



# Management's Discussion and Analysis Q1-18

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# Management's Discussion and Analysis - Q1-18

(In thousands of Canadian dollars, unless otherwise noted)

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Artis Real Estate Investment Trust should be read in conjunction with the REIT's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2018 and 2017, the audited annual consolidated financial statements for the years ended December 31, 2017 and 2016, and the notes thereto. Unless otherwise noted, all amounts in this MD&A are based on the consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Additionally, "Artis", the "REIT", "we", "us" and "our" refers to Artis Real Estate Investment Trust and its consolidated operations. This MD&A has been prepared taking into account material transactions and events up to and including May 10, 2018. Additional information about Artis, including the REIT's most recent Annual Information Form, has been filed with applicable Canadian securities regulatory authorities and is available at [www.sedar.com](http://www.sedar.com) or on our website at [www.artisreit.com](http://www.artisreit.com).

## 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, cyber security, 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 IFRS. 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.

### Proportionate Share

The REIT has properties held in its investments in joint ventures, which are accounted for 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 is of the view that presentation on a Proportionate Share basis is representative of how Artis manages its properties as well as certain operating and financial metrics. Unless otherwise noted, comparative period amounts have been updated to reflect the current period's presentation. 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.

### 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 due to changes in occupancy, rental rates and the recovery of property operating expenses and realty taxes. 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 have been applied consistently to all comparative periods included in this MD&A. Management considers FFO to be a valuable recurring earnings measure for evaluating the REIT's operating performance as it adjusts net income for gains or losses that are not recurring in nature such as fair value gains or losses on investment properties. Refer to the FFO and AFFO section of this MD&A for further discussion and calculation of this measure.

**Adjusted Funds from Operations ("AFFO")**

Artis calculates AFFO substantially in accordance with the guidelines set out by REALpac, as issued in February 2017. These guidelines have been applied consistently to all comparative periods included in this MD&A. Management considers AFFO to be a valuable recurring earnings measure for evaluating the REIT's operating performance. Refer to the FFO and AFFO section of this MD&A for further discussion and calculation of this measure.

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

Artis calculates EBITDA as net income, adjusted for interest expense, transaction costs, income taxes 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 Income Statement Metrics 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 Balance Sheet Metrics 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 Balance Sheet Metrics 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 Balance Sheet Metrics section of this MD&A for further discussion and calculation of this measure.

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## OVERVIEW

Artis is one of the largest diversified commercial real estate investment trusts in Canada and is an unincorporated closed-end real estate investment trust, created under, and governed by, the laws of the Province of Manitoba. The REIT was created pursuant to the Declaration of Trust dated November 8, 2004, as most recently amended and restated on July 20, 2016 (the "Declaration of Trust").

Certain of the REIT's securities are listed on the Toronto Stock Exchange ("TSX"). The REIT's common units trade under the symbol AX.UN and the REIT's preferred units trade under the symbols AX.PR.A, AX.PR.E, AX.PR.G and AX.PR.I. As at May 10, 2018, there were 153,795,779 common units, 15,650,000 preferred units, 480,355 restricted units and 97,303 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 (the "Board" or "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.

## BOARD RENEWAL AND CORPORATE GOVERNANCE

On November 22, 2017, on the recommendation of the Governance and Compensation Committee of the Board, the Trustees approved the following governance and compensation policies and initiatives:

- the adoption of a diversity policy that incorporates various initiatives for promoting diversity on the Board as well as in the workplace;
- the introduction of performance-based long-term incentive compensation for executives which will be subject to objectively measurable criteria;
- the adoption of a policy that requires employment contracts of new executives who join Artis or its subsidiaries to contain a "double-trigger" provision in the event of a "change of control", with a maximum severance multiplier of 2.0 of base salary and bonuses;
- the submission to unitholders of a "say on pay" vote on an annual basis, commencing no later than Artis' 2019 annual general meeting with respect to compensation practices for the 2018 year;

- an ongoing commitment to board renewal through: (i) a diversity policy; (ii) the gradual replacement of Trustees who have served as members of the Board since Artis' inception; (iii) a policy regarding maximum term limits whereby new trustees may serve on the Board for a period not to exceed 10 years; and,
- a restructuring of the committees of the Board.

The above policies and initiatives are further described in the Governance and Compensation Policies and Initiatives document which was filed with applicable Canadian securities regulatory authorities and is available at [www.sedar.com](http://www.sedar.com). An update on Artis' progress will be provided in the Management Information Circular, which will be mailed to unitholders on May 15, 2018, in advance of the annual general meeting to be held on June 14, 2018.

The Trustees continue to discuss the vision and long-term strategic direction of Artis and the important oversight role that the Board plays, and to consider corporate governance and compensation changes to better align with industry best practices.

Artis has retained Kingsdale Advisors to assist in this initiative.

## FIRST QUARTER OVERVIEW

During the first quarter of 2018, we sold Humana Building, an office property in the Greater Phoenix Area, Arizona, and 1810 Dublin Avenue, an industrial property in Winnipeg, Manitoba, and acquired the remaining 50% interest in 1700 Broadway and Hudson's Bay Centre, two office properties located in Denver, Colorado, for an aggregate purchase price of US\$70,000. The seller's portion of the existing mortgages on these properties was assumed, and the balance of consideration owed was satisfied with the issuance of 3,185,152 common units at \$14.85 per unit.

In addition to these property acquisitions, we enhanced and made notable progress on our development pipeline. On March 26, 2018, we acquired 52.5 acres of land for the multi-phase development of approximately 1,000,000 square feet of industrial real estate in Houston (Bayport), Texas, for US\$8,792. Phase I of this project is expected to total 520,000 square feet and is 100% leased for a 12.5-year term. Construction of Phase I is scheduled to begin in the second quarter of 2018. Also during the first quarter, we began site work for the development of 300 Main and 330 Main, two new projects that will span nearly one city block in downtown Winnipeg, Manitoba. These sites are located above the Shops of Winnipeg Square retail concourse and Winnipeg Square Parkade, and adjacent to 360 Main, a 30-storey Class A office tower, all of which is currently owned by Artis. 300 Main will be a best-in-class amenity-rich apartment building with main floor commercial space, while 330 Main will be a state-of-the-art multi-tenant retail property. 330 Main is approximately 90% pre-leased pursuant to a 20-year lease with rental increases every five years. Lastly, at Park Lucero in the Greater Phoenix Area, Arizona, a new lease commenced at Phase II marking the fifth completed and fully-leased building at the development, while construction of the last phase of the project, Park Lucero Phase IV, is now under way.

On January 31, 2018, we raised \$125,000 of equity pursuant to the offering of 5,000,000 Series I preferred units at a price of \$25.00 per unit, yielding 6.00% per annum. A portion of the net proceeds from this offering was used to redeem the outstanding US dollar denominated Series C preferred units for US\$75,000 on March 31, 2018. Additionally, on February 7, 2018, we issued two-year Series B floating rate senior unsecured debentures for gross proceeds of \$200,000, bearing interest at the three month CDOR plus 107 basis points. The net proceeds from this offering were used to partially repay indebtedness on our outstanding credit facilities.

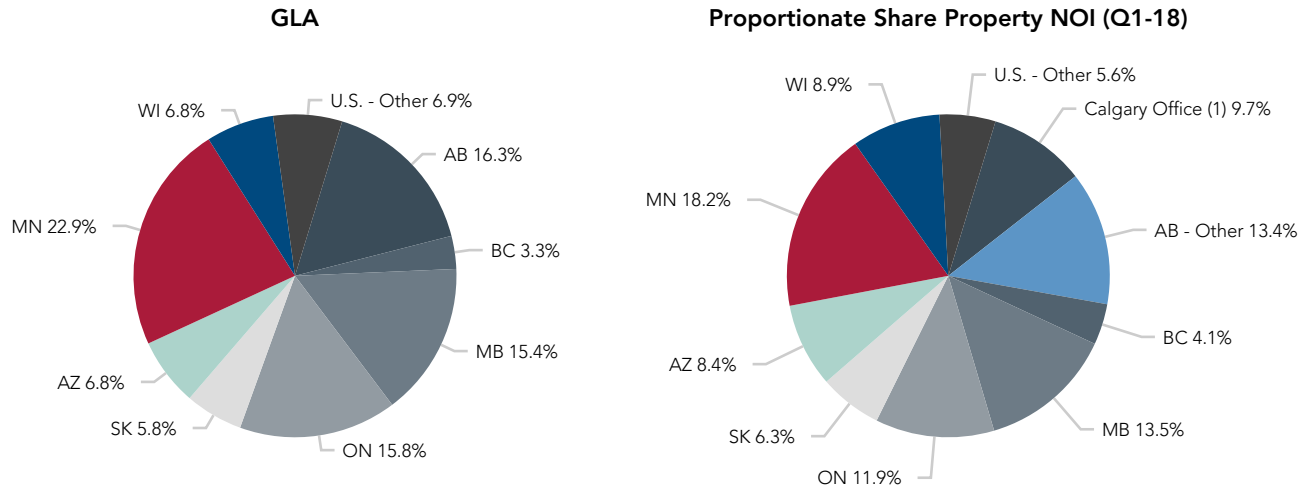
## Corporate Sustainability Progress

Corporate sustainability is a high priority for Artis. We are committed to improving the energy efficiency of our properties and reducing our environmental footprint. At March 31, 2018, we had 19 properties with a LEED certification, 20 properties with a Building Owners and Managers Association (BOMA) Building Environmental Standards (BEST) certification and 19 properties with an Energy Star certification.

**PORTFOLIO SUMMARY**

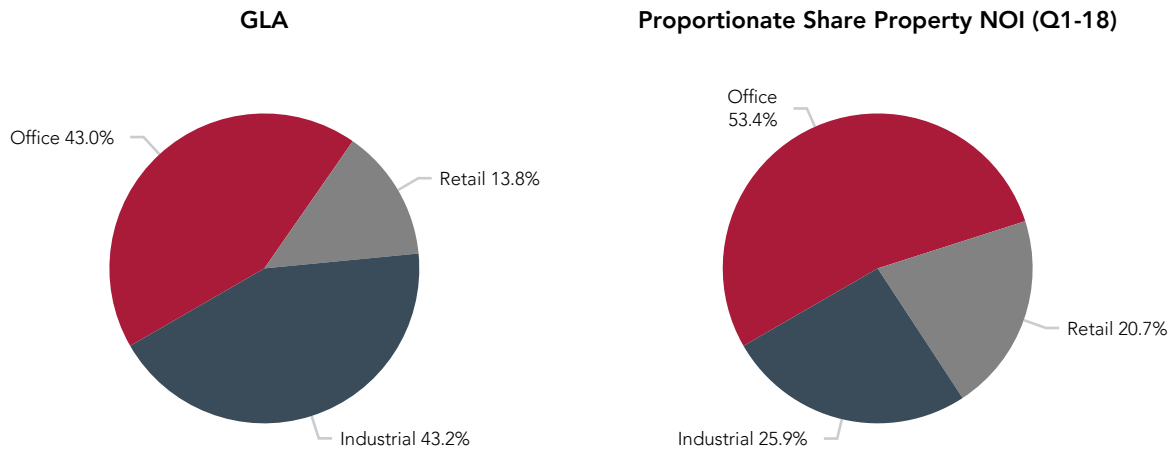
At March 31, 2018, the REIT's portfolio was comprised of 236 commercial properties (inclusive of properties held in joint venture arrangements) totalling approximately 25.1 million square feet ("S.F.") of gross leasable area ("GLA").

**Diversification by Geographical Region**

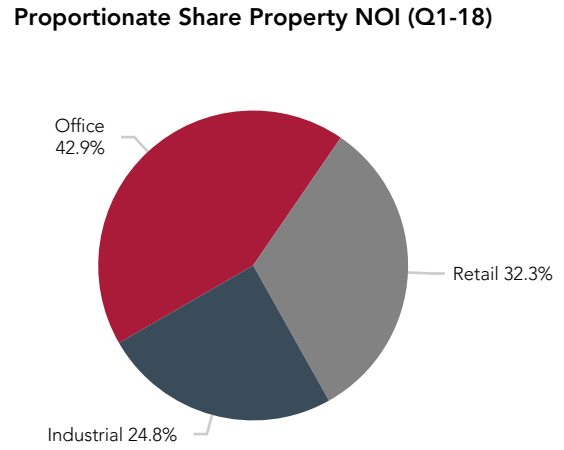
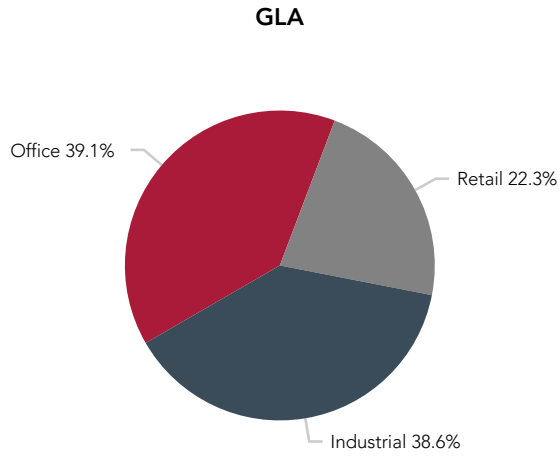


(1) Calgary office Property NOI was impacted by significant lease termination income received from a tenant in Q1-18. Calgary office Property NOI adjusted to exclude lease termination adjustments is 7.8% for Q1-18.

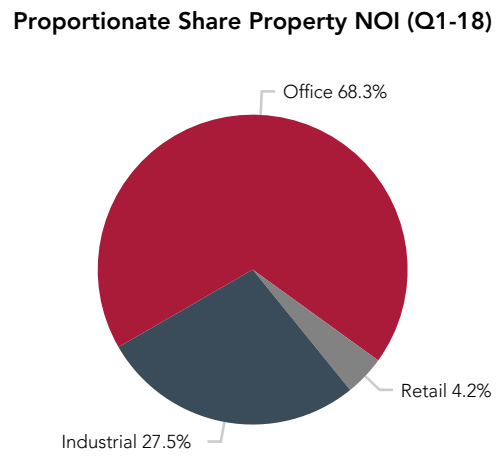
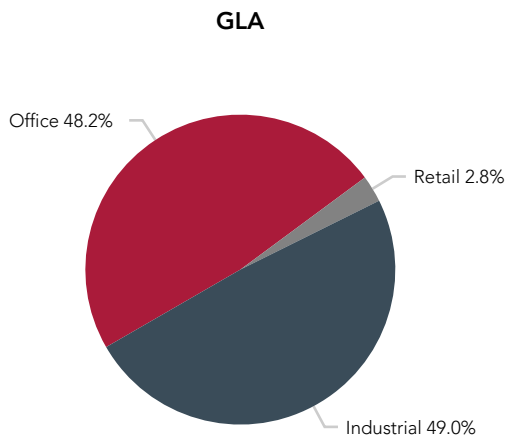
**Diversification by Asset Class - Total Canadian and U.S. Portfolio**



Diversification by Asset Class - Canadian Portfolio



Diversification by Asset Class - U.S. Portfolio





Portfolio by Asset Class <sup>(1)</sup>

Asset class	City	Province / State	Property count	Owned share of GLA (000's of S.F.)	% of portfolio GLA	% Occupied	% Committed <sup>(2)</sup>
Canadian portfolio:							
Office	Calgary	AB	14	1,947	7.8%	72.5%	78.8%
	Greater Edmonton Area	AB	1	48	0.2%	96.8%	97.4%
	Greater Toronto Area	ON	7	1,085	4.3%	84.6%	88.4%
	Greater Vancouver Area	BC	3	462	1.8%	98.1%	98.1%
	Nanaimo	BC	1	38	0.2%	100.0%	100.0%
	Ottawa	ON	2	287	1.1%	96.7%	96.7%
	Saskatoon	SK	1	64	0.3%	6.9%	70.8%
	Winnipeg	MB	10	1,518	6.1%	80.6%	88.5%
Office total			39	5,449	21.8%	80.2%	86.2%
Retail	Calgary	AB	5	345	1.4%	99.2%	99.6%
	Estevan	SK	2	175	0.7%	92.6%	92.6%
	Fort McMurray	AB	8	195	0.8%	97.5%	98.6%
	Grande Prairie	AB	5	365	1.5%	62.8%	62.8%
	Greater Edmonton Area	AB	5	440	1.7%	98.2%	98.2%
	Greater Vancouver Area	BC	1	165	0.7%	98.4%	99.5%
	Nanaimo	BC	3	74	0.3%	58.4%	85.1%
	Regina	SK	8	532	2.0%	94.2%	94.6%
	Saskatoon	SK	3	219	0.9%	98.4%	98.4%
	Winnipeg	MB	7	654	2.6%	96.2%	97.8%
Retail total			47	3,164	12.6%	91.9%	93.1%
Industrial	Calgary	AB	6	363	1.4%	85.0%	92.0%
	Greater Edmonton Area	AB	3	156	0.6%	100.0%	100.0%
	Greater Toronto Area	ON	29	2,578	10.2%	98.7%	98.9%
	Greater Vancouver Area	BC	2	98	0.4%	100.0%	100.0%
	Red Deer	AB	1	126	0.5%	88.2%	88.2%
	Regina	SK	2	144	0.6%	74.9%	100.0%
	Saskatoon	SK	5	327	1.3%	100.0%	100.0%
	Winnipeg	MB	28	1,692	6.7%	94.2%	97.0%
Industrial total			76	5,484	21.7%	95.7%	97.8%
Total Canadian portfolio			162	14,097	56.1%	88.8%	92.2%
U.S. portfolio:							
Office	Greater Denver Area	CO	4	917	3.7%	89.6%	91.2%
	Greater Phoenix Area	AZ	5	896	3.6%	86.9%	92.2%
	Madison	WI	16	1,695	6.8%	88.8%	89.0%
	New Hartford	NY	1	123	0.5%	100.0%	100.0%
	Twin Cities Area	MN	5	1,336	5.3%	93.4%	94.6%
Office total			31	4,967	19.9%	90.1%	91.8%
Retail	Twin Cities Area	MN	7	298	1.2%	92.4%	92.4%
Industrial	Greater Denver Area	CO	1	138	0.6%	100.0%	100.0%
	Greater Phoenix Area	AZ	6	813	3.2%	96.0%	96.0%
	Twin Cities Area	MN	25	3,952	15.7%	95.9%	97.0%
Industrial total			32	4,903	19.5%	96.0%	97.0%
Total U.S. portfolio			70	10,168	40.6%	93.0%	94.3%
Total Canadian and U.S. portfolio			232	24,265	96.7%	90.6%	93.1%

(1) Information is as at March 31, 2018, and excludes properties listed in the Property Held for Redevelopment table and the New Development Activity table on the following page, and includes properties held in joint venture arrangements.

(2) Percentage committed is based on occupancy at March 31, 2018, plus commitments on vacant space.

## Property Held for Redevelopment

Asset class	City	Province / State	Property count	Owned share of GLA (000's of S.F.)	% of portfolio GLA	Property	% Committed <sup>(1)</sup>
Office	Calgary	AB	1	92	0.4%	Sierra Place	12.1%

(1) Percentage committed is based on occupancy at March 31, 2018, plus commitments on vacant space.

### Redevelopment in Process:

Redevelopment plans are underway to convert Sierra Place, located in Calgary, Alberta, from an office property to a residential property. The building, which is conveniently located downtown on a light rail transit line and provides access to the Plus 15 walkway system, will have approximately 100 suites upon completion of the redevelopment. Redevelopment work is anticipated to begin this year.

### Redevelopment Initiatives:

Artis is exploring an opportunity to convert 2145-2155 Dunwin Drive, located in the Greater Toronto Area, Ontario, to office condominiums. The property is a 52,969 square foot two-storey flex industrial/office complex that is located just minutes from Queen Elizabeth Way and Highway 403. Additional information about this redevelopment will be released as progress is made and key milestones are achieved.

### New Development Activity <sup>(1)</sup>

Asset class	City	Province / State	Property count	Owned share of GLA (000's of S.F.)	% of portfolio GLA	Property	% Completed	% Committed <sup>(2)</sup>
Office	Minneapolis	MN	1	139	0.6%	Millwright Building	100.0%	60.0%
Industrial	Houston	TX	1	418	1.7%	Park 8Ninety Phase I	100.0%	96.0%
Office	Greater Denver Area	CO	1	118	0.5%	169 Inverness Drive West Phase I	100.0%	—%
Total completed new developments			3	675	2.8%			
Industrial	Greater Phoenix Area	AZ	1	95	—	Park Lucero Phase IV	16.0%	—%
Residential/ Commercial	Winnipeg	MB	1	580	—	300 Main	—%	—%
Retail	Winnipeg	MB	1	27	—	330 Main	—%	90.0%
Total new developments in process <sup>(3)</sup>			3	702				

(1) Includes properties held in joint venture arrangements.

(2) Percentage committed is based on occupancy at March 31, 2018, plus commitments on vacant space.

(3) Property count and Owned share of GLA for new developments in process (properties that are not 100% completed) are not included in portfolio property count and GLA totals. GLA numbers are estimates.

### Completed New Developments and New Developments in Process:

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 completed construction of the first three phases of Park Lucero, a four-phase industrial project located in the Greater Phoenix Area, Arizona. The three completed phases, which total approximately 485,000 square feet, are 100% leased. In Q1-18, Artis commenced construction of Park Lucero Phase IV, which is expected to comprise approximately 95,000 square feet, resulting in a total project size of approximately 580,000 square feet upon completion of all four phases. Artis owns a 100% interest in Park Lucero Phases I, III and IV, and has a 90% ownership interest in Park Lucero Phase II as a joint venture arrangement.

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 approximately 1,775,000 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 totalling approximately 440,000 square feet. Construction of Park 8Ninety Phase I was completed in Q2-17. Construction of Park 8Ninety Phase II is scheduled to begin in the summer of 2018.

In Q1-18, Artis completed 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 comprising approximately 118,000 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. Leasing at this project is under way.

Site work is under way for the development of 300 Main and 330 Main, two new projects that will span nearly one city block in downtown Winnipeg, Manitoba. These sites are located above the Shops of Winnipeg Square retail concourse and Winnipeg Square Parkade, and adjacent to 360 Main, a 30 storey Class A office tower, all of which is currently owned by Artis. 300 Main will be a best-in-class amenity-rich apartment building with main floor commercial space, while 330 Main will be a state-of-the-art multi-tenant retail property. 330 Main is approximately 90% pre-leased pursuant to a 20-year lease with rental increases every five years.

## New Development Initiatives

### New Development Initiatives - Early Planning Stages:

In Q1-18, Artis acquired two parcels of land totalling 52.5 acres in Houston (Bayport), Texas, for the multi-phase development of approximately 1,000,000 square feet of industrial real estate. Phase I of this project is anticipated to total approximately 520,000 square feet and is 100% leased for a 12.5-year term with annual rent escalations of 2.5%. Construction is scheduled to commence in Q2-18.

Artis owns a three acre parcel of land in Winnipeg, Manitoba, called Linden Ridge Shopping Centre Phase III, which is located adjacent to Linden Ridge Shopping Centre and Linden Ridge Shopping Centre II, retail properties also owned by Artis. The site can accommodate a future 30,000 square foot development.

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 Station subway stop 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.

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 500 apartment units on the site.

Development plans are underway to rezone the Stampede Station II site on Macleod Trail in Calgary, Alberta, from the current 300,000 square foot potential office project to a 30-storey multi-family project with 300 suites.

Additional information about these developments will be released as progress is made and key milestones are achieved.

### New Development Initiatives - Early Planning Stages and Future Development:

Asset class	City	Province / State	Estimated owned share of GLA (000's of S.F.)	Property
Industrial	Greater Houston Area	TX	1,000	Cedar Port
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	Houston	TX	1,268	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 <sup>(1)</sup>
Office	Madison	WI	120	Greenway Land
Office	Madison	WI	165	Heartland Trail Land

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

## 2018 - FIRST QUARTER HIGHLIGHTS

### PORTFOLIO ACTIVITY

During Q1-18, Artis acquired the remaining interest in two office properties previously held in joint venture arrangements, disposed of two properties and completed the development of one property and one commercial retail unit at an existing property.

	Office		Retail		Industrial		Total	
	Property count	S.F. (000's) <sup>(1)</sup>	Property count	S.F. (000's) <sup>(1)</sup>	Property count	S.F. (000's) <sup>(1)</sup>	Property count	S.F. (000's) <sup>(1)</sup>
Portfolio properties, December 31, 2017	73	10,469	54	3,457	110	10,827	237	24,753
Acquisitions	—	284	—	—	—	—	—	284
New developments	1	118	—	5	—	—	1	123
Dispositions	(1)	(106)	—	—	(1)	(22)	(2)	(128)
Portfolio properties, March 31, 2018	73	10,765	54	3,462	109	10,805	236	25,032

(1) Based on owned share of total leasable area, and includes properties held in joint venture arrangements.

### Property Acquisitions

On March 7, 2018, the REIT acquired the remaining 50% interest in each of 1700 Broadway and Hudson's Bay Centre, office properties located in the Greater Denver Area, Colorado. The aggregate purchase price was US\$70,000 (Artis' IFRS value at December 31, 2017) and was satisfied through the assumption of the existing mortgages and the issuance of the REIT's common units. Prior to the acquisition date, the REIT owned 50% of these investment properties and the properties were classified as joint ventures and accounted for using the equity method. As a result of these acquisitions, the REIT now owns 100% of the properties and accounts for them on a consolidated basis. The REIT accounted for these acquisitions as step acquisitions and remeasured its existing 50% interests to fair value at the acquisition date, resulting in a fair value gain of \$1,697. The REIT recorded a bargain purchase gain of \$5,384 on the acquisition of the previously unowned 50% of the net assets of these properties.

On March 26, 2018, the REIT also acquired industrial development lands in Houston (Bayport), Texas for \$11,120 (US\$8,792).

### Property Dispositions

Property	Property count	Location	Disposition date	Asset class	Owned share of GLA	Sale price
Humana Building	1	Greater Phoenix Area, AZ	January 23, 2018	Office	106,418	\$ US19,067
1810 Dublin Avenue	1	Winnipeg, MB	March 22, 2018	Industrial	21,840	1,850

During Q1-18, Artis repaid US\$8,639 of mortgage debt related to the disposition of the Humana Building.

### FINANCING ACTIVITIES

#### Preferred Units Offering

On January 31, 2018, under its August 8, 2016 short form base shelf prospectus, Artis issued 5,000,000 Series I preferred units, at a price of \$25.00 per unit for aggregate gross proceeds of \$125,000. This included 1,000,000 units issued pursuant to the exercise of the underwriters' over-allotment option. These preferred units yield 6.00% per annum for the initial period ending April 30, 2023.

#### Senior Unsecured Debentures Offering

On February 7, 2018, under its August 8, 2016 short form base shelf prospectus, Artis issued two-year Series B floating rate senior unsecured debentures for gross proceeds of \$200,000. These debentures bear interest at the three month CDOR plus 107 basis points.

### **Redemption of Preferred Units**

On March 31, 2018, Artis completed the redemption of its outstanding Series C preferred units for US\$75,000.

### **Private Equity Placement**

During Q1-18, as part of the 1700 Broadway and Hudson's Bay Centre acquisitions, Artis issued an aggregate total of 3,185,152 common units at a price of \$14.85 per unit for gross consideration of \$47,300.

### **Short Form Base Shelf Prospectus**

On August 8, 2016, the REIT issued a short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of \$2,000,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. As at March 31, 2018, the REIT had issued senior unsecured debentures under one offering in the amount of \$200,000 and preferred units under one offering in the amount of \$125,000 under this short form base shelf prospectus.

### **Unsecured Revolving Term Credit Facilities**

During Q1-18, Artis repaid a net balance of \$188,561 on its unsecured revolving term credit facilities, primarily from the proceeds of its Series B senior unsecured debentures offering.

### **Mortgage Debt Financing and Repayment Activity**

During Q1-18, Artis repaid one maturing mortgage in the aggregate amount of \$21,542. Artis refinanced two maturing mortgages and received new mortgage financing on one property, net of financing costs, in the aggregate amount of \$20,060. In Q1-18, Artis drew on development loans, net of financing costs, in the amount of \$2,051.

### **DISTRIBUTIONS**

Artis declared distributions of \$46,872 to unitholders in Q1-18, which included distributions to preferred unitholders in the amount of \$5,921.

## SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	Three months ended			% Change
	2018	March 31, 2017	Change	
Revenue	\$ 125,769	\$ 133,557	\$ (7,788)	(5.8)%
Property NOI	74,965	80,278	(5,313)	(6.6)%
Net income	50,722	77,016	(26,294)	(34.1)%
Basic income per common unit	0.30	0.48	(0.18)	(37.5)%
Diluted income per common unit	0.29	0.48	(0.19)	(39.6)%
Distributions to common unitholders	\$ 40,951	\$ 40,656	\$ 295	0.7 %
Distributions per common unit	0.27	0.27	—	— %
FFO	\$ 42,347	\$ 54,853	\$ (12,506)	(22.8)%
FFO per unit	0.28	0.36	(0.08)	(22.2)%
FFO payout ratio	96.4%	75.0%		21.4 %
Normalized FFO <sup>(1)</sup>	\$ 50,764	\$ 54,853	\$ (4,089)	(7.5)%
Normalized FFO per unit <sup>(1)</sup>	0.33	0.36	(0.03)	(8.3)%
Normalized FFO payout ratio <sup>(1)</sup>	81.8%	75.0%		6.8 %
AFFO	\$ 29,580	\$ 40,750	\$ (11,170)	(27.4)%
AFFO per unit	0.19	0.27	(0.08)	(29.6)%
AFFO payout ratio	142.1%	100.0%		42.1 %
Normalized AFFO <sup>(1)</sup>	\$ 37,997	\$ 40,750	\$ (2,753)	(6.8)%
Normalized AFFO per unit <sup>(1)</sup>	0.25	0.27	(0.02)	(7.4)%
Normalized AFFO payout ratio <sup>(1)</sup>	108.0%	100.0%		8.0 %

(1) Normalized FFO and normalized AFFO exclude certain non-recurring adjustments. Please refer to the FFO and AFFO section of this MD&A for further discussion of these adjustments.

Revenue and Property NOI were primarily impacted by dispositions completed in 2017 and 2018, partially offset by the impact of acquisitions and (re)developments completed in 2017 and 2018 and increased lease termination income in Q1-18.

The largest contributors to the decrease in net income was the change in fair values on investments properties and foreign currency translations, the impact of dispositions and property management termination fees recorded in transaction costs in Q1-18.

FFO and AFFO were also impacted by dispositions in 2017 and 2018. In Q-18, non-recurring property management termination fees recorded in transaction costs, a non-recurring pension liability adjustment and an increase in preferred distributions from the Series I preferred unit offering completed also contributed to the changes in FFO and AFFO.

The following non-GAAP metrics are prepared using amounts from the REIT's consolidated financial statements, which are prepared in accordance with IFRS. Please refer to the Notice with Respect to non-GAAP Measures.

	Three months ended			% Change
	2018	March 31, 2017	Change	
Interest coverage ratio	2.93	3.06	(0.13)	(4.2)%
Normalized interest coverage ratio <sup>(1)</sup>	3.08	3.06	0.02	0.7 %
EBITDA interest coverage ratio	3.31	3.36	(0.05)	(1.5)%
Normalized EBITDA interest coverage ratio <sup>(1)</sup>	3.46	3.36	0.10	3.0 %

(1) Normalized interest coverage ratio and normalized EBITDA interest coverage ratio exclude certain non-recurring adjustments. Please refer to the Income Statement Metrics section of this MD&A for further discussion of these adjustments.

000's, except per unit amounts	March 31, 2018	December 31, 2017	% Change
Secured mortgages and loans to GBV	30.2%	29.9%	0.3 %
Total long-term debt and credit facilities to GBV	47.8%	47.9%	(0.1)%
Total long-term debt and credit facilities to EBITDA	8.5	7.9	7.6 %
Total long-term debt and credit facilities to normalized EBITDA <sup>(1)</sup>	8.2	7.9	3.8 %
NAV per unit	\$ 15.03	\$ 14.86	1.1 %
Fair value of unencumbered properties	\$ 1,689,925	\$ 1,649,077	2.5 %
Total assets	\$ 5,427,394	\$ 5,215,896	4.1 %
Total non-current financial liabilities	1,791,677	1,695,705	5.7 %

The following non-GAAP metrics are prepared on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures.

	Three months ended		Change	% Change
	2018	March 31, 2017		
Interest coverage ratio	2.89	3.03	(0.14)	(4.6)%
Normalized interest coverage ratio <sup>(2)</sup>	3.02	3.03	(0.01)	(0.3)%
EBITDA interest coverage ratio	3.12	3.20	(0.08)	(2.5)%
Normalized EBITDA interest coverage ratio <sup>(2)</sup>	3.26	3.20	0.06	1.9 %

	March 31, 2018	December 31, 2017	% Change
Secured mortgages and loans to GBV	31.7%	31.9%	(0.2)%
Total long-term debt and credit facilities to GBV	48.9%	49.3%	(0.4)%
Total long-term debt and credit facilities to EBITDA	8.9	8.4	6.0 %
Total long-term debt and credit facilities to normalized EBITDA <sup>(1)</sup>	8.5	8.4	1.2 %
Fair value of unencumbered properties	\$ 1,729,678	\$ 1,687,754	2.5 %
Total assets	\$ 5,553,071	\$ 5,382,008	3.2 %
Total non-current financial liabilities	1,866,408	1,807,853	3.2 %

(1) Normalized EBITDA excludes the non-recurring pension liability adjustment. Please refer to the Balance Sheet Metrics section of this MD&A for further discussion of this adjustment.

(2) Normalized interest coverage ratio and normalized EBITDA interest coverage ratio exclude certain non-recurring adjustments. Please refer to the Income Statement Metrics section of this MD&A for further discussion of these adjustments.

## ANALYSIS OF OPERATING RESULTS

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

	Three months ended March 31,					
	2018			2017		
	Per consolidated financial statements	Adjustment <sup>(1)</sup>	Total Proportionate Share	Per consolidated financial statements	Adjustment <sup>(1)</sup>	Total Proportionate Share
Revenue	\$ 125,769	\$ 6,476	\$ 132,245	\$ 133,557	\$ 5,981	\$ 139,538
Expenses:						
Property operating	30,800	1,948	32,748	31,831	1,813	33,644
Realty taxes	20,004	1,191	21,195	21,448	1,044	22,492
	50,804	3,139	53,943	53,279	2,857	56,136
Net operating income	74,965	3,337	78,302	80,278	3,124	83,402
Other income (expenses):						
Corporate expenses	(6,301)	—	(6,301)	(3,782)	—	(3,782)
Interest expense	(23,614)	(1,540)	(25,154)	(25,082)	(1,301)	(26,383)
Interest income	585	2	587	279	1	280
Net income from investments in joint ventures	5,021	(5,021)	—	6,114	(6,114)	—
Fair value (loss) gain on investment properties	(5,932)	1,525	(4,407)	13,471	4,290	17,761
Foreign currency translation (loss) gain	(2,167)	—	(2,167)	4,867	—	4,867
Transaction costs	(5,676)	—	(5,676)	—	—	—
Fair value gains on derivative instruments and other transactions	13,954	1,697	15,651	479	—	479
Income before income taxes	50,835	—	50,835	76,624	—	76,624
Income tax (expense) recovery	(113)	—	(113)	392	—	392
Net income	50,722	—	50,722	77,016	—	77,016
Other comprehensive income (loss):						
Unrealized foreign currency translation gain (loss)	31,228	3,282	34,510	(9,018)	(1,072)	(10,090)
Unrealized foreign currency translation gain (loss) on joint ventures	3,282	(3,282)	—	(1,072)	1,072	—
Unrealized loss from remeasurements of net pension obligation	—	—	—	(46)	—	(46)
	34,510	—	34,510	(10,136)	—	(10,136)
Total comprehensive income	\$ 85,232	\$ —	\$ 85,232	\$ 66,880	\$ —	\$ 66,880

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



## INCOME STATEMENT METRICS

The REIT's interest coverage ratios are calculated as follows:

	IFRS		Proportionate Share	
	Three months ended March 31,		Three months ended March 31,	
	2018	2017	2018	2017
Property NOI	\$ 74,965	\$ 80,278	\$ 78,302	\$ 83,402
Interest income	585	279	587	280
Corporate expenses	(6,301)	(3,782)	(6,301)	(3,782)
	69,249	76,775	72,588	79,900
Interest expense	\$ 23,614	\$ 25,082	\$ 25,154	\$ 26,383
Interest coverage ratio	2.93	3.06	2.89	3.03
Normalized interest coverage ratio <sup>(1)</sup>	3.08	3.06	3.02	3.03

The REIT's EBITDA interest coverage ratios are calculated as follows:

	IFRS		Proportionate Share	
	Three months ended March 31,		Three months ended March 31,	
	2018	2017	2018	2017
Net income	\$ 50,722	\$ 77,016	\$ 50,722	\$ 77,016
Add (deduct):				
Tenant inducements amortized to revenue	4,798	4,212	5,101	4,615
Straight-line rent adjustments	(1,577)	(1,467)	(1,797)	(1,663)
Interest expense	23,614	25,082	25,154	26,383
Adjustment for investments in joint ventures <sup>(2)</sup>	(1,599)	(2,782)	—	—
Fair value loss (gain) on investment properties	5,932	(13,471)	4,407	(17,761)
Foreign currency translation loss (gain)	2,167	(4,867)	2,167	(4,867)
Transaction costs	5,676	—	5,676	—
Fair value gains on derivative instruments and other transactions	(13,954)	(479)	(15,651)	(479)
Depreciation of property and equipment	263	241	263	241
Income tax expense (recovery)	113	(392)	113	(392)
EBITDA	76,155	83,093	76,155	83,093
Interest expense	23,614	25,082	25,154	26,383
Add (deduct):				
Amortization of financing costs	(842)	(851)	(955)	(934)
Amortization of above- and below-market mortgages, net	180	323	180	323
Accretion on liability component of debentures	53	175	53	175
Adjusted interest expense	\$ 23,005	\$ 24,729	\$ 24,432	\$ 25,947
EBITDA interest coverage ratio	3.31	3.36	3.12	3.20
Normalized EBITDA <sup>(1)</sup>	\$ 79,547	\$ 83,093	\$ 79,547	\$ 83,093
Normalized EBITDA interest coverage ratio <sup>(1)</sup>	3.46	3.36	3.26	3.20

(1) This ratio excludes the non-recurring pension liability adjustment of \$3,392 included in corporate expenses.

(2) This adjustment is to remove non-cash items and interest expense that are included in net income from investments in joint ventures.

**REVENUE AND PROPERTY NOI <sup>(1)</sup>**

	Three months ended			% Change
	2018	March 31, 2017	Change	
Revenue:				
Basic rent, parking and other revenue	\$ 89,797	\$ 96,304	\$ (6,507)	
Operating cost and realty tax recoveries	43,599	45,272	(1,673)	
Tenant inducements amortized to revenue	(5,101)	(4,615)	(486)	
Straight-line rent adjustments	1,797	1,663	134	
Lease termination income	2,153	914	1,239	
	132,245	139,538	(7,293)	(5.2)%
Expenses:				
Property operating	32,748	33,644	(896)	
Realty taxes	21,195	22,492	(1,297)	
	53,943	56,136	(2,193)	(3.9)%
Property NOI	\$ 78,302	\$ 83,402	\$ (5,100)	(6.1)%

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 <sup>(1)</sup>**

Same Property NOI 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. The below Same Property NOI comparison excludes 630-4th Ave, an office property in Calgary, Alberta, which has an unconditional sale agreement.

	Three months ended			% Change
	2018	March 31, 2017	Change	
Property NOI	\$ 78,302	\$ 83,402		
Add (deduct) Property NOI from:				
Acquisitions	(1,559)	—		
Dispositions	(55)	(7,497)		
(Re)development properties	(1,105)	141		
Other <sup>(2)</sup>	(2,779)	(898)		
	(5,498)	(8,254)		
Straight-line rent adjustments	(1,421)	(1,685)		
Tenant inducements amortized to revenue	4,926	4,111		
Same Property NOI	\$ 76,309	\$ 77,574	\$ (1,265)	(1.6)%

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP measures.

(2) Primarily includes lease termination income adjustments.

Lease termination income related to significant tenants 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 <sup>(1)</sup>

	Three months ended			% Change
	2018	March 31, 2017	Change	
Canada:				
Office	\$ 20,288	\$ 21,367	\$ (1,079)	(5.0)%
Retail	15,064	14,712	352	2.4 %
Industrial	11,034	11,114	(80)	(0.7)%
Total Canada	46,386	47,193	(807)	(1.7)%
U.S.:				
Office	17,098	16,909	189	1.1 %
Retail	1,157	989	168	17.0 %
Industrial	5,404	5,070	334	6.6 %
Total U.S.	23,659	22,968	691	3.0 %
Total in functional currency	70,045	70,161	(116)	(0.2)%
Foreign exchange	6,264	7,413	(1,149)	(15.5)%
Total in Canadian dollars	\$ 76,309	\$ 77,574	\$ (1,265)	(1.6)%

Artis' Canadian office segment decreased year-over-year primarily due to increased vacancy and lower rents in Calgary, Alberta. Excluding the impact of the Calgary office properties, the Canadian office segment decreased \$370 or 2.7% in Q1-18.

### Same Property Occupancy Report <sup>(1)</sup>

Geographical Region	As at March 31,		Asset Class	As at March 31,	
	2018	2017		2018	2017
Alberta	82.2%	87.3%	Office	86.3%	88.3%
British Columbia	94.9%	89.2%	Retail	88.8%	92.3%
Manitoba	89.2%	94.2%	Industrial	95.7%	95.4%
Ontario	94.5%	93.1%			
Saskatchewan	90.2%	97.8%	Total	90.5%	91.9%
Arizona	90.3%	91.9%			
Minnesota	94.7%	92.7%			
Wisconsin	88.8%	87.5%			
U.S. - Other	90.8%	93.8%			
Total	90.5%	91.9%			

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP measures.

Same Property NOI by Geographical Region and stabilized Same Property NOI <sup>(1)</sup>

	Three months ended			% Change
	2018	March 31, 2017	Change	
Alberta	\$ 17,528	\$ 18,262	\$ (734)	(4.0)%
British Columbia	3,614	3,318	296	8.9 %
Manitoba	11,135	11,302	(167)	(1.5)%
Ontario	9,265	8,997	268	3.0 %
Saskatchewan	4,844	5,314	(470)	(8.8)%
Arizona	4,437	4,849	(412)	(8.5)%
Minnesota	10,733	10,139	594	5.9 %
Wisconsin	5,503	5,025	478	9.5 %
U.S. - Other	2,986	2,955	31	1.0 %
<b>Total Same Property NOI in functional currency</b>	<b>70,045</b>	<b>70,161</b>	<b>(116)</b>	<b>(0.2)%</b>
<i>Less: properties planned for disposition</i>	<i>(1,535)</i>	<i>(1,264)</i>	<i>(271)</i>	<i>21.4 %</i>
<i>Less: properties planned for re-purposing</i>	<i>(1,504)</i>	<i>(2,999)</i>	<i>1,495</i>	<i>(49.8)%</i>
<i>Less: Calgary office segment</i>	<i>(6,794)</i>	<i>(7,503)</i>	<i>709</i>	<i>(9.4)%</i>
<b>Stabilized Same Property NOI in functional currency</b>	<b>60,212</b>	<b>58,395</b>	<b>1,817</b>	<b>3.1 %</b>
<i>Foreign exchange</i>	<i>5,958</i>	<i>7,094</i>	<i>(1,136)</i>	<i>(16.0)%</i>
<b>Stabilized Same Property NOI in Canadian dollars</b>	<b>\$ 66,170</b>	<b>\$ 65,489</b>	<b>\$ 681</b>	<b>1.0 %</b>

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP measures.

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.

During 2017, management made the strategic decision to list all seven Minnesota retail properties for sale. The REIT has also listed Centrepoint for sale, an office building in Winnipeg, Manitoba. These properties are part of a capital recycling program to acquire newer generation real estate in Artis' target markets.

Sears Centre, a retail property located in Grande Prairie, Alberta, is being considered for re-purposing. North 48 Commerical Centre, an office property located in Saskatoon, Saskatchewan, will be undergoing significant improvements to convert a previously single tenant space to accommodate multiple tenants. Approximately 70% of this space has been leased to a tenant with a long-term lease commencing Q3-18. Additionally, 360 Main, an office property located in Winnipeg, Manitoba, is undergoing significant improvements in order to accommodate two major tenants with long-term leases.

The Calgary office segment has been considered a non-stabilized segment as the 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.

## PROPERTY NOI BY ASSET CLASS

Canadian Portfolio <sup>(1)</sup>:

In Q1-18, Proportionate Share Property NOI decreased in the office segment due to dispositions in 2017 and vacancy at 360 Main, an office property in Winnipeg, Manitoba undergoing significant improvements to accommodate two major tenants with long-term leases. The office segment also continues to be impacted by increased vacancy and lower rents in Calgary, Alberta. This decrease is partially offset by lease termination income received from a tenant in a Calgary office property in Q1-18. This surrendered space has been fully released to a tenant with a long-term lease. The retail segment decreased due to dispositions in 2017, partially offset by a land lease commencing at Linden Ridge Shopping Centre Phase II located in Winnipeg, Manitoba and a new long-term lease to a grocery store tenant at Sunridge Pointe, a retail property in Calgary, Alberta.

	Three months ended March 31,					
	2018			2017		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	\$ 37,411	\$ 22,542	\$ 17,635	\$ 44,527	\$ 24,165	\$ 17,056
Property operating and realty tax expenses	17,607	7,624	6,213	19,925	8,055	5,688
Property NOI	\$ 19,804	\$ 14,918	\$ 11,422	\$ 24,602	\$ 16,110	\$ 11,368
Share of Property NOI	42.9%	32.3%	24.8%	47.3%	30.9%	21.8%

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

In Q1-18, Proportionate Share Property NOI decreased in the office segment in comparison to Q1-17 primarily due to the effect of foreign exchange. The industrial segment increased primarily due to acquisitions in 2017, the completion of the Park 8Ninety Phase I and Park Lucero Phase III developments, and increased occupancy at Park Lucero Phase I. The increase was partially offset by dispositions in 2017 and the effect of foreign exchange.

	Three months ended March 31,					
	2018			2017		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	\$ 39,265	\$ 2,200	\$ 13,133	\$ 39,747	\$ 2,174	\$ 11,796
Property operating and realty tax expenses	17,326	864	4,309	16,840	923	4,705
Property NOI	\$ 21,939	\$ 1,336	\$ 8,824	\$ 22,907	\$ 1,251	\$ 7,091
Share of Property NOI	68.3%	4.2%	27.5%	73.3%	4.0%	22.7%

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

	Three months ended March 31,					
	2018			2017		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	\$ 76,676	\$ 24,742	\$ 30,768	\$ 84,274	\$ 26,339	\$ 28,852
Property operating and realty tax expenses	34,933	8,488	10,522	36,765	8,978	10,393
Property NOI	\$ 41,743	\$ 16,254	\$ 20,246	\$ 47,509	\$ 17,361	\$ 18,459
Share of Property NOI	53.4%	20.7%	25.9%	57.0%	20.8%	22.2%

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP measures.

**PROPERTY NOI BY GEOGRAPHICAL REGION <sup>(1)</sup>**

In Q1-18, Proportionate Share Property NOI decreased in Alberta and British Columbia due to dispositions in 2017. Increased vacancy and lower rents in the Calgary office segment also contributed to the decrease in Alberta, partially offset by lease termination income received from a tenant in a Calgary office property in Q1-18. This surrendered space has been fully released to a tenant with a long-term lease. Property NOI in U.S. - Other increased due an acquisition in 2017, completion of the Park 8Nintey Phase I development and the acquisition of the remaining 50% interest in two office properties located in the Greater Denver Area, Colorado. The U.S. region has also been impacted by the effect of foreign exchange.

	Three months ended March 31, 2018									
	Canada					U.S.				
	AB	BC	MB	ON	SK	AZ	MN	WI	Other	
Revenue	\$ 29,084	\$ 5,372	\$ 19,756	\$ 15,973	\$ 7,403	\$ 9,519	\$ 25,020	\$ 12,576	\$ 7,483	
Property operating and realty tax expenses	11,025	2,196	9,120	6,636	2,467	2,973	10,773	5,631	3,122	
Property NOI	\$ 18,059	\$ 3,176	\$ 10,636	\$ 9,337	\$ 4,936	\$ 6,546	\$ 14,247	\$ 6,945	\$ 4,361	
Share of Property NOI	23.1%	4.1%	13.5%	11.9%	6.3%	8.4%	18.2%	8.9%	5.6%	

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

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP measures.

**CORPORATE EXPENSES**

	Three months ended			
	2018	March 31, 2017	Change	% Change
Accounting, legal and consulting	\$ 415	\$ 610	\$ (195)	(32.0)%
Public company costs	538	504	34	6.7 %
Unit-based compensation	578	624	(46)	(7.4)%
Salaries and benefits	4,099	984	3,115	316.6 %
Depreciation of property and equipment	263	241	22	9.1 %
General and administrative	408	819	(411)	(50.2)%
Total corporate expenses	\$ 6,301	\$ 3,782	\$ 2,519	66.6 %

Corporate expenses in Q1-18 were \$6,301, or 5.0% of total revenues compared to \$3,782, or 2.8% of total revenues in Q1-17. In Q1-18, Artis recorded a non-recurring pension liability adjustment of \$3,392 which is included in salaries and benefits.

**INTEREST EXPENSE <sup>(1)</sup>**

	Three months ended			% Change
	2018	March 31, 2017	Change	
Mortgages and other loans <sup>(2)</sup>	\$ 15,042	\$ 19,066	\$ (4,024)	
Debentures <sup>(2)</sup>	2,768	2,615	153	
Credit facilities <sup>(2)</sup>	5,323	2,340	2,983	
Preferred shares <sup>(2)</sup>	33	34	(1)	
	23,166	24,055	(889)	(3.7)%
Foreign exchange	1,988	2,328	(340)	
<b>Total interest expense</b>	<b>\$ 25,154</b>	<b>\$ 26,383</b>	<b>\$ (1,229)</b>	<b>(4.7)%</b>

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP measures.

(2) 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 2017 and 2018. Interest expense on credit facilities has increased due to the new non-revolving term credit facilities drawn in Q3-17. Financing costs on mortgages and other loans, debentures and the non-revolving credit facilities are netted against the related debt, and amortized on an effective interest basis over the expected term of the debt.

The REIT's weighted-average effective rate at March 31, 2018, on mortgages and other loans secured by properties, inclusive of properties held in joint venture arrangements, was 4.03%, compared to 3.96% at December 31, 2017. The weighted-average nominal interest rate on mortgages and other loans secured by properties, inclusive of properties held in joint venture arrangements, at March 31, 2018, was 3.86%, compared to 3.79% at December 31, 2017.

**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. External valuations are performed for a selection of properties representing various geographical regions and asset classes across the REIT's portfolio. 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. In Q1-18, the Proportionate Share fair value loss on investment properties was \$4,407, compared to a gain of \$17,761 in Q1-17. The fair value loss in Q1-18 was primarily due to raising expected market tenant allowances and lowering expected market rents in the Calgary office segment. This loss was partially offset by capitalization rate compression in the Ontario industrial segment.

**FOREIGN CURRENCY TRANSLATION (LOSS) GAIN**

In Q1-18, 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 loss of \$2,167, compared to a gain of \$4,867 in Q1-17.

**TRANSACTION COSTS**

During Q1-18, \$5,676 of transaction costs were expensed, compared to \$nil in Q1-17. In Q1-18, Artis internalized the property management of several of its investment properties and terminated the third party property management contracts for an aggregate fee of \$5,025, which is included in transaction costs. Management anticipates that this transaction will be accretive to the REIT's Property NOI and cash flows in future quarters from property management and other related fees that will be earned from these properties. The remaining transaction costs were attributable to the acquisitions of investment properties.

**FAIR VALUE GAINS ON DERIVATIVE INSTRUMENTS AND OTHER TRANSACTIONS**

Artis recorded an aggregate bargain purchase gain of \$5,384 in Q1-18 related to acquiring the remaining 50% of 1700 Broadway and Hudson's Bay Centre. Please refer to the Portfolio Activity section of this MD&A for further discussion on these transactions.

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 \$4,477 in Q1-18, compared to an unrealized gain of \$1,080 in Q1-17. The REIT anticipates holding the mortgages, non-revolving term credit facilities and related interest rate swap contracts until maturity.

Artis also recorded an unrealized gain of \$3,813 in Q1-18 on the fair value of outstanding foreign currency contracts, compared to an unrealized loss of \$1,646 in Q1-17.

### **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 INCOME (LOSS)**

Other comprehensive income (loss) includes the unrealized foreign currency translation gains in the aggregate amount of \$34,510 in Q1-18, compared to a loss of \$10,090 in Q1-17. 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.

**Reconciliation of Net Income to FFO and AFFO**

000's, except per unit amounts	Three months ended		% Change
	2018	March 31, 2017	
Net income (loss)	\$ 50,722	\$ 77,016	
Add (deduct):			
Fair value loss (gain) on investment properties <sup>(1)</sup>	4,407	(17,761)	
Tenant inducements amortized to revenue <sup>(1)</sup>	5,101	4,615	
Transaction costs on acquisitions	651	—	
Foreign currency translation loss (gain)	2,167	(4,867)	
Fair value (gains) losses on derivative instruments and other transactions <sup>(1)</sup>	(15,651)	(479)	
Remeasurement component of unit-based compensation	(87)	118	
Distributions on preferred shares treated as interest expense	42	46	
Incremental leasing costs	916	795	
Preferred unit distributions	(5,921)	(4,630)	
<b>FFO</b>	<b>\$ 42,347</b>	<b>\$ 54,853</b>	<b>(22.8)%</b>
Add (deduct):			
Amortization of recoverable capital expenditures <sup>(1)</sup>	\$ (2,170)	\$ (2,290)	
Non-recoverable property maintenance reserve <sup>(1)</sup>	(950)	(650)	
Leasing costs reserve <sup>(1)</sup>	(7,850)	(9,500)	
Straight-line rent adjustments <sup>(1)</sup>	(1,797)	(1,663)	
<b>AFFO</b>	<b>\$ 29,580</b>	<b>\$ 40,750</b>	<b>(27.4)%</b>
FFO per unit:			
Basic	\$ 0.28	\$ 0.36	
Diluted	0.28	0.36	
AFFO per unit:			
Basic	\$ 0.20	\$ 0.27	
Diluted	0.19	0.27	

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP measures.

FFO and AFFO were significantly impacted in Q1-18 by a non-recurring pension liability adjustment and non-recurring termination fees, included in transaction costs, paid to internalize several property management contracts for properties the REIT owns. In the following table the REIT has calculated a normalized FFO and AFFO that excludes both of these adjustments.

000's, except per unit amounts	Three months ended		% Change
	2018	March 31, 2017	
FFO per above	\$ 42,347	\$ 54,853	
Add (deduct):			
Pension liability adjustment <sup>(1)</sup>	3,392	—	
Property management termination fees <sup>(2)</sup>	5,025	—	
Normalized FFO	\$ 50,764	\$ 54,853	(7.5)%
Normalized AFFO	\$ 37,997	\$ 40,750	(6.8)%
Normalized FFO per unit:			
Basic	\$ 0.34	\$ 0.36	
Diluted	0.33	0.36	
Normalized AFFO per unit:			
Basic	\$ 0.25	\$ 0.27	
Diluted	0.25	0.27	

(1) The non-recurring pension liability adjustment is to reflect the amounts that will be due upon expiry of key management personnel contracts.

(2) In Q1-18, the REIT internalized the property management of several of its investment properties and terminated the third party property management contracts.

FFO and AFFO were also impacted by dispositions and an increase in preferred distributions from the Series I preferred unit offering completed in Q1-18.

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 81.3% of this amortization is recoverable from tenants in Q1-18, compared to 82.9% in Q1-17. The non-recoverable property maintenance reserve reflects management's estimate of a normalized expenditure using the 2016 and 2017 actual expenditures and the 2018 annual budgeted expenditures. 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. In Q4-17, management changed the calculation of its leasing costs reserve applied in the calculation of AFFO to reflect the amortization of leasing costs over the related lease term. In the previously reported quarters for 2017, the leasing costs reserve applied in the calculation of AFFO reflected a rolling five-year average of actual leasing costs. Due to the leasing costs incurred in recent quarters related to leases with terms of 10 or more years and acquisition and disposition activity, management no longer believes that a rolling five-year average of actual leasing costs is an accurate reflection of leasing costs going forward and that using the amortization of leasing costs over the related lease term better matches these costs with the related revenue.

The following reconciles 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	
	2018	March 31, 2017		2018	March 31, 2017
Basic units	151,494	150,545	FFO	\$ 42,347	\$ 54,853
Add:			Add:		
Restricted units <sup>(1)</sup>	459	350	Restricted units <sup>(1)</sup>	—	—
Deferred units <sup>(1)</sup>	88	52	Deferred units <sup>(1)</sup>	—	—
Diluted units	152,041	150,947	Diluted FFO	\$ 42,347	\$ 54,853

(1) Restricted and deferred units were dilutive in Q1-18 and in Q1-17.

## PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at March 31, 2018, and the previous four periods, were as follows:

### Occupancy Report by Asset Class <sup>(1)</sup>

	Q1-18 % Committed <sup>(2)</sup>	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17
Office	88.9%	84.9%	87.2%	88.5%	89.2%	88.7%
Retail	93.0%	91.9%	92.6%	96.1%	93.9%	93.1%
Industrial	97.4%	95.8%	95.6%	94.9%	92.5%	92.9%
Total portfolio	93.1%	90.6%	91.6%	92.4%	91.3%	91.1%

### Occupancy Report by Geographical Region <sup>(1)</sup>

	Q1-18 % Committed <sup>(2)</sup>	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17
Canada:						
Alberta	84.8%	81.0%	82.1%	87.7%	86.2%	88.0%
British Columbia	97.5%	94.9%	94.8%	94.7%	93.3%	89.6%
Manitoba	93.8%	89.2%	92.0%	93.5%	93.8%	94.2%
Ontario	95.8%	94.6%	94.8%	94.7%	93.2%	93.2%
Saskatchewan	95.6%	90.2%	92.4%	92.8%	92.5%	97.8%
U.S.:						
Arizona	94.0%	91.3%	92.2%	93.1%	96.6%	92.6%
Minnesota	96.2%	95.1%	94.3%	92.8%	90.4%	89.4%
Wisconsin	89.0%	88.8%	92.3%	92.0%	92.2%	87.5%
Other	93.2%	91.9%	93.8%	92.4%	92.6%	93.8%
Total portfolio	93.1%	90.6%	91.6%	92.4%	91.3%	91.1%

(1) Based on properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) Percentage committed is based on occupancy at March 31, 2018, plus commitments on vacant space.

## PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

### Renewal Summary

	Three months ended March 31,	
	2018	2017
Leasable area renewed (in S.F.)	522,283	533,860
Increase in weighted-average rental rate	1.1%	6.6%

In Q1-18, 522,283 square feet was renewed at an increase in weighted-average rental rate of 1.1%, compared to 594,559 square feet renewed at an increase of 1.6% in Q4-17 and 533,860 square feet renewed at an increase of 6.6% in Q1-17.

Excluding the impact of Calgary office segment lease renewals, Artis' increase in the weighted-average rental rate in Q1-18 was 2.7%.

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.) <sup>(1)</sup>

	Current vacancy	Monthly tenants <sup>(2)</sup>	2018	2019	2020	2021	2022 & later	Total
Office - uncommitted	1,160,151	64,895	650,686	1,289,593	1,119,946	1,291,547	3,720,978	9,297,796
Office - committed	408,311	—	345,451	117,156	103,357	25,548	118,247	1,118,070
<b>Total office</b>	<b>1,568,462</b>	<b>64,895</b>	<b>996,137</b>	<b>1,406,749</b>	<b>1,223,303</b>	<b>1,317,095</b>	<b>3,839,225</b>	<b>10,415,866</b>
Retail - uncommitted	242,254	32,972	277,295	289,792	416,391	408,851	1,559,167	3,226,722
Retail - committed	37,259	—	117,182	13,933	2,320	46,594	18,535	235,823
<b>Total retail</b>	<b>279,513</b>	<b>32,972</b>	<b>394,477</b>	<b>303,725</b>	<b>418,711</b>	<b>455,445</b>	<b>1,577,702</b>	<b>3,462,545</b>
Industrial - uncommitted	271,823	45,946	598,570	1,196,198	1,223,442	1,334,877	5,193,810	9,864,666
Industrial - committed	159,793	—	263,312	20,582	7,320	—	69,999	521,006
<b>Total industrial</b>	<b>431,616</b>	<b>45,946</b>	<b>861,882</b>	<b>1,216,780</b>	<b>1,230,762</b>	<b>1,334,877</b>	<b>5,263,809</b>	<b>10,385,672</b>
<b>Total - uncommitted</b>	<b>1,674,228</b>	<b>143,813</b>	<b>1,526,551</b>	<b>2,775,583</b>	<b>2,759,779</b>	<b>3,035,275</b>	<b>10,473,955</b>	<b>22,389,184</b>
<b>Total - committed</b>	<b>605,363</b>	<b>—</b>	<b>725,945</b>	<b>151,671</b>	<b>112,997</b>	<b>72,142</b>	<b>206,781</b>	<b>1,874,899</b>
<b>Total portfolio</b>	<b>2,279,591</b>	<b>143,813</b>	<b>2,252,496</b>	<b>2,927,254</b>	<b>2,872,776</b>	<b>3,107,417</b>	<b>10,680,736</b>	<b>24,264,083</b>

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

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

### In-Place Rents

In-place rents reflect the weighted-average net annual rental rate per square foot as at March 31, 2018, 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. These estimates are based on management's best estimate for each leasable space and may take into consideration the property manager's revenue budget, recent leasing activity, current prospects, future commitments or publicly available market information. Rates applied in future expiry years (with the exception of certain segments of the Alberta market) do not allow for the impact of inflation, nor do they attempt to factor in anticipated higher (or lower) than normal periods of demand or market rent inflation due to specific market conditions.

Market Rents by Asset Class <sup>(1)</sup>

## Canadian Portfolio:

	2018	2019	2020	2021	2022 & later	Total
Office:						
In-place rents	\$ 17.04	\$ 15.50	\$ 16.07	\$ 17.37	\$ 17.23	\$ 16.81
Market rents	13.55	13.07	16.59	16.51	18.91	16.56
Change	(20.5)%	(15.7)%	3.2 %	(5.0)%	9.8%	(1.5)%
Revenue impact <sup>(2)</sup>	\$ (1,898)	\$ (1,826)	\$ 222	\$ (678)	\$ 3,064	\$ (1,116)
Retail:						
In-place rents	\$ 22.92	\$ 25.54	\$ 23.46	\$ 24.04	\$ 20.38	\$ 22.07
Market rents	23.96	25.88	23.57	24.94	20.77	22.58
Change	4.5 %	1.3 %	0.5 %	3.8 %	1.9%	2.3 %
Revenue impact <sup>(2)</sup>	\$ 399	\$ 100	\$ 38	\$ 330	\$ 583	\$ 1,450
Industrial:						
In-place rents	\$ 6.37	\$ 7.50	\$ 7.89	\$ 7.39	\$ 9.17	\$ 8.41
Market rents	6.32	7.46	7.68	7.47	9.18	8.38
Change	(0.8)%	(0.5)%	(2.7)%	1.1 %	0.1%	(0.3)%
Revenue impact <sup>(2)</sup>	\$ (27)	\$ (14)	\$ (186)	\$ 42	\$ 28	\$ (157)
Total Canadian portfolio:						
In-place rents	\$ 15.09	\$ 15.52	\$ 13.13	\$ 15.76	\$ 14.16	\$ 14.50
Market rents	13.99	14.28	13.18	15.58	14.74	14.51
Change	(7.3)%	(8.0)%	0.4 %	(1.1)%	4.1%	0.1 %
Revenue impact <sup>(2)</sup>	\$ (1,526)	\$ (1,740)	\$ 74	\$ (306)	\$ 3,675	\$ 177

## U.S. Portfolio:

	2018	2019	2020	2021	2022 & later	Total
Office:						
In-place rents	\$ 17.37	\$ 22.63	\$ 19.23	\$ 15.08	\$ 18.86	\$ 18.88
Market rents	16.62	23.74	18.99	15.34	19.43	19.21
Change	(4.4)%	4.9 %	(1.2)%	1.7 %	3.0 %	1.7%
Revenue impact <sup>(2)</sup>	\$ (339)	\$ 725	\$ (186)	\$ 140	\$ 1,150	\$ 1,490
Retail:						
In-place rents	\$ 21.85	\$ 19.13	\$ 12.96	\$ 17.15	\$ 12.80	\$ 14.86
Market rents	20.43	19.78	14.60	16.71	13.26	15.32
Change	(6.5)%	3.4 %	12.7 %	(2.6)%	3.6 %	3.1%
Revenue impact <sup>(2)</sup>	\$ (15)	\$ 8	\$ 136	\$ (38)	\$ 37	\$ 128
Industrial:						
In-place rents	\$ 4.92	\$ 5.49	\$ 6.13	\$ 5.39	\$ 5.77	\$ 5.61
Market rents	4.93	5.44	6.26	5.57	5.74	5.62
Change	0.2 %	(0.9)%	2.1 %	3.3 %	(0.5)%	0.2%
Revenue impact <sup>(2)</sup>	\$ 6	\$ (43)	\$ 44	\$ 153	\$ (69)	\$ 91
Total U.S. portfolio:						
In-place rents	\$ 11.69	\$ 12.96	\$ 15.21	\$ 9.68	\$ 11.94	\$ 12.16
Market rents	11.29	13.42	15.20	9.85	12.19	12.34
Change	(3.4)%	3.5 %	(0.1)%	1.8 %	2.1 %	1.5%
Revenue impact <sup>(2)</sup>	\$ (348)	\$ 690	\$ (6)	\$ 255	\$ 1,118	\$ 1,709

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(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 <sup>(1)</sup>:

	2018	2019	2020	2021	2022 & later	Total
Office:						
In-place rents	\$ 17.19	\$ 18.81	\$ 18.14	\$ 16.45	\$ 18.09	\$ 17.86
Market rents	14.94	18.02	18.16	16.04	19.18	17.90
Change	(13.1)%	(4.2)%	0.1 %	(2.5)%	6.0 %	0.2%
Revenue impact <sup>(2)</sup>	\$ (2,237)	\$ (1,101)	\$ 36	\$ (538)	\$ 4,214	\$ 374
Retail:						
In-place rents	\$ 22.89	\$ 25.30	\$ 21.36	\$ 22.72	\$ 19.99	\$ 21.44
Market rents	23.86	25.65	21.78	23.36	20.38	21.94
Change	4.2 %	1.4 %	2.0 %	2.8 %	2.0 %	2.3%
Revenue impact <sup>(2)</sup>	\$ 384	\$ 108	\$ 174	\$ 292	\$ 620	\$ 1,578
Industrial:						
In-place rents	\$ 5.71	\$ 6.09	\$ 7.41	\$ 6.16	\$ 7.70	\$ 7.08
Market rents	5.68	6.04	7.30	6.31	7.69	7.08
Change	(0.5)%	(0.8)%	(1.5)%	2.4 %	(0.1)%	—%
Revenue impact <sup>(2)</sup>	\$ (21)	\$ (57)	\$ (142)	\$ 195	\$ (41)	\$ (66)
Total Canadian and U.S. portfolio:						
In-place rents	\$ 13.79	\$ 14.19	\$ 14.01	\$ 12.95	\$ 13.25	\$ 13.49
Market rents	12.96	13.83	14.04	12.93	13.69	13.57
Change	(6.0)%	(2.5)%	0.2 %	(0.2)%	3.3 %	0.6%
Revenue impact <sup>(2)</sup>	\$ (1,874)	\$ (1,050)	\$ 68	\$ (51)	\$ 4,793	\$ 1,886
Total Canadian and U.S. portfolio excluding Calgary office segment:						
In-place rents	\$ 12.94	\$ 13.67	\$ 14.02	\$ 12.39	\$ 13.11	\$ 13.20
Market rents	13.11	13.97	14.01	12.43	13.31	13.36
Change	1.3 %	2.2 %	(0.1)%	0.3 %	1.5 %	1.2%
Revenue impact <sup>(2)</sup>	\$ 349	\$ 822	\$ (26)	\$ 109	\$ 2,004	\$ 3,258

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

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

Market rents at March 31, 2018, were estimated to be 0.6% above in-place rents across the portfolio, compared to 1.3% at December 31, 2017. Today's market rents for the 2018 and 2019 lease expiries are estimated to be 6.0% and 2.5% below in-place rents, respectively. The retail segment is expected to be the strongest contributor to incremental rental revenue over the long-term.

In certain years, market rents 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 2018 and 2019 lease expiries are estimated to be 1.3% and 2.2% above in-place rents, respectively.

Lease Expiries by Geographical Region (in S.F.) <sup>(1)</sup>

	Current vacancy	Monthly tenants <sup>(2)</sup>	2018	2019	2020	2021	2022 & later	Total
AB - uncommitted	605,597	38,566	267,723	330,158	254,240	568,864	1,647,010	3,712,158
AB - committed	152,148	—	114,759	2,638	—	—	2,218	271,763
<b>Total Alberta</b>	<b>757,745</b>	<b>38,566</b>	<b>382,482</b>	<b>332,796</b>	<b>254,240</b>	<b>568,864</b>	<b>1,649,228</b>	<b>3,983,921</b>
BC - uncommitted	20,901	10,566	93,181	196,340	44,880	45,379	385,870	797,117
BC - committed	21,607	—	6,222	5,271	8,037	—	—	41,137
<b>Total British Columbia</b>	<b>42,508</b>	<b>10,566</b>	<b>99,403</b>	<b>201,611</b>	<b>52,917</b>	<b>45,379</b>	<b>385,870</b>	<b>838,254</b>
MB - uncommitted	239,164	19,317	287,837	333,610	519,638	574,036	1,487,836	3,461,438
MB - committed	178,149	—	149,957	7,454	58,669	—	8,477	402,706
<b>Total Manitoba</b>	<b>417,313</b>	<b>19,317</b>	<b>437,794</b>	<b>341,064</b>	<b>578,307</b>	<b>574,036</b>	<b>1,496,313</b>	<b>3,864,144</b>
ON - uncommitted	164,010	25,997	264,282	350,400	703,116	375,064	1,794,325	3,677,194
ON - committed	47,327	—	111,084	104,431	2,014	—	7,649	272,505
<b>Total Ontario</b>	<b>211,337</b>	<b>25,997</b>	<b>375,366</b>	<b>454,831</b>	<b>705,130</b>	<b>375,064</b>	<b>1,801,974</b>	<b>3,949,699</b>
SK - uncommitted	64,046	6,171	58,623	67,507	62,295	105,935	947,953	1,312,530
SK - committed	78,865	—	40,241	11,295	1,252	—	16,317	147,970
<b>Total Saskatchewan</b>	<b>142,911</b>	<b>6,171</b>	<b>98,864</b>	<b>78,802</b>	<b>63,547</b>	<b>105,935</b>	<b>964,270</b>	<b>1,460,500</b>
AZ - uncommitted	101,820	3,562	23,281	151,015	252,532	197,932	910,223	1,640,365
AZ - committed	47,568	—	—	20,582	—	—	—	68,150
<b>Total Arizona</b>	<b>149,388</b>	<b>3,562</b>	<b>23,281</b>	<b>171,597</b>	<b>252,532</b>	<b>197,932</b>	<b>910,223</b>	<b>1,708,515</b>
MN - uncommitted	211,988	3,072	276,630	839,996	595,379	1,036,518	2,256,221	5,219,804
MN - committed	60,321	—	158,956	—	37,547	46,594	62,350	365,768
<b>Total Minnesota</b>	<b>272,309</b>	<b>3,072</b>	<b>435,586</b>	<b>839,996</b>	<b>632,926</b>	<b>1,083,112</b>	<b>2,318,571</b>	<b>5,585,572</b>
WI - uncommitted	186,369	6,968	74,144	151,266	232,327	78,283	689,215	1,418,572
WI - committed	4,144	—	132,300	—	5,478	25,548	109,770	277,240
<b>Total Wisconsin</b>	<b>190,513</b>	<b>6,968</b>	<b>206,444</b>	<b>151,266</b>	<b>237,805</b>	<b>103,831</b>	<b>798,985</b>	<b>1,695,812</b>
U.S. - Other - uncommitted	80,333	29,594	180,850	355,291	95,372	53,264	355,302	1,150,006
U.S. - Other - committed	15,234	—	12,426	—	—	—	—	27,660
<b>Total U.S. - Other</b>	<b>95,567</b>	<b>29,594</b>	<b>193,276</b>	<b>355,291</b>	<b>95,372</b>	<b>53,264</b>	<b>355,302</b>	<b>1,177,666</b>
<b>Total - uncommitted</b>	<b>1,674,228</b>	<b>143,813</b>	<b>1,526,551</b>	<b>2,775,583</b>	<b>2,759,779</b>	<b>3,035,275</b>	<b>10,473,955</b>	<b>22,389,184</b>
<b>Total - committed</b>	<b>605,363</b>	<b>—</b>	<b>725,945</b>	<b>151,671</b>	<b>112,997</b>	<b>72,142</b>	<b>206,781</b>	<b>1,874,899</b>
<b>Total portfolio</b>	<b>2,279,591</b>	<b>143,813</b>	<b>2,252,496</b>	<b>2,927,254</b>	<b>2,872,776</b>	<b>3,107,417</b>	<b>10,680,736</b>	<b>24,264,083</b>

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

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

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

	2018	2019	2020	2021	2022 & later	Total
Alberta:						
In-place rents	\$ 23.87	\$ 25.93	\$ 21.80	\$ 20.12	\$ 19.13	\$ 20.80
Market rents	19.18	20.73	21.98	20.60	21.01	20.77
Change	(19.6)%	(20.1)%	0.8 %	2.4 %	9.8 %	(0.2)%
Revenue impact <sup>(2)</sup>	\$ (1,794)	\$ (1,729)	\$ 46	\$ 273	\$ 3,106	\$ (98)
British Columbia:						
In-place rents	\$ 21.85	\$ 16.98	\$ 18.54	\$ 19.50	\$ 16.22	\$ 17.47
Market rents	22.11	17.51	19.28	18.12	16.75	17.87
Change	1.2 %	3.1 %	4.0 %	(7.0)%	3.3 %	2.3 %
Revenue impact <sup>(2)</sup>	\$ 26	\$ 107	\$ 39	\$ (63)	\$ 205	\$ 314
Manitoba:						
In-place rents	\$ 8.91	\$ 8.78	\$ 13.12	\$ 14.03	\$ 13.65	\$ 12.53
Market rents	9.28	9.10	13.22	12.98	13.67	12.46
Change	4.2 %	3.6 %	0.8 %	(7.5)%	0.1 %	(0.6)%
Revenue impact <sup>(2)</sup>	\$ 164	\$ 108	\$ 55	\$ (602)	\$ 35	\$ (240)
Ontario:						
In-place rents	\$ 10.38	\$ 11.17	\$ 8.81	\$ 9.72	\$ 9.94	\$ 9.90
Market rents	10.67	10.88	8.65	10.06	10.11	9.98
Change	2.8 %	(2.6)%	(1.8)%	3.5 %	1.7 %	0.8 %
Revenue impact <sup>(2)</sup>	\$ 109	\$ (130)	\$ (106)	\$ 126	\$ 300	\$ 299
Saskatchewan:						
In-place rents	\$ 19.54	\$ 22.07	\$ 22.07	\$ 21.60	\$ 13.51	\$ 15.55
Market rents	19.23	20.85	22.70	21.22	13.54	15.47
Change	(1.6)%	(5.5)%	2.9 %	(1.8)%	0.2 %	(0.5)%
Revenue impact <sup>(2)</sup>	\$ (31)	\$ (96)	\$ 40	\$ (40)	\$ 29	\$ (98)
Arizona:						
In-place rents	\$ 22.91	\$ 22.04	\$ 19.67	\$ 14.18	\$ 15.90	\$ 17.07
Market rents	23.69	24.06	21.24	15.62	16.40	18.04
Change	3.4 %	9.2 %	8.0 %	10.2 %	3.1 %	5.7 %
Revenue impact <sup>(2)</sup>	\$ 18	\$ 347	\$ 398	\$ 285	\$ 455	\$ 1,503
Minnesota:						
In-place rents	\$ 7.19	\$ 6.43	\$ 12.08	\$ 7.92	\$ 8.51	\$ 8.38
Market rents	7.17	6.24	11.73	7.85	8.32	8.21
Change	(0.3)%	(3.0)%	(2.9)%	(0.9)%	(2.2)%	(2.0)%
Revenue impact <sup>(2)</sup>	\$ (11)	\$ (163)	\$ (220)	\$ (74)	\$ (447)	\$ (915)
Wisconsin:						
In-place rents	\$ 16.30	\$ 15.59	\$ 16.33	\$ 15.17	\$ 14.51	\$ 15.20
Market rents	14.71	15.89	15.93	15.84	15.72	15.64
Change	(9.8)%	1.9 %	(2.4)%	4.4 %	8.3 %	2.9 %
Revenue impact <sup>(2)</sup>	\$ (328)	\$ 45	\$ (95)	\$ 70	\$ 972	\$ 664
U.S. - Other:						
In-place rents	\$ 15.56	\$ 22.89	\$ 21.33	\$ 17.90	\$ 18.37	\$ 19.63
Market rents	15.42	24.19	20.40	17.41	18.76	20.06
Change	(0.9)%	5.7 %	(4.4)%	(2.7)%	2.1 %	2.2 %
Revenue impact <sup>(2)</sup>	\$ (27)	\$ 461	\$ (89)	\$ (26)	\$ 138	\$ 457
Total portfolio:						
In-place rents	\$ 13.79	\$ 14.19	\$ 14.01	\$ 12.95	\$ 13.25	\$ 13.49
Market rents	12.96	13.83	14.04	12.93	13.69	13.57
Change	(6.0)%	(2.5)%	0.2 %	(0.2)%	3.3 %	0.6 %
Revenue impact <sup>(2)</sup>	\$ (1,874)	\$ (1,050)	\$ 68	\$ (51)	\$ 4,793	\$ 1,886

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

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



Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the office, retail and industrial asset classes. At March 31, 2018, the five largest segments of the REIT's portfolio (by Property NOI) were Calgary office, Madison office, Twin Cities Area office, Twin Cities Area industrial and Winnipeg office.

The Calgary office segment represents 9.7% of the Q1-18 Proportionate Share Property NOI (7.8% excluding lease termination adjustments in the quarter) and 8.2% of the overall portfolio by GLA. 41.6% of the total Calgary office GLA is located downtown, 28.1% is beltline and 30.3% is suburban. Overall direct vacancy in the Calgary office market, as reported by CBRE, was 17.6% at March 31, 2018, compared to 17.2% at December 31, 2017. At March 31, 2018, the Calgary office segment of Artis' portfolio was 72.5% occupied (excluding properties held for redevelopment), compared to 73.9% at December 31, 2017. During the remainder of 2018, 182,253 square feet comes up for renewal, which represents 0.8% of the total portfolio GLA. Of Artis' Calgary office GLA, 33.9% expires in 2022 or later (excluding properties held for redevelopment). Artis' largest 10 Calgary office tenants by GLA lease just under 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 8,800 square feet.

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

	Current vacancy	Monthly tenants <sup>(2)</sup>	2018	2019	2020	2021	2022 & later	Total
Downtown - uncommitted	333,915	18,086	76,655	85,911	11,774	53,719	141,805	721,865
Downtown - committed	30,577	—	3,978	—	—	—	—	34,555
<b>Total downtown</b>	<b>364,492</b>	<b>18,086</b>	<b>80,633</b>	<b>85,911</b>	<b>11,774</b>	<b>53,719</b>	<b>141,805</b>	<b>756,420</b>
Beltline - uncommitted	12,148	—	79,200	26,576	11,758	—	383,261	512,943
Beltline - committed	60,791	—	—	—	—	—	—	60,791
<b>Total beltline</b>	<b>72,939</b>	<b>—</b>	<b>79,200</b>	<b>26,576</b>	<b>11,758</b>	<b>—</b>	<b>383,261</b>	<b>573,734</b>
Suburban - uncommitted	66,818	1,431	3,744	34,835	23,926	302,432	134,466	567,652
Suburban - committed	31,512	—	18,676	—	—	—	—	50,188
<b>Total suburban</b>	<b>98,330</b>	<b>1,431</b>	<b>22,420</b>	<b>34,835</b>	<b>23,926</b>	<b>302,432</b>	<b>134,466</b>	<b>617,840</b>
<b>Total - uncommitted</b>	<b>412,881</b>	<b>19,517</b>	<b>159,599</b>	<b>147,322</b>	<b>47,458</b>	<b>356,151</b>	<b>659,532</b>	<b>1,802,460</b>
<b>Total - committed</b>	<b>122,880</b>	<b>—</b>	<b>22,654</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>145,534</b>
<b>Total Calgary office</b>	<b>535,761</b>	<b>19,517</b>	<b>182,253</b>	<b>147,322</b>	<b>47,458</b>	<b>356,151</b>	<b>659,532</b>	<b>1,947,994</b>

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

	Current vacancy	Monthly tenants <sup>(2)</sup>	2018	2019	2020	2021	2022 & later	Total
Other - uncommitted	747,270	45,378	491,087	1,142,271	1,072,488	935,396	3,061,446	7,495,336
Other - committed	285,431	—	322,797	117,156	103,357	25,548	118,247	972,536
<b>Total other office</b>	<b>1,032,701</b>	<b>45,378</b>	<b>813,884</b>	<b>1,259,427</b>	<b>1,175,845</b>	<b>960,944</b>	<b>3,179,693</b>	<b>8,467,872</b>

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

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

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

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

	2018	2019	2020	2021	2022 & later	Total
<b>Downtown:</b>						
In-place rents	\$ 19.48	\$ 25.43	\$ 14.39	\$ 13.93	\$ 21.26	\$ 20.57
Market rents	9.78	9.60	18.89	16.80	21.85	15.61
Change	(49.8)%	(62.2)%	31.3 %	20.6 %	2.8%	(24.1)%
Revenue impact <sup>(2)</sup>	\$ (783)	\$ (1,360)	\$ 53	\$ 154	\$ 84	\$ (1,852)
<b>Beltline:</b>						
In-place rents	\$ 28.89	\$ 28.35	\$ 18.50	\$ —	\$ 14.90	\$ 17.91
Market rents	11.99	14.33	17.00	—	21.66	19.63
Change	(58.5)%	(49.5)%	(8.1)%	— %	45.4%	9.6 %
Revenue impact <sup>(2)</sup>	\$ (1,338)	\$ (373)	\$ (17)	\$ —	\$ 2,588	\$ 860
<b>Suburban:</b>						
In-place rents	\$ 18.34	\$ 17.32	\$ 11.06	\$ 17.84	\$ 10.20	\$ 15.53
Market rents	13.80	13.32	13.50	16.80	11.07	14.79
Change	(24.8)%	(23.1)%	22.1 %	(5.8)%	8.5%	(4.8)%
Revenue impact <sup>(2)</sup>	\$ (102)	\$ (139)	\$ 58	\$ (314)	\$ 117	\$ (380)
<b>Total Calgary Office:</b>						
In-place rents	\$ 23.43	\$ 24.04	\$ 13.73	\$ 17.25	\$ 15.31	\$ 17.74
Market rents	11.24	11.33	15.70	16.80	19.54	16.75
Change	(52.0)%	(52.9)%	14.3 %	(2.6)%	27.6%	(5.6)%
Revenue impact <sup>(2)</sup>	\$ (2,223)	\$ (1,872)	\$ 94	\$ (160)	\$ 2,789	\$ (1,372)

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

	2018	2019	2020	2021	2022 & later	Total
<b>Other office:</b>						
In-place rents	\$ 15.79	\$ 18.19	\$ 18.31	\$ 16.15	\$ 18.66	\$ 17.88
Market rents	15.77	18.81	18.26	15.76	19.11	18.12
Change	(0.1)%	3.4%	(0.3)%	(2.4)%	2.4%	1.3%
Revenue impact <sup>(2)</sup>	\$ (14)	\$ 771	\$ (58)	\$ (378)	\$ 1,425	\$ 1,746

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

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

The Madison office segment represents 8.9% of the Q1-18 Proportionate Share Property NOI and 6.8% of the overall portfolio by GLA. At March 31, 2018, the Madison office segment of Artis' portfolio was 88.8% occupied, compared to 92.3% at December 31, 2017. During the remainder of 2018, 206,444 square feet comes up for renewal, which represents 0.9% of the total portfolio GLA; 64.1% was renewed or committed to new leases at March 31, 2018. Of the total Madison office GLA, 47.1% expires in 2022 or later.

The Twin Cities Area office segment represents 8.5% of the Q1-18 Proportionate Share Property NOI and 5.3% of the overall portfolio by GLA. Overall direct vacancy in the Twin Cities Area office as reported by CBRE was 17.8% at March 31, 2018, compared to 16.3% at December 31, 2017. Occupancy in this segment of the portfolio was 93.4% at March 31, 2018 (excluding completed new developments), compared to 91.8% at December 31, 2017. During the remainder of 2018, 67,156 square feet comes up for renewal, which represents 0.3% of the total portfolio GLA; 32.3% had been renewed or committed to new leases at March 31, 2018. Of Artis' total Twin Cities Area office GLA (excluding completed new developments), 42.8% expires in 2022 or later.

The Twin Cities Area industrial segment represents 7.8% of the Q1-18 Proportionate Share Property NOI and 15.7% of the overall portfolio by GLA. Direct vacancy in the Twin Cities Area industrial market, as reported by CBRE, was 4.5% at March 31, 2018, compared to 4.2% at December 31, 2017. The average asking market lease rate was \$5.75 per square foot at March 31, 2018, compared to \$5.62 per square foot at December 31, 2017. Occupancy in this segment of the portfolio was 95.9% at March 31, 2018, compared to 95.4% reported at December 31, 2017. During the remainder of 2018, 357,457 square feet comes up for renewal, which represents 1.5% of the total portfolio GLA; 36.3% was renewed or committed to new leases at March 31, 2018. Of Artis' total Twin Cities Area industrial GLA, 42.1% expires in 2022 or later.

The Winnipeg office segment represents 7.2% of the Q1-18 Proportionate Share Property NOI and 6.1% of the overall portfolio by GLA. Overall direct vacancy in the Winnipeg office market, as reported by CBRE, was 8.5% at March 31, 2018, compared to 9.0% at December 31, 2017. At March 31, 2018, the Winnipeg office segment of Artis' portfolio was 80.6% occupied, compared to 85.5% at December 31, 2017. During the remainder of 2018, 100,802 square feet comes up for renewal, which represents 0.4% of the total portfolio GLA; 47.6% had been renewed or committed to new leases at March 31, 2018. Of Artis' Winnipeg office GLA, 34.6% expires in 2022 or later.

## ANALYSIS OF FINANCIAL POSITION

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

	March 31, 2018			December 31, 2017		
	Per consolidated financial statements	Adjustment <sup>(1)</sup>	Total Proportionate Share	Per consolidated financial statements	Adjustment <sup>(1)</sup>	Total Proportionate Share
<b>ASSETS</b>						
Non-current assets:						
Investment properties	\$ 4,975,827	\$ 252,173	\$ 5,228,000	\$ 4,720,362	\$ 332,359	\$ 5,052,721
Investment properties under development	70,131	—	70,131	79,701	—	79,701
Investments in joint ventures	157,142	(157,142)	—	200,383	(200,383)	—
Property and equipment	6,981	—	6,981	7,005	—	7,005
Notes receivable	14,227	—	14,227	12,982	—	12,982
	5,224,308	95,031	5,319,339	5,020,433	131,976	5,152,409
Current assets:						
Investment properties held for sale	100,030	26,195	126,225	110,188	26,187	136,375
Deposits on investment properties	5,190	—	5,190	5,081	—	5,081
Prepaid expenses and other assets	22,746	160	22,906	17,134	282	17,416
Notes receivable	3,321	—	3,321	2,322	—	2,322
Accounts receivable and other receivables	19,815	612	20,427	16,816	655	17,471
Cash held in trust	10,839	—	10,839	8,090	—	8,090
Cash	41,145	3,679	44,824	35,832	7,012	42,844
	203,086	30,646	233,732	195,463	34,136	229,599
	\$ 5,427,394	\$ 125,677	\$ 5,553,071	\$ 5,215,896	\$ 166,112	\$ 5,382,008
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>						
Non-current liabilities:						
Mortgages and loans payable	\$ 1,283,399	\$ 74,731	\$ 1,358,130	\$ 1,190,525	\$ 112,148	\$ 1,302,673
Senior unsecured debentures	199,249	—	199,249	199,854	—	199,854
Credit facilities	298,977	—	298,977	298,922	—	298,922
Other long-term liabilities	10,052	—	10,052	6,404	—	6,404
	1,791,677	74,731	1,866,408	1,695,705	112,148	1,807,853
Current liabilities:						
Mortgages and loans payable	357,522	46,185	403,707	370,508	46,484	416,992
Senior unsecured debentures	199,882	—	199,882	—	—	—
Security deposits and prepaid rent	33,126	2,215	35,341	30,521	2,190	32,711
Accounts payable and other liabilities	78,366	2,546	80,912	75,570	5,290	80,860
Credit facilities	254,800	—	254,800	438,383	—	438,383
	923,696	50,946	974,642	914,982	53,964	968,946
	2,715,373	125,677	2,841,050	2,610,687	166,112	2,776,799
Unitholders' equity	2,712,021	—	2,712,021	2,605,209	—	2,605,209
	\$ 5,427,394	\$ 125,677	\$ 5,553,071	\$ 5,215,896	\$ 166,112	\$ 5,382,008

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

**BALANCE SHEET METRICS**

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

The REIT's secured mortgages and loans to GBV and total long-term debt and credit facilities to GBV ratios are as follows:

	IFRS		Proportionate Share	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
GBV	\$ 5,431,988	\$ 5,220,217	\$ 5,557,665	\$ 5,386,329
Secured mortgages and loans	1,640,921	1,561,033	1,761,837	1,719,665
Secured mortgages and loans to GBV	30.2%	29.9%	31.7%	31.9%
Preferred shares liability	\$ 617	\$ 601	\$ 617	\$ 601
Carrying value of debentures	399,131	199,854	399,131	199,854
Credit facilities	553,777	737,305	553,777	737,305
Total long-term debt and credit facilities	\$ 2,594,446	\$ 2,498,793	\$ 2,715,362	\$ 2,657,425
Total long-term debt and credit facilities to GBV	47.8%	47.9%	48.9%	49.3%

The REIT's total long-term debt and credit facilities to EBITDA ratios are as follows:

	IFRS		Proportionate Share	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Total long-term debt and credit facilities	\$ 2,594,446	\$ 2,498,793	\$ 2,715,362	\$ 2,657,425
EBITDA <sup>(1)</sup>	304,620	315,008	304,620	315,008
Total long-term debt and credit facilities to EBITDA	8.5	7.9	8.9	8.4
Normalized EBITDA <sup>(2)</sup>	\$ 317,760	\$ 315,008	\$ 317,760	\$ 315,008
Total long-term debt and credit facilities to normalized EBITDA	8.2	7.9	8.5	8.4

(1) EBITDA, as calculated under the Income Statement Metrics section of this MD&A, has been annualized for purposes of this ratio calculation.

(2) Normalized EBITDA amount excludes the non-recurring pension liability adjustment of \$3,392.

The REIT's unencumbered assets to unsecured debt ratios are as follows:

	IFRS		Proportionate Share	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Unencumbered assets	\$ 1,689,925	\$ 1,649,077	\$ 1,729,678	\$ 1,687,754
Senior unsecured debentures	399,131	199,854	399,131	199,854
Unsecured credit facilities	553,777	737,305	553,777	737,305
Total unsecured debt	\$ 952,908	\$ 937,159	\$ 952,908	\$ 937,159
Unencumbered assets to unsecured debt	1.8	1.8	1.8	1.8

Artis' NAV per unit is as calculated as follows:

000's, except unit and per unit amounts	March 31, 2018		December 31, 2017		Change
Unitholders' equity	\$	2,712,021	\$	2,605,209	\$ 106,812
Less value of preferred equity <sup>(1)</sup>		(391,250)		(360,338)	(30,912)
NAV attributable to common unitholders	\$	2,320,771	\$	2,244,871	\$ 75,900
Total number of dilutive units outstanding:					
Common units		153,795,779		150,599,666	3,196,113
Restricted units		479,046		394,040	85,006
Deferred units		87,318		81,635	5,683
		154,362,143		151,075,341	3,286,802
NAV per unit	\$	15.03	\$	14.86	\$ 0.17

(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.

## ASSETS

### Investment Properties, Investment Properties Under Development and Investment Properties Held for Sale <sup>(1)</sup>

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, 2017	\$ 5,052,721	\$ 79,701	\$ 136,375	\$ 5,268,797
Additions:				
Acquisitions	88,536	11,120	—	99,656
Capital expenditures	7,170	5,761	—	12,931
Capitalized interest	—	195	—	195
Leasing commissions	2,625	—	14	2,639
Dispositions	(1,948)	—	(23,059)	(25,007)
Reclassification of investment properties under development	33,933	(33,933)	—	—
Reclassification of investment properties held for sale	(8,958)	—	8,958	—
Foreign currency translation gain	56,730	1,048	2,640	60,418
Straight-line rent adjustments	1,763	—	34	1,797
Tenant inducement additions, net of amortization	5,911	—	1,426	7,337
Fair value (loss) gain	(10,483)	6,239	(163)	(4,407)
Balance, March 31, 2018	\$ 5,228,000	\$ 70,131	\$ 126,225	\$ 5,424,356

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP measures.

**Acquisitions:**

The results of operations for the acquired properties are included in the REIT's accounts from the date of acquisition. Artis funded these acquisitions from the issuance of units, the proceeds of new or assumed mortgage financing and cash on hand.

	Three months ended			% Change
	2018	March 31, 2017	Change	
Issuance of units	\$ 43,651	\$ —	\$ 43,651	
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	38,388	—	38,388	
Cash consideration	11,265	—	11,265	
Bargain purchase gain	5,384	—	5,384	
Foreign currency translation gain	968	—	968	
<b>Total acquisitions</b>	<b>\$ 99,656</b>	<b>\$ —</b>	<b>\$ 99,656</b>	<b>—%</b>

**Capital expenditures <sup>(1)</sup>:**

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

	Three months ended			% Change
	2018	March 31, 2017	Change	
New and (re)development expenditures	\$ 5,761	\$ 28,864	\$ (23,103)	
Building improvements expenditures:				
Recoverable from tenants	989	1,937	(948)	
Non-recoverable	5,419	5,065	354	
Property maintenance expenditures:				
Recoverable from tenants	684	774	(90)	
Non-recoverable	78	175	(97)	
<b>Total capital expenditures</b>	<b>\$ 12,931</b>	<b>\$ 36,815</b>	<b>\$ (23,884)</b>	<b>(64.9)%</b>

**Leasing costs <sup>(1)</sup>:**

Tenant inducements consist of 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.

	Three months ended			% Change
	2018	March 31, 2017	Change	
Investment property leasing costs:				
Tenant inducements	\$ 10,430	\$ 7,668	\$ 2,762	
Leasing commissions	2,089	3,086	(997)	
Investment property (re)development related leasing costs:				
Tenant inducements	2,008	3,601	(1,593)	
Leasing commissions	550	822	(272)	
<b>Total leasing costs</b>	<b>\$ 15,077</b>	<b>\$ 15,177</b>	<b>\$ (100)</b>	<b>(0.7)%</b>

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP measures.

In Q1-18, tenant inducements on investment properties included \$2,137 for two new significant Calgary office tenants with long-term leases. Additionally, the REIT incurred a significant tenant inducement of \$1,518 related to a Minnesota retail tenant with a long-term lease renewal.

***Dispositions:***

During Q1-18, Artis sold one industrial property in Canada and one office property in the U.S. for an aggregate sale price of \$25,966. The aggregate sale proceeds, net of costs of \$1,158 and related debt of \$10,926, were \$13,882.

***Completed new and (re)development properties:***

In Q1-18, Artis completed the development of one office property, as discussed in the Portfolio Summary section of this MD&A.

***Investment properties held for sale:***

At March 31, 2018, the REIT had two office properties, one held in a joint venture arrangement, and seven retail properties with an aggregate Proportionate Share fair value of \$126,225 classified as held for sale. These properties were either listed for sale with an external broker or held under unconditional sale agreements.

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

In Q1-18, the Proportionate Share foreign currency translation gain on investment properties was \$60,418 due to the change in the period end US dollar to Canadian dollar exchange rate from 1.2545 at December 31, 2017, to 1.2894 at March 31, 2018.

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

In Q1-18, the REIT recorded a loss on the Proportionate Share fair value of investment properties of \$4,407, compared to a gain of \$17,761 in Q1-17. The fair value loss in Q1-18 was primarily due to raising expected market tenant allowances and lowering expected market rents in the Calgary office segment. This loss was partially offset by capitalization rate compression in the Ontario industrial segment.

Artis determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method. 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 4.25% to 8.75%. Additional information on the average capitalization rates and ranges used for the portfolio properties, assuming all properties were valued using an overall capitalization method, broken out by asset class and country are set out in the table below.



	March 31, 2018			December 31, 2017		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
Canada	8.50%	5.00%	6.36%	8.50%	5.00%	6.35%
U.S.	7.75%	5.50%	6.73%	8.25%	5.50%	6.79%
Total office	8.50%	5.00%	6.53%	8.50%	5.00%	6.54%
Retail:						
Canada	8.75%	5.25%	6.32%	8.50%	5.25%	6.34%
U.S.	8.50%	5.75%	6.85%	8.50%	5.75%	6.85%
Total retail	8.75%	5.25%	6.36%	8.50%	5.25%	6.38%
Industrial:						
Canada	7.75%	4.25%	6.07%	7.75%	4.25%	6.26%
U.S.	7.75%	5.50%	6.48%	7.75%	5.50%	6.55%
Total industrial	7.75%	4.25%	6.22%	7.75%	4.25%	6.37%
Total:						
Canadian portfolio	8.75%	4.25%	6.28%	8.50%	4.25%	6.33%
U.S. portfolio	8.50%	5.50%	6.67%	8.50%	5.50%	6.73%
Total portfolio	8.75%	4.25%	6.41%	8.50%	4.25%	6.46%

## Notes Receivable

In conjunction with the 2007 acquisition of TransAlta Place, the REIT acquired a note receivable in the amount of \$31,000. The balance of this note receivable at March 31, 2018 was \$12,427 (December 31, 2017, \$12,950). The note bears interest at 5.89% per annum and is repayable in varying blended monthly installments of principal and interest. The note is transferable at the option of the REIT and matures in May 2023. The balance outstanding on all notes receivable at March 31, 2018 was \$17,548, compared to \$15,304 at December 31, 2017.

## Cash

At March 31, 2018, the REIT had \$41,145 of cash on hand, compared to \$35,832 at December 31, 2017. 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

### Mortgages and Loans Payable

#### Mortgage financing:

Artis finances acquisitions and development projects in part through the arrangement or assumption of mortgage financing and consequently, the majority of the REIT's investment properties are pledged as security under mortgages and other loans. In Q1-18, \$11,595 of Proportionate Share principal repayments were made compared to \$15,748 in Q1-17.

During Q1-18, Artis repaid one maturing mortgage in the aggregate amount of \$21,542. Artis refinanced two maturing mortgages and received new mortgage financing on one property, net of financing costs, in the aggregate amount of \$20,060. In Q1-18, Artis drew on development loans, on a Proportionate Share basis and net of financing costs, in the amount of \$2,819.

The weighted-average term to maturity on all mortgages and loans payable at March 31, 2018 was 3.5 years, compared to 3.6 years at December 31, 2017.

**Unhedged variable rate mortgage debt:**

Management believes that holding a percentage of variable rate debt is prudent in managing a portfolio of debt and provides the benefit of lower interest rates, while keeping the overall risk at a moderate level. All of the REIT's variable rate mortgage debt is term debt and cannot be called on demand. The REIT has the ability to refinance, or use interest rate swaps, at any given point without incurring penalties.

At March 31, 2018, the REIT was a party to \$446,339 of Proportionate Share unhedged variable rate mortgage debt, compared to \$455,739 at December 31, 2017. The decrease is primarily due to hedging a variable rate mortgage in the amount of \$35,126 with an interest rate swap, the repayment of a mortgage related to the sale of the Humana Building of \$10,926 and mortgage repayments of \$2,663. The decrease has been partially offset by a new variable rate mortgage of \$20,376 on a previously unencumbered property, renewing a previously fixed rate mortgage with a variable rate mortgage in the amount of \$6,278, draws on construction loans of \$2,955 and the impact of foreign exchange of \$9,706. The Proportionate Share unhedged variable rate mortgage debt is 16.4% of total debt including credit facilities at March 31, 2018, compared to 17.1% at December 31, 2017.

**Senior Unsecured Debentures**

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

	Issued	Maturity	Interest rate	March 31, 2018		December 31, 2017	
				Carrying value	Face value	Carrying value	Face value
Series A	27-Mar-14 10-Sept-14	27-Mar-19	3.753%	\$ 199,882	\$ 200,000	\$ 199,854	\$ 200,000
Series B	07-Feb-18	07-Feb-20	Three month CDOR plus 1.07%	199,249	200,000	—	—
				\$ 399,131	\$ 400,000	\$ 199,854	\$ 200,000

**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 March 31, 2018, there was \$254,800 drawn on these facilities (December 31, 2017, \$438,383).

The REIT has two unsecured non-revolving term credit facilities in the aggregate amount of \$300,000. The first credit facility of \$150,000 matures on July 6, 2022 and the second credit facility matures on July 18, 2022. Amounts drawn on the facilities bear interest at 3.57% and 3.50%, respectively. At March 31, 2018, there was \$300,000 drawn on these facilities (December 31, 2017, \$300,000).

**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 \$15,748, which was paid subsequent to the end of the period.

**UNITHOLDERS' EQUITY**

Unitholders' equity increased overall by \$106,812 between December 31, 2017 and March 31, 2018. This increase was primarily due to net income of \$50,722, the issuance of new units for \$165,157 and an unrealized foreign currency translation gain included in other comprehensive income of \$34,510. The increase was partially offset by distributions made to unitholders of \$46,872 and the repayment of preferred units of \$96,705.

## 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.

	Three months ended March 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016
Cash flow from operations	\$ 52,474	\$ 214,005	\$ 251,820
Net income	50,722	234,435	115,935
Distributions declared	46,872	181,052	175,450
Excess of cash flow from operations over distributions declared	5,602	32,953	76,370
Excess (shortfall) of net income over distributions declared	3,850	53,383	(59,515)

Artis' primary objective is to provide stable, reliable and tax-efficient monthly cash distributions. Cash flow from operations has exceeded distributions declared since Q3-12.

### CAPITAL RESOURCES

At March 31, 2018, Artis had \$41,145 of cash on hand. Management anticipates that the cash on hand will be invested in investment properties in subsequent periods, used for working capital purposes or for debt repayment.

The REIT has two unsecured revolving term credit facilities in the aggregate amount of \$500,000, which can be utilized for general corporate and working capital purposes, short term financing of investment property acquisitions and the issuance of letters of credit. At March 31, 2018, the REIT had \$254,800 drawn on these facilities.

At March 31, 2018, the REIT had 82 unencumbered properties and eight unencumbered parcels of development land, inclusive of properties held in joint venture arrangements, representing a Proportionate Share fair value of \$1,729,678.

Artis is not in default or arrears on any of its obligations, including distributions to unitholders, interest or principal payments on debt or any debt covenants at March 31, 2018.

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 <sup>(1)</sup>

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and other liabilities	\$ 80,912	\$ 80,912	\$ —	\$ —	\$ —
Credit facilities	554,800	170,459	—	384,341	—
Senior unsecured debentures <sup>(2)</sup>	400,000	200,000	200,000	—	—
Mortgages and loans payable	1,767,587	336,507	637,692	453,991	339,397
Total contractual obligations	\$ 2,803,299	\$ 787,878	\$ 837,692	\$ 838,332	\$ 339,397

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
2018	\$ 261,679	17.0%	\$ 33,676	\$ 295,355	3.67%
2019	287,220	18.6%	42,508	329,728	4.15%
2020	148,793	9.7%	35,393	184,186	3.90%
2021	358,115	23.3%	25,318	383,433	3.74%
2022	189,880	12.3%	19,119	208,999	3.55%
2023 & later	293,783	19.1%	72,103	365,886	3.88%
<b>Total</b>	<b>\$ 1,539,470</b>	<b>100.0%</b>	<b>\$ 228,117</b>	<b>\$ 1,767,587</b>	<b>3.82%</b>

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP measures.

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

## SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16
Revenue	\$ 125,769	\$ 126,256	\$ 127,008	\$ 129,507	\$ 133,557	\$ 140,663	\$ 143,094	\$ 132,400
Expenses:								
Property operating	30,800	32,222	30,065	29,737	31,831	36,334	32,534	28,466
Realty taxes	20,004	19,092	19,639	21,070	21,448	21,249	21,887	21,557
	50,804	51,314	49,704	50,807	53,279	57,583	54,421	50,023
Net operating income	74,965	74,942	77,304	78,700	80,278	83,080	88,673	82,377
Other income (expenses):								
Corporate expenses	(6,301)	(3,332)	(3,334)	(3,330)	(3,782)	(3,234)	(2,929)	(3,521)
Interest expense	(23,614)	(23,462)	(23,882)	(24,070)	(25,082)	(26,340)	(27,329)	(27,193)
Interest income	585	307	300	262	279	286	296	330
Net income from interests in joint ventures	5,021	5,742	7,896	1,528	6,114	6,081	3,763	3,280
Fair value (loss) gain on investment properties	(5,932)	4,906	2,486	(16,169)	13,471	(97,291)	18,430	(22,745)
Foreign currency translation (loss) gain	(2,167)	(3,144)	(3,542)	1,552	4,867	(4,695)	206	(4,010)
Transaction costs	(5,676)	(543)	(567)	—	—	(9)	(195)	(862)
Fair value gains (losses) on financial derivatives and other transactions	13,954	(1,420)	8,231	131	479	12,513	(4,039)	2,921
Income (loss) before income taxes	50,835	53,996	64,892	38,604	76,624	(29,609)	76,876	30,577
Income tax (expense) recovery	(113)	67	(89)	(51)	392	(683)	—	—
Net income (loss)	50,722	54,063	64,803	38,553	77,016	(30,292)	76,876	30,577
Other comprehensive income (loss):								
Unrealized foreign currency translation gain (loss)	34,510	12,534	(44,755)	(30,072)	(10,090)	25,936	9,877	4,066
Unrealized (loss) gain from remeasurements of net pension obligation	—	(33)	(70)	38	(46)	(4)	(4)	(35)
	34,510	12,501	(44,825)	(30,034)	(10,136)	25,932	9,873	4,031
Total comprehensive income (loss)	\$ 85,232	\$ 66,564	\$ 19,978	\$ 8,519	\$ 66,880	\$ (4,360)	\$ 86,749	\$ 34,608
Net income (loss) per unit attributable to common unitholders:								
Basic	\$ 0.30	\$ 0.33	\$ 0.40	\$ 0.23	\$ 0.48	\$ (0.23)	\$ 0.48	\$ 0.18
Diluted	0.29	0.33	0.40	0.22	0.48	(0.23)	0.48	0.18
Secured mortgages and loans to GBV	30.2%	29.9%	31.4%	36.9%	38.5%	39.1%	39.1%	39.5%

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 and transactions costs.

## Reconciliation of Net Income (Loss) to FFO and AFFO

000's, except per unit amounts	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16 <sup>(1)</sup>	Q3-16 <sup>(1)</sup>	Q2-16 <sup>(1)</sup>
Net income (loss)	\$ 50,722	\$ 54,063	\$ 64,803	\$ 38,553	\$ 77,016	\$ (30,292)	\$ 76,876	\$ 30,577
Add (deduct):								
Adjustment for investments in joint ventures <sup>(2)</sup>	(2,919)	(3,245)	(5,426)	1,069	(3,887)	(3,707)	(1,417)	(832)
Fair value loss (gain) on investment properties	5,932	(4,906)	(2,486)	16,169	(13,471)	97,291	(18,430)	22,745
Tenant inducements amortized to revenue	4,798	4,415	4,292	4,107	4,212	4,143	4,102	4,076
Transaction costs on acquisitions	651	543	567	—	—	9	195	862
Foreign currency translation loss (gain)	2,167	3,144	3,542	(1,552)	(4,867)	4,695	(206)	4,010
Fair value (gains) losses on derivative instruments and other transactions	(13,954)	1,420	(8,231)	(131)	(479)	(12,513)	4,039	(2,921)
Remeasurement component of unit-based compensation	(87)	289	76	(13)	118	(3)	(294)	148
Distributions on preferred shares treated as interest expense	42	43	43	45	46	20	28	27
Incremental leasing costs	916	1,252	1,058	792	795	1,406	806	623
Preferred unit distributions	(5,921)	(4,643)	(4,548)	(4,597)	(4,630)	(4,641)	(4,611)	(4,584)
<b>FFO</b>	<b>\$ 42,347</b>	<b>\$ 52,375</b>	<b>\$ 53,690</b>	<b>\$ 54,442</b>	<b>\$ 54,853</b>	<b>\$ 56,408</b>	<b>\$ 61,088</b>	<b>\$ 54,731</b>
Add (deduct):								
Amortization of recoverable capital expenditures <sup>(3)</sup>	(2,170)	(3,407)	(2,196)	(2,137)	(2,290)	(3,846)	(2,331)	(2,116)
Non-recoverable property maintenance reserve <sup>(3)</sup>	(950)	(950)	(950)	(700)	(650)	(650)	(650)	(650)
Leasing costs reserve <sup>(3)</sup>	(7,850)	(8,100)	(10,000)	(9,600)	(9,500)	(9,500)	(9,500)	(9,500)
Straight-line rent adjustments <sup>(3)</sup>	(1,797)	(1,925)	(1,954)	(1,871)	(1,663)	(1,743)	(1,979)	(1,276)
<b>AFFO</b>	<b>\$ 29,580</b>	<b>\$ 37,993</b>	<b>\$ 38,590</b>	<b>\$ 40,134</b>	<b>\$ 40,750</b>	<b>\$ 40,669</b>	<b>\$ 46,628</b>	<b>\$ 41,189</b>
FFO per unit:								
Basic	\$ 0.28	\$ 0.35	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.38	\$ 0.41	\$ 0.39
Diluted	0.28	0.35	0.36	0.36	0.36	0.37	0.41	0.38
AFFO per unit:								
Basic	\$ 0.20	\$ 0.25	\$ 0.26	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.31	\$ 0.29
Diluted	0.19	0.25	0.26	0.27	0.27	0.27	0.31	0.29
Weighted-average number of common units outstanding for FFO:								
Basic	151,494	150,594	150,593	150,581	150,545	149,937	149,227	141,191
Diluted <sup>(4)</sup>	152,041	151,022	151,035	150,966	150,947	154,921	154,326	151,780

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

(2) This adjustment is to remove certain non-cash items that are included in net income from investments in joint ventures.

(3) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP measures.

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

000's, except per unit amounts	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16 <sup>(1)</sup>	Q3-16 <sup>(1)</sup>	Q2-16 <sup>(1)</sup>
FFO per above	\$ 42,347	\$ 52,375	\$ 53,690	\$ 54,442	\$ 54,853	\$ 56,408	\$ 61,088	\$ 54,731
Add (deduct):								
Opening pension liability adjustment <sup>(2)</sup>	3,285	—	—	—	—	—	—	—
Property management termination fees <sup>(2)</sup>	5,025	—	—	—	—	—	—	—
Normalized FFO	\$ 50,657	\$ 52,375	\$ 53,690	\$ 54,442	\$ 54,853	\$ 56,408	\$ 61,088	\$ 54,731
Normalized AFFO	\$ 37,890	\$ 37,993	\$ 38,590	\$ 40,134	\$ 40,750	\$ 40,669	\$ 46,628	\$ 41,189
Normalized FFO per unit:								
Basic	\$ 0.33	\$ 0.35	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.38	\$ 0.41	\$ 0.39
Diluted	0.33	0.35	0.36	0.36	0.36	0.37	0.41	0.38
Normalized AFFO per unit:								
Basic	\$ 0.25	\$ 0.25	\$ 0.26	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.31	\$ 0.29
Diluted	0.25	0.25	0.26	0.27	0.27	0.27	0.31	0.29

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

(2) Please refer to the FFO and AFFO section of this MD&A for further discussion of these adjustments.

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.

## OUTSTANDING UNIT DATA

As of May 10, 2018, the balance of common units outstanding is 153,795,779, the balance of Series A preferred units outstanding is 3,450,000, the balance of Series E preferred units outstanding is 4,000,000, the balance of Series G preferred units outstanding is 3,200,000 and the balance of Series I preferred units outstanding is 5,000,000.

The balance of restricted units outstanding as of May 10, 2018 is 480,355, none of which have vested.

The balance of deferred units outstanding as of May 10, 2018 is 97,303. All of these deferred units have vested, none of which are redeemable.

## OUTLOOK

Scotiabank's Global Outlook dated April 12, 2018, predicts that real GDP growth in Canada will be 2.2% in 2018. GDP in British Columbia, Manitoba and Ontario in 2018 is forecast to grow by 2.6%, 2.0% and 2.1%, respectively, which are all healthy growth rates that are near or above the 2018 national forecast. After a year of GDP contraction in Saskatchewan and Alberta in 2016, a rebound started in 2017 in these provinces as oil and gas related activity began to recover. Scotiabank estimates that GDP in these provinces grew by 1.9% and 4.3%, respectively, in 2017, while continued GDP growth of 1.8% and 2.5%, respectively, and declining unemployment rates are predicted for 2018. We continue to monitor the Saskatchewan and Alberta 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.

The Scotiabank Global Outlook report further predicts that GDP growth in the U.S. will be 2.6% in 2018. According to the United States Bureau of Labor Statistics, U.S. unemployment decreased nationally from 4.5% to 4.1% year-over-year in March. Most recently available unemployment rates in our U.S. target markets are generally near or below the national average. We continue to monitor this and other key economic indicators in our target U.S. markets on a continuous basis. Given the health of the U.S. economy, strength of the US dollar, positive GDP growth expectations and decline in unemployment rates, we anticipate that there is further growth potential to be realized during the remainder of 2018 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 2018 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.

Overall, we anticipate that real estate fundamentals in Canada and the U.S. will remain stable during the remainder of 2018 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 March 31, 2018, Artis had \$41,145 of cash on hand and \$245,200 available on its revolving term credit facilities. Subsequent to March 31, 2018, the following transactions took place:

- The REIT acquired an 80% ownership interest in a 30 acre industrial development site located in Denver, Colorado for US \$2,777. Preliminary plans are for 400,000 S.F. of new generation industrial buildings.
- The REIT repaid a maturing mortgage on a retail property in the amount of \$5,974.
- The REIT drew an aggregate amount of \$30,500 on its revolving term credit facilities.
- The REIT has an unconditional sale agreement for the disposition of an office property located in Calgary, Alberta. The sale price of this property is \$9,000, which is in line with its IFRS value. The REIT anticipates that the disposition will close in June 2018.
- The REIT declared a monthly cash distribution of \$0.09 per unit for the month of April 2018.
- The REIT declared a quarterly cash distribution of \$0.3125 per Series G Unit for the quarter ending April 30, 2018.
- The REIT declared a quarterly cash distribution of \$0.3750 per Series I Unit for the quarter ending April 30, 2018.

## **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 Property NOI, 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 Proportionate Share of credit facilities, mortgages and debentures payable due to the expected requirement to refinance such debts in the year of maturity. The REIT minimizes the risk by restricting debt to 70% of gross book value and by carefully monitoring the amount of variable rate debt. At March 31, 2018, 46.6% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 28.2% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At March 31, 2018, the REIT is a party to \$1,498,822 of Proportionate Share variable rate debt, including credit facilities (December 31, 2017, \$1,651,078). At March 31, 2018, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$797,683 of Proportionate Share variable rate debt (December 31, 2017, \$756,956). The REIT has the ability to place interest rate swaps on top of variable rate debt at any time in order to effectively fix the interest rate.

At March 31, 2018, the REIT's ratio of Proportionate Share secured mortgages and loans to GBV was 31.7%, compared to 31.9% at December 31, 2017. The REIT's ratio of Proportionate Share total long-term debt and credit facilities to GBV was 48.9%, compared to 49.3% at December 31, 2017. Approximately 17.0% of Artis' maturing mortgage debt comes up for renewal in 2018, and 18.6% in 2019. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2018 mortgage maturities.

#### **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.

#### **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 acquiring and owning properties across several asset classes and geographical regions. As well, management seeks to acquire properties with strong tenant covenants in place. Artis' portfolio includes 1,926 tenant leases with a weighted-average term to maturity of 4.3 years. Approximately 55.5% of the REIT's gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is Bell MTS, which is one of Canada's leading national communication companies providing voice services, internet and data services, and television. The second largest tenant by gross revenue is Graham Group Ltd., which provides construction management, general contracting, design build, and public-private partnership services to industrial, commercial, and infrastructure sectors.

Top 20 Tenants by Gross Revenue <sup>(1)</sup>

Tenant	% of total gross revenue <sup>(2)</sup>	Owned share of GLA (000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Bell MTS	2.2%	322	1.3%	4.9
Graham Group Ltd.	1.7%	243	1.0%	16.3
WorleyParsons Canada	1.6%	179	0.7%	3.5
AT&T	1.6%	257	1.1%	7.3
Whiting Oil and Gas Corporation	1.3%	223	0.9%	1.6
Bell Canada	1.2%	116	0.5%	11.3
TransAlta Corp	1.1%	336	1.4%	5.2
Home Depot	1.0%	129	0.5%	3.2
Bellatrix Exploration Ltd.	1.0%	94	0.4%	5.8
TD Canada Trust	1.0%	128	0.5%	0.7
Shoppers Drug Mart	1.0%	136	0.6%	7.4
Canada Institute for Health Info.	0.9%	92	0.4%	7.4
CB Richard Ellis, Inc.	0.9%	108	0.4%	8.8
Fairview Health Services	0.8%	179	0.7%	5.4
3M Canada Company	0.8%	319	1.3%	2.0
Cara Operations Limited	0.8%	100	0.4%	10.8
Co-operators General Insurance	0.7%	93	0.4%	4.6
IHS Global Canada Limited	0.7%	59	0.2%	0.8
Microsemi Storage Solutions Ltd.	0.7%	124	0.5%	9.5
Telephone and Data Systems, Inc.	0.7%	130	0.5%	6.7
<b>Total</b>	<b>21.7%</b>	<b>3,367</b>	<b>13.7%</b>	<b>6.0</b>

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

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

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

Tenant	% of total gross revenue <sup>(2)</sup>	Owned share of GLA (000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Federal Government	3.1%	440	1.8%	7.6
Provincial Government	1.8%	261	1.1%	2.5
Civic or Municipal Government	0.4%	101	0.4%	13.2
<b>Total</b>	<b>5.3%</b>	<b>802</b>	<b>3.3%</b>	<b>6.7</b>
Weighted-average term to maturity (entire portfolio)				4.3

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(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		
2018	1.5%	0.4%	1.7%	0.4%	1.5%	0.7%	0.1%	1.7%	0.8%	0.8%	8.9%	
2019	1.3%	0.8%	1.4%	0.3%	1.8%	0.6%	0.7%	3.4%	0.6%	1.4%	11.7%	
2020	1.0%	0.2%	2.4%	0.3%	2.9%	0.2%	0.9%	2.5%	0.9%	0.4%	11.5%	
2021	2.3%	0.2%	2.3%	0.4%	1.5%	1.4%	0.8%	4.3%	0.4%	0.2%	12.4%	
2022	1.0%	0.3%	0.9%	1.4%	2.4%	0.3%	0.7%	2.5%	0.3%	0.1%	9.6%	
2023	1.9%	0.1%	0.6%	0.4%	0.9%	1.4%	0.2%	1.4%	0.1%	0.2%	5.8%	
2024 & later	3.7%	1.2%	4.3%	2.0%	3.9%	1.0%	2.8%	5.4%	2.8%	1.2%	27.3%	
Month-to-month	0.2%	—%	0.1%	—%	0.1%	0.1%	—%	—%	0.1%	0.1%	0.6%	
Vacant	3.0%	0.1%	1.7%	0.6%	0.8%	2.1%	0.6%	1.1%	0.8%	0.4%	9.1%	
New development/ redevelopment	0.4%	—%	—%	—%	—%	0.4%	—%	0.6%	—%	2.1%	3.1%	
<b>Total</b>	<b>16.3%</b>	<b>3.3%</b>	<b>15.4%</b>	<b>5.8%</b>	<b>15.8%</b>	<b>8.2%</b>	<b>6.8%</b>	<b>22.9%</b>	<b>6.8%</b>	<b>6.9%</b>	<b>100.0%</b>	

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

## TAX RISK

The Tax Act contains the SIFT Rules, which are applicable to publicly traded income trusts unless the trust satisfies the REIT Exception. The REIT Exception to the SIFT Rules is comprised of a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of the taxation year. Management believes that the REIT has met the requirements of the REIT Exception in each taxation year since 2009 and that it has met the REIT Exception throughout the three months ended March 31, 2018 and the year ended December 31, 2017. 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.

## CYBER SECURITY RISK

Cyber security has become an increasingly problematic issue for issuers and businesses in Canada and around the world, including for Artis and the real estate industry. Cyber attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the organization's information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information.

As Artis' reliance on technology has increased, so have the risks posed to its system. Artis' primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to its business relationships with its tenants, disclosure of confidential information regarding its tenants, employees and third parties with who Artis interacts, and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny and litigation. These developments may subject Artis' operations to increased risks, as well as increased costs, and, depending on their magnitude, could have a material adverse effect on Artis' financial position and results of operations.

The Board and management are responsible for overseeing Artis' cyber security risks. To remain resilient to these risks, Artis has implemented processes, procedures and controls to help mitigate these risks, including installing firewalls and antivirus programs on its networks, servers and computers, and staff training. However, these measures, as well as its increased awareness of a risk of a cyber incident, do not provide assurance that its efforts will be effective or that attempted security breaches or disruptions will not be successful or damaging.

## 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, 2017.

## CHANGES IN ACCOUNTING STANDARDS

### New or Revised Accounting Standards Adopted During the Period

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. IFRS 15 excludes contracts that are within the scope of IAS 17 - *Leases*, IFRS 4 - *Insurance Contracts* and IFRS 9 - *Financial Instruments*.

The REIT has completed its evaluation of the impact of IFRS 15 on its consolidated financial statements. The REIT's most material revenue category of base rental revenue is outside the scope of this standard. The only significant revenue category falling under IFRS 15 relates to property operating and realty tax cost recoveries. The REIT's practices of revenue recognition are unchanged upon adoption of this standard, therefore, the adoption of IFRS 15 did not result in a material impact to the consolidated financial statements. The REIT has elected to apply the standard on a modified retrospective basis. Under this approach, the 2017 comparative period was not restated. There was no cumulative transitional adjustment to the opening retained earnings balance required. The impact was limited to additional note disclosure on the disaggregation of its revenue categories, specifically as it relates to property operating and realty tax cost recoveries.

A revised version of IFRS 9 – *Financial Instruments* ("IFRS 9") was issued by the IASB in July 2014, replacing 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, any gains or losses for the financial liability due to changes in an entity's credit risk must be recognized in other comprehensive income.

The following table summarizes the classification impacts of the adoption of IFRS 9. This adoption did not result in any changes to the measurement of the REIT's consolidated financial statements.

Financial instrument	Previous classification under IAS 39	New classification under IFRS 9
Financial assets:		
Notes receivable	Loans and receivables	Amortized cost
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Accounts receivable and other receivables	Loans and receivables	Amortized cost
Cash held in trust	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
Financial liabilities:		
Mortgages and loans payable	Other liabilities	Amortized cost
Senior unsecured debentures	Other liabilities	Amortized cost
Credit facilities	Other liabilities	Amortized cost
Preferred shares/units liabilities	Other liabilities	Amortized cost
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Accounts payable and other liabilities	Other liabilities	Amortized cost

IFRS 9 uses an expected credit loss ("ECL") model on financial assets measured at amortized cost and financial liabilities that are financial guarantee contracts or commitments to provide a loan at a below-market interest rate. The measurement options for the ECL are lifetime expected credit losses and 12-month expected credit losses. The ECL model is based on an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. As the REIT will follow the simplified approach of always measuring the loss allowance for trade receivables, contract assets and lease receivables at the lifetime ECL, IFRS 9 did not have a material impact on the REIT's note receivables and accounts receivables and other receivables balances.

The REIT does not have any instruments that are designated in a hedge relationship; therefore, the new general hedge accounting model included in IFRS 9 has not impacted the consolidated financial statements.

The REIT adopted IFRS 9 on the required effective date of January 1, 2018 and applied the standard on a retrospective basis using the available transitional provisions. Under this approach, the 2017 comparative period was not restated. There was no cumulative transitional adjustment to the opening retained earnings balance required.

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

In December 2016, the IASB issued IFRIC 22 - *Foreign Currency Transactions and Advance Consideration* ("IFRIC 22"). IFRIC 22 clarifies the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. This interpretation did not result in a material impact to the consolidated financial statements.

In December 2016, the IASB amended IAS 40 - *Investment Property* ("IAS 40"). The amendments clarify that an asset be transferred to, or from, investment property only when there is a change in use, and are effective for annual periods beginning on or after January 1, 2018. These amendments did not result in a material impact to the consolidated financial statements.

In December 2016, the IASB issued *Annual Improvements to IFRS Standards 2014-2016 Cycle* effective for annual periods beginning on or after January 1, 2018. These amendments did not result in a material impact to the consolidated financial statements.

### Future Changes in Accounting Standards

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.

## **CONTROLS AND PROCEDURES**

### **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

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

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

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") evaluated, or caused to be evaluated, the design of the REIT's internal controls over financial reporting (as defined in NI 52-109). Based on this evaluation, the CEO and CFO have concluded that, as at March 31, 2018, 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 three months ended March 31, 2018, 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 March 31, 2018, an evaluation was carried out, under the supervision of and with the participation of management, including the CEO and CFO, of the effectiveness of the REIT's disclosure controls and procedures (as defined in NI 52-109). Based on the evaluation, the CEO and CFO have concluded that the REIT's disclosure controls and procedures were effective for the three months ended March 31, 2018.