, and that an increase in oil exports to the U.S. will underline an intensifying demand for additional pipeline capacity to markets. In the meantime, we continue to monitor the Alberta and Saskatchewan markets closely and work diligently to maximize occupancy and rental rates, while diversifying our portfolio in an accretive manner so as to reduce and optimize our weighting in Alberta.

Scotiabank predicts that real GDP in Canada will grow by 2.7% in 2017. GDP in British Columbia, Manitoba and Ontario in 2017 is forecast to grow by 3.0%, 2.3% and 2.9%, respectively, which are all healthy growth rates that are near or above the 2017 national forecast.

The Scotiabank Global Outlook report further predicts that U.S. GDP will grow at a rate of 2.2% in 2017. According to the United States Department of Labor, U.S. unemployment decreased nationally from 4.9% to 4.4% year-over-year in June. 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 during the remainder of 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 our primary U.S. markets. 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 during the remainder of 2017 and beyond. We further anticipate that interest rates will remain range-bound 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.

In Q1-17, we 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 funds to further improve our debt metrics and the opportunity to recycle additional capital, improving the quality of our portfolio by acquiring newer generation real estate. As part of this review, we identified seven industrial properties in Minnesota that were listed for sale in Q2-17. There has been considerable interest in these assets from qualified buyers. We plan to use the proceeds from these sales to acquire or develop newer generation industrial real estate in our target markets.

During Q2-17, we entered into unconditional agreements to sell Sherwood Centre, an industrial property in Edmonton, Alberta, and 6075 Kestrel Road, an industrial property in the Greater Toronto Area, Ontario. We also plan 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, has been listed for sale.

In Q1-17, we identified two properties in Calgary, Alberta, for re-purposing. Sunridge Pointe, a single tenant retail property which is currently vacant, is being redeveloped to accommodate a grocery store tenant with a long-term lease commencing in Q4-17, while Sierra Place, an office building located downtown, 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, redevelopment and repositioning of select 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 June 30, 2017, Artis had \$50,818 of cash on hand and \$65,022 available on its revolving term credit facilities. Subsequent to June 30, 2017, the following transactions took place:

- The REIT drew \$150,000 on its unsecured non-revolving term credit facility and entered into an interest rate swap to effectively lock the interest rate on this facility at 3.57%.
- The REIT closed a second unsecured non-revolving term credit facility in the amount of \$150,000 and drew the full balance. This new facility matures on July 18, 2022. Amounts drawn on the facility bear interest at the BA rate plus 1.60% or prime plus 0.60%. The REIT has the option to place an interest rate swap on top of the facility at any point during the term of this facility.
- The REIT disposed of Horizon Heights, a retail property located in Calgary, Alberta. The property was sold for \$34,000 and the REIT repaid the outstanding mortgage payable balance in the amount of \$11,843.
- The REIT repaid three maturing mortgages in the aggregate amount of \$148,868.
- The REIT repaid a net balance on its revolving term credit facilities in the amount of \$151,000.
- The REIT declared a monthly cash distribution of \$0.09 per unit for the month of July 2017.
- The REIT declared a quarterly cash distribution of \$0.3125 per Series G preferred unit for the quarter ending July 31, 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 June 30, 2017, 53.0% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 23.9% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At June 30, 2017, the REIT is a party to \$1,447,188 of variable rate debt, including credit facilities (December 31, 2016, \$1,309,535). At June 30, 2017, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$514,161 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 June 30, 2017, the REIT's ratio of secured mortgages and loans to GBV was 38.9%, compared to 40.6% at December 31, 2016. The REIT's ratio of total long-term debt and credit facilities to GBV was 50.4%, compared to 51.0% at December 31, 2016. Approximately 18.8% of Artis' maturing mortgage debt comes up for renewal in 2017, and 13.4% 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 2,012 tenant leases with a weighted-average term to maturity of 3.9 years. Approximately 56.4% 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% | 5.7 |
| WorleyParsons Canada | 1.6% | 211 | 0.9% | 4.2 |
| Graham Group Ltd. | 1.6% | 243 | 1.0% | 17.1 |
| AT&T | 1.4% | 257 | 1.0% | 8.0 |
| Bell Canada | 1.2% | 115 | 0.5% | 12.1 |
| Stantec Consulting Ltd. | 1.2% | 133 | 0.5% | 6.1 |
| TransAlta Corp | 1.0% | 336 | 1.4% | 5.9 |
| TDS Telecommunications Corporation | 1.0% | 195 | 0.8% | 7.5 |
| Schneider Electric Software Canada Inc. | 1.0% | 98 | 0.4% | 6.2 |
| Bellatrix Exploration Ltd. | 1.0% | 94 | 0.4% | 6.6 |
| TD Canada Trust | 1.0% | 128 | 0.5% | 3.0 |
| Shoppers Drug Mart | 0.9% | 136 | 0.6% | 8.1 |
| Home Depot | 0.9% | 122 | 0.5% | 4.1 |
| Canada Institute for Health Info. | 0.9% | 92 | 0.4% | 8.2 |
| IHS Global Canada Limited | 0.9% | 78 | 0.3% | 0.5 |
| CB Richard Ellis, Inc. | 0.8% | 108 | 0.4% | 9.5 |
| Fairview Health Services | 0.8% | 179 | 0.7% | 6.2 |
| 3M Canada Company | 0.7% | 319 | 1.3% | 2.8 |
| Cara Operations Limited | 0.7% | 100 | 0.4% | 11.5 |
| Birchcliff Energy | 0.7% | 59 | 0.2% | 0.4 |
| Total | 21.4% | 3,325 | 13.5% | 6.8 |

(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% | 7.0 |
| Provincial Government | 2.3% | 336 | 1.4% | 3.0 |
| Civic or Municipal Government | 0.5% | 106 | 0.4% | 13.1 |
| Total | 6.1% | 936 | 3.8% | 6.3 |
| Weighted-average term to maturity (entire portfolio) | | | | 3.9 |

(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 | 1.6 % | 0.1 % | 1.6 % | 0.8 % | 1.6 % | 0.9 % | 0.8 % | 2.3 % | 0.4 % | 0.1 % | 9.3 % | |
| 2018 | 1.7 % | 0.4 % | 2.6 % | 0.7 % | 1.2 % | 0.8 % | 0.1 % | 2.4 % | 0.9 % | 0.6 % | 10.6 % | |
| 2019 | 1.5 % | 0.8 % | 1.3 % | 0.3 % | 1.7 % | 0.6 % | 0.5 % | 2.9 % | 0.7 % | 0.6 % | 10.3 % | |
| 2020 | 1.6 % | 0.2 % | 1.8 % | 0.2 % | 3.1 % | 0.3 % | 0.8 % | 3.2 % | 0.7 % | 0.2 % | 11.8 % | |
| 2021 | 2.6 % | 0.2 % | 2.0 % | 0.4 % | 1.4 % | 1.6 % | 0.7 % | 4.3 % | 0.5 % | 0.1 % | 12.2 % | |
| 2022 | 1.1 % | 0.1 % | 0.4 % | 0.8 % | 1.2 % | 0.6 % | 0.1 % | 2.3 % | 0.3 % | 0.1 % | 6.4 % | |
| 2023 & later | 5.0 % | 1.3 % | 3.7 % | 2.0 % | 3.7 % | 2.1 % | 1.7 % | 4.8 % | 2.5 % | 1.1 % | 25.8 % | |
| Month-to-month | 0.2 % | 0.1 % | 0.1 % | — % | 0.1 % | 0.1 % | — % | 0.1 % | — % | — % | 0.6 % | |
| Vacant | 2.4 % | 0.2 % | 0.9 % | 0.4 % | 1.0 % | 1.7 % | 0.2 % | 2.4 % | 0.5 % | 0.2 % | 8.2 % | |
| New development/ redevelopment | 0.6 % | — % | 0.6 % | — % | 0.5 % | 0.2 % | 1.0 % | 0.5 % | — % | 1.6 % | 4.8 % | |
| Total | 18.3 % | 3.4 % | 15.0 % | 5.6 % | 15.5 % | 8.9 % | 5.9 % | 25.2 % | 6.5 % | 4.6 % | 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 six months ended June 30, 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 June 30, 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 changes were made in the REIT's design of internal controls over financial reporting during the six months ended June 30, 2017, that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

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 June 30, 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 six months ended June 30, 2017.