



# Management's Discussion and Analysis Q2-18

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# Management's Discussion and Analysis - Q2-18

(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 and six months ended June 30, 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 August 2, 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, debt financing, foreign currency, credit and tenant concentration, lease rollover, availability of cash flow, general uninsured losses, future property acquisitions and dispositions, environmental matters, tax related matters, changes in legislation and changes in the tax treatment of trusts, cyber security, new or (re)developments, unitholder liability, potential conflicts of interest, potential dilution and reliance on key personnel. 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

In addition to reported IFRS measures, the following non-GAAP measures are 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. Artis applies IFRS, which is the section of GAAP applicable to publicly accountable enterprises. 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 meaningful for investors as it is representative of how Artis manages its properties as well as certain operating and financial metrics. Artis does not independently control its unconsolidated joint ventures, and the presentation of pro-rata assets, liabilities, revenue and expenses may not accurately depict the legal and economic implications of the REIT's interest in its joint ventures. Income statement and balance sheet metrics, such as those identified below, are shown on both an IFRS and a Proportionate Share basis. 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 a reconciliation of net income to 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 a reconciliation of net income to this measure.

**FFO and AFFO Payout Ratios**

Artis calculates FFO and AFFO payout ratios by dividing the distributions per common unit by diluted FFO per unit and diluted AFFO per unit, respectively, over the same period. Management uses the FFO and AFFO payout ratios to measure the REIT's ability to pay distributions.

**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 a reconciliation of net income to this measure, on both an IFRS and Proportionate Share basis.

**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 used to measure its leverage. Refer to the Balance Sheet Metrics section of this MD&A for a 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 a 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 a calculation of this measure.

## TABLE OF CONTENTS

<b>OVERVIEW</b>	<b>4</b>
Primary Objective	4
Board Renewal and Corporate Governance	4
Second Quarter Overview	5
Portfolio Summary	6
<b>2018 - SECOND QUARTER HIGHLIGHTS</b>	<b>11</b>
Portfolio Activity	11
Financing Activities	12
Distributions	12
<b>SELECTED FINANCIAL INFORMATION</b>	<b>13</b>
<b>ANALYSIS OF OPERATING RESULTS</b>	<b>15</b>
Income Statement Metrics	17
Revenue and Property NOI	19
Same Property NOI Analysis	20
Property NOI by Asset Class	22
Property NOI by Geographical Region	24
Corporate Expenses	25
Interest Expense	25
Fair Value Gain (Loss) on Investment Properties	26
Foreign Currency Translation (Loss) Gain	26
Fair Value Gain on Derivative Instruments and Other Transactions	26
Income Tax	26
Other Comprehensive Income (Loss)	26
Funds from Operations and Adjusted Funds from Operations	27
Portfolio Occupancy	29
Portfolio Leasing Activity and Lease Expiries	29
<b>ANALYSIS OF FINANCIAL POSITION</b>	<b>38</b>
Balance Sheet Metrics	39
Assets	41
Liabilities	44
Unitholders' Equity	46
<b>LIQUIDITY AND CAPITAL RESOURCES</b>	<b>46</b>
Distributions	46
Capital Resources	46
Contractual Obligations	47
<b>SUMMARIZED QUARTERLY INFORMATION</b>	<b>48</b>
<b>OUTSTANDING UNIT DATA</b>	<b>50</b>
<b>OUTLOOK</b>	<b>50</b>
Subsequent Events	51
<b>RISKS AND UNCERTAINTIES</b>	<b>51</b>
Real Estate Ownership	51
Interest Rate and Debt Financing	51
Foreign Currency Risk	52
Credit Risk and Tenant Concentration	52
Lease Rollover Risk	53
Tax Risk	54
Cyber Security Risk	54
Development Risk	55
Other Risks	55
<b>CRITICAL ACCOUNTING ESTIMATES</b>	<b>55</b>
<b>CHANGES IN ACCOUNTING STANDARDS</b>	<b>55</b>
<b>CONTROLS AND PROCEDURES</b>	<b>57</b>
Internal Controls Over Financial Reporting	57
Disclosure Controls and Procedures	57

## 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 August 2, 2018, there were 153,820,601 common units, 15,650,000 preferred units, 505,537 restricted units and 73,949 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

In 2017, the Board elected to conduct a comprehensive strategic review of its corporate governance practices and executive compensation to better align the REIT with industry best practices. As part of this review, our Governance and Compensation Committee conducted a widespread unitholder outreach campaign that focused on engaging in open and active dialogue with unitholders to elicit input and feedback. As a result, on November 22, 2017, the Governance and Compensation Committee recommended to the Board (and the Board approved) numerous new policies and initiatives which are further described in the Governance and Compensation Policies and Initiatives document which was filed with applicable Canadian securities regulatory authorities and is available on SEDAR at [www.sedar.com](http://www.sedar.com).

As part of this review, a diversity policy was adopted and a target was implemented which requires that, no later than the 2020 annual general meeting, at least 20% of the Trustees are female. With that in mind, the Board put forth two new female nominees at the Annual General Meeting held on June 14, 2018, who are highly qualified and bring a wealth of experience, knowledge and new objective perspectives to Artis' Board. These nominees were elected and, as such, Artis has achieved its target of 20% female representation on the Board.

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.

## SECOND QUARTER OVERVIEW

During the second quarter of 2018, we completed \$135,523 of property transactions, including the acquisition of two parcels of U.S. development land and the disposition of three Canadian office properties. These acquisitions include a parcel of office development land located in Madison, Wisconsin, which will be held for future development, and an 80% interest in an industrial development site located in the Greater Denver Area, Colorado, where preliminary site work is under way to construct a 420,000 square foot, two building, state-of-the-art industrial complex. The three office properties sold during the quarter are 630 - 4th Avenue SW and Eau Claire Place II, located in downtown Calgary, Alberta, and Production Court, located in the Greater Vancouver Area, British Columbia. 630 - 4th Avenue SW was recently vacated by a major tenant who occupied approximately 90% of the building. In light of the current office market conditions in Calgary, and the reasonable sale price achieved of \$9,000 representing \$132 per square foot, it was in the best interest of the REIT to divest this asset. Eau Claire Place II and Production Court were sold as a portfolio for \$20,500 and \$100,500, respectively, representing capitalization rates of 3.3% and 5.0%, respectively. The net IFRS gain on the sale of these three properties was \$11,119. Also during the quarter, we entered into an unconditional agreement to sell our 50% interest in Centrepont, an office property and adjacent parkade in Winnipeg, Manitoba, for \$27,235, representing a capitalization rate of 6.0%.

In addition to these property transactions, we made significant progress on our development pipeline. We commenced site work at four new industrial development projects (including the project noted above) located in Denver, Colorado and Houston, Texas, which are expected to total 1.4 million square feet (at Artis' interest) of leasable area upon completion. An unconditional long-term lease has been negotiated for approximately 519,000 square feet (at Artis' interest) and a conditional lease is near completion for approximately 36,000 square feet. Also noteworthy, site work preparation is progressing at 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 are 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.

Revenue and Property NOI decreased in Q2-18, primarily due to dispositions completed in 2017 and 2018 and a lower US dollar to Canadian dollar average exchange rate of 1.2912 in Q2-18 compared to 1.3448 in Q2-17, but was partially offset by the impact of acquisitions and (re)developments completed in 2017 and 2018. Despite the decrease in revenue and Property NOI, we are confident that our current development projects and our future development pipeline demonstrate a healthy future growth profile. The success of our completed development projects to date (summarized in the table below) demonstrates our ability to deliver positive growth for our unitholders while improving the overall quality and calibre of our real estate portfolio. We will continue to capitalize on our strategic partnerships, large network of relationships with key industry personnel, and our own extensively experienced leasing and asset management teams to transform potential growth into realized growth for our unitholders in a patient and diligent manner.

### Past Development Projects

Property	Location	Asset Class	Completion Year	Owned share of developed GLA (000's of S.F.)	Occupancy at June 30, 2018
North City Centre	Edmonton, AB	Office (densification)	2011	19	93.7%
Maple Grove Industrial Center	Twin Cities Area, MN	Industrial (densification)	2012	81	100.0%
6470 Metral Drive	Nanaimo, BC	Retail	2013	3	100.0%
Midtown Business Center	Twin Cities Area, MN	Industrial	2014	185	100.0%
Linden Ridge Shopping Centre	Winnipeg, MB	Retail (densification)	2014	87	100.0%
2190 McGillivray Boulevard	Winnipeg, MB	Retail (densification)	2011/2015	24	100.0%
Centrepont	Winnipeg, MB	Office	2015	52	100.0%
Park Lucero Phase I	Greater Phoenix Area, AZ	Industrial	2015	209	100.0%
Park Lucero Phase II	Greater Phoenix Area, AZ	Industrial	2017	119	100.0%
Park Lucero Phase III	Greater Phoenix Area, AZ	Industrial	2017	147	100.0%
175 Westcreek Boulevard	Greater Toronto Area, ON	Industrial	2017	130	100.0%

### Corporate Sustainability Progress

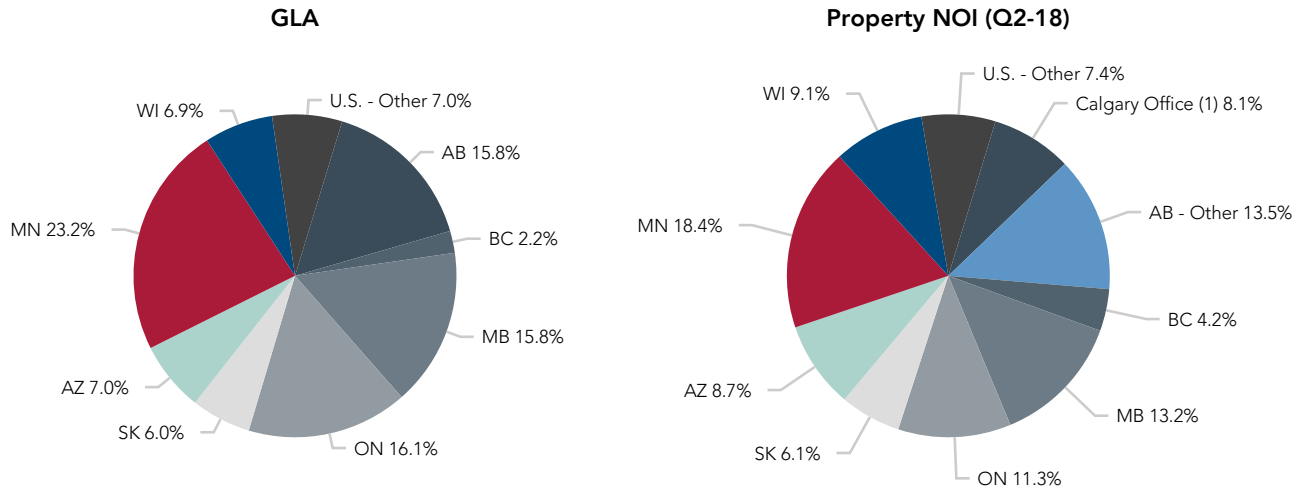
Corporate sustainability is a high priority for Artis. We are committed to improving the energy efficiency of our properties and reducing our environmental footprint. At June 30, 2018, we had 16 properties with a LEED certification, 18 properties with a Building Owners and Managers Association (BOMA) Building Environmental Standards (BEST) certification and 15 properties with an Energy Star certification.

For more information on Artis' comprehensive corporate sustainability program, including Artis' annual Corporate Sustainability Report, please visit [www.artisreit.com](http://www.artisreit.com).

**PORTFOLIO SUMMARY**

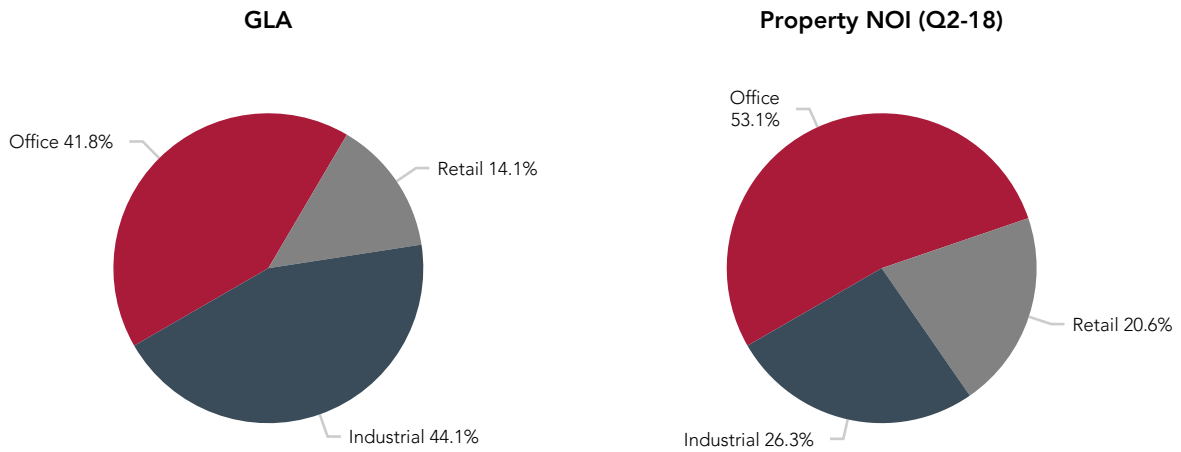
At June 30, 2018, the REIT's portfolio was comprised of 233 commercial properties (inclusive of properties held in joint venture arrangements) totalling approximately 24.5 million square feet ("S.F.") of gross leasable area ("GLA").

**Diversification by Geographical Region (Proportionate Share basis)**

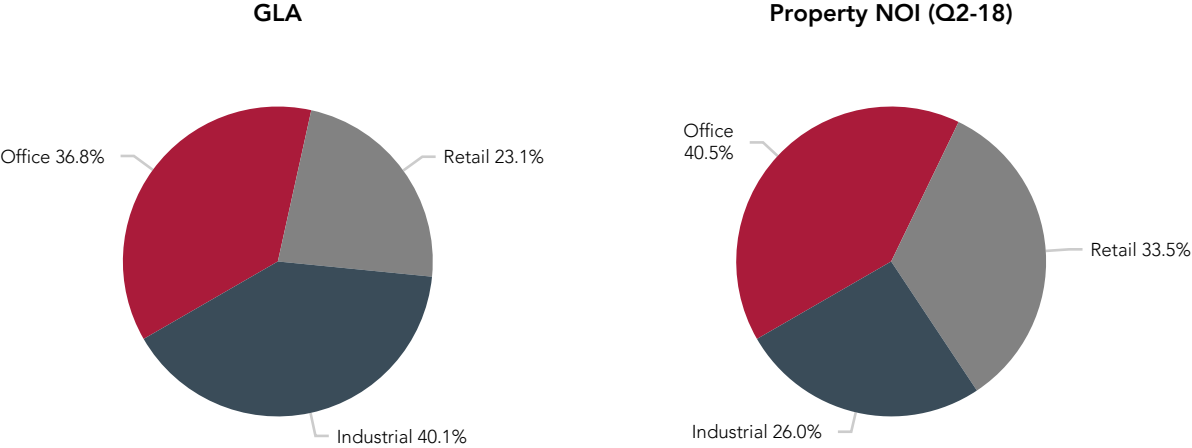


(1) Calgary office Property NOI was impacted by lease termination income received from a tenant in Q2-18. Calgary office Property NOI adjusted to exclude lease termination income is 7.3% for Q2-18.

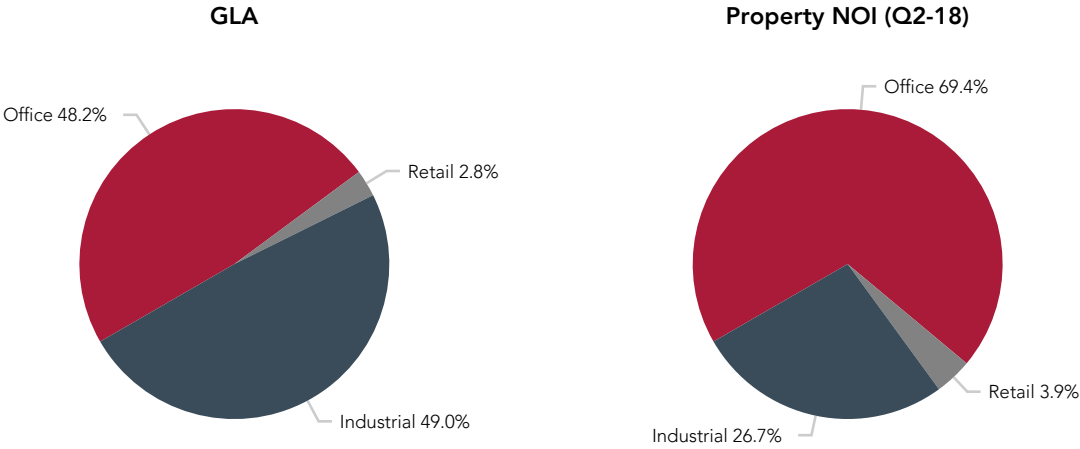
**Diversification by Asset Class - Total Canadian and U.S. Portfolio (Proportionate Share basis)**



Diversification by Asset Class - Canadian Portfolio (Proportionate Share basis)



Diversification by Asset Class - U.S. Portfolio (Proportionate Share basis)





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	12	1,742	7.1%	79.7%	82.7%
	Greater Edmonton Area	AB	1	48	0.2%	97.5%	97.5%
	Greater Toronto Area	ON	7	1,085	4.4%	82.0%	86.2%
	Greater Vancouver Area	BC	2	164	0.7%	100.0%	100%
	Nanaimo	BC	1	38	0.2%	100.0%	100.0%
	Ottawa	ON	2	287	1.2%	96.7%	96.7%
	Saskatoon	SK	1	64	0.3%	6.9%	70.8%
	Winnipeg	MB	10	1,517	6.2%	81.6%	89.4%
Office total			36	4,945	20.3%	81.8%	87.0%
Retail	Calgary	AB	5	345	1.4%	98.1%	100.0%
	Estevan	SK	2	175	0.7%	92.6%	92.6%
	Fort McMurray	AB	8	195	0.8%	97.1%	97.1%
	Grande Prairie	AB	5	365	1.5%	62.8%	67.8%
	Greater Edmonton Area	AB	5	440	1.8%	97.6%	99.6%
	Greater Vancouver Area	BC	1	165	0.7%	99.1%	99.6%
	Nanaimo	BC	3	74	0.3%	63.2%	94.7%
	Regina	SK	8	533	2.0%	92.9%	92.9%
	Saskatoon	SK	3	219	0.9%	98.4%	99.1%
	Winnipeg	MB	7	654	2.7%	96.8%	97.9%
Retail total			47	3,165	12.8%	91.7%	93.8%
Industrial	Calgary	AB	6	363	1.5%	85.0%	96.8%
	Greater Edmonton Area	AB	3	156	0.6%	100.0%	100.0%
	Greater Toronto Area	ON	29	2,578	10.5%	98.7%	99.1%
	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	143	0.6%	75.3%	100.0%
	Saskatoon	SK	5	327	1.3%	100.0%	100.0%
	Winnipeg	MB	28	1,692	6.9%	93.5%	97.1%
Industrial total			76	5,483	22.3%	95.5%	98.2%
Total Canadian portfolio			159	13,593	55.4%	89.6%	93.1%
U.S. portfolio:							
Office	Greater Denver Area	CO	4	917	3.7%	91.3%	91.3%
	Greater Phoenix Area	AZ	5	896	3.7%	92.2%	92.2%
	Madison	WI	16	1,695	6.9%	88.7%	88.7%
	New Hartford	NY	1	123	0.5%	100.0%	100.0%
	Twin Cities Area	MN	5	1,336	5.4%	94.4%	95.0%
Office total			31	4,967	20.2%	91.6%	91.8%
Retail	Twin Cities Area	MN	7	298	1.2%	91.8%	91.8%
Industrial	Greater Denver Area	CO	1	138	0.6%	100.0%	100.0%
	Greater Phoenix Area	AZ	6	813	3.3%	96.0%	96.0%
	Twin Cities Area	MN	25	3,952	16.1%	96.1%	96.4%
Industrial total			32	4,903	20.0%	96.2%	96.4%
Total U.S. portfolio			70	10,168	41.4%	93.8%	94.0%
Total Canadian and U.S. portfolio			229	23,761	96.8%	91.4%	93.5%

(1) Information is as at June 30, 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 June 30, 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	5.4%

(1) Percentage committed is based on occupancy at June 30, 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%	94.0%
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	53.0%	—%
Industrial	Houston	TX	1	519	—	Cedar Port Phase I	—%	100.0%
Industrial	Greater Denver Area	CO	1	336	—	Tower Business Center	—%	—%
Industrial	Houston	TX	1	36	—	Park 8Ninety build-to-suit	—%	100.0% <sup>(3)</sup>
Industrial	Houston	TX	1	543	—	Park 8Ninety Phase II	—%	—%
Residential/Commercial	Winnipeg	MB	1	580	—	300 Main	—%	—%
Retail	Winnipeg	MB	1	27	—	330 Main	—%	90.0%
Total new developments in process <sup>(4)</sup>			7	2,136				

(1) Information is at June 30, 2018, and includes properties held in joint venture arrangements.

(2) Percentage committed is based on occupancy at June 30, 2018, plus commitments on vacant space.

(3) A conditional long-term lease has been negotiated with a national tenant for this build-to-suit development.

(4) 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 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 1,774,000 square feet of new generation industrial real estate. 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. Site work began in Q2-18 for Park 8Ninety Phase II and a build-to-suit on the land. Park 8Ninety Phase II is expected to comprise approximately 572,000 square feet of leasable area, while the build-to-suit is expected to comprise 36,000 square feet of leasable area and is 100% conditionally leased to a national tenant pursuant to a long-term lease.

In Q1-18, Artis completed base-building 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.

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.

In Q1-18, Artis acquired Cedar Port, two parcels of land totalling 52.5 acres in Houston (Baytown), Texas, for the multi-phase development of approximately 1,000,000 square feet of industrial real estate. Site work is under way for Phase I of this project, which is anticipated to total approximately 519,000 square feet and is 100% leased for a 12.5-year term with annual rent escalations of 2.5%.

In Q2-18, Artis acquired an 80% interest in Tower Business Center (in the form of a joint venture arrangement), a two-building industrial development in the Greater Denver Area, Colorado. This site, totalling approximately 30 acres, is located in close proximity to I-10 and is part of a large industrial/retail community. Site work is under way for this development, which is expected to comprise two buildings totalling approximately 420,000 square feet of leasable area once completed.

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 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:***

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 375 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 approximately 600 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 - Future Development:

Asset class	City	Province / State	Estimated owned share of GLA (000's of S.F.)	Property
Industrial	Greater Houston Area	TX	520	Cedar Port
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	688	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
Office	Madison	WI	43	Aspen Land
Office	Madison	WI	244	Heartland Trail Land

## 2018 - SECOND QUARTER HIGHLIGHTS

## PORTFOLIO ACTIVITY

During Q2-18, Artis acquired two parcels of development land and sold three office properties.

	Office		Retail		Industrial		Total	
	Property count	S.F. (000's) <sup>(1)</sup>	Property count	S.F. (000's) <sup>(1)</sup>	Property count	S.F. (000's) <sup>(1)</sup>	Property count	S.F. (000's) <sup>(1)</sup>
Portfolio properties, March 31, 2018	73	10,767	54	3,463	109	10,804	236	25,034
Dispositions	(3)	(506)	—	—	—	—	(3)	(506)
Portfolio properties, June 30, 2018	70	10,261	54	3,463	109	10,804	233	24,528

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

## Acquisitions

During Q2-18, Artis purchased the following parcels of development land:

Property	Location	Acquisition date	Asset class	Purchase price
Tower Business Center <sup>(1)</sup>	Greater Denver Area, CO	April 20, 2018	Industrial	\$ US2,884
1630 Aspen	Madison, WI	May 31, 2018	Office	US1,394

(1) The REIT acquired an 80% interest in this joint venture arrangement.

For further discussion of the above development land, please refer to the Portfolio Summary section of this MD&A.

As at June 30, 2018, the Artis has an unconditional purchase agreement for an office development project located in the Twin Cities Area, Minnesota. The REIT will acquire each phase upon completion, for a total anticipated purchase price of US\$98,512. The first phase is expected to close in Q4-18.

## Dispositions

Property	Property count	Location	Disposition date	Asset class	Owned share of GLA	Sale price
630 - 4th Avenue SW	1	Calgary, AB	June 1, 2018	Office	68,069	\$ 9,000
Production Court & Eau Claire Place II	2	Greater Vancouver Area, BC & Calgary, AB	June 27, 2018	Office	437,457	121,000

During Q2-18, Artis entered into an unconditional sale agreement for Centrepoint, an office property held in one of its joint venture arrangements, located in Winnipeg, Manitoba. The sale price of this property at the REIT's interest is \$27,235. The REIT anticipates that the disposition will close in August 2018.

## **FINANCING ACTIVITIES**

### **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 June 30, 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**

On June 14, 2018, the REIT's revolving term credit facilities agreement was amended to extend the related maturity dates. The first tranche in the amount of \$300,000 now expires on December 14, 2021 and the second tranche in the amount of \$200,000 expires on April 29, 2023.

During Q2-18, Artis drew a net balance of \$23,222 on its unsecured revolving term credit facilities. Proceeds of the credit facilities were primarily used for repayment of maturing mortgages and for ongoing development expenditures.

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

During Q2-18, Artis repaid three maturing mortgages in the aggregate amount of \$9,337. Artis received upward financing on two mortgages in the amount of \$15,478 and received new mortgage financing on two properties, net of financing costs, in the aggregate amount of \$30,489. In Q2-18, Artis drew on development loans, net of financing costs, in the amount of \$828.

## **DISTRIBUTIONS**

Artis declared distributions of \$46,810 (YTD - \$93,682) to unitholders in Q2-18, which included distributions to preferred unitholders in the amount of \$5,283 (YTD - \$11,204).

## SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	Three months ended June 30,				Six months ended June 30,			
	2018	2017	Change	% Change	2018	2017	Change	% Change
Revenue	\$ 126,140	\$ 129,507	\$ (3,367)	(2.6)%	\$ 251,909	\$ 263,064	\$ (11,155)	(4.2)%
Property NOI	75,888	78,700	(2,812)	(3.6)%	150,853	158,978	(8,125)	(5.1)%
Net income	74,975	38,553	36,422	94.5 %	125,697	115,569	10,128	8.8 %
Total comprehensive income	103,235	8,519	94,716	1,111.8 %	188,467	75,399	113,068	150.0 %
Basic income per common unit	0.45	0.23	0.22	95.7 %	0.75	0.71	0.04	5.6 %
Diluted income per common unit	0.45	0.22	0.23	104.5 %	0.75	0.71	0.04	5.6 %
Distributions to common unitholders	\$ 41,527	\$ 40,658	\$ 869	2.1 %	\$ 82,478	\$ 81,314	\$ 1,164	1.4 %
Distributions per common unit	0.27	0.27	—	— %	0.54	0.54	—	— %
FFO <sup>(1)</sup>	\$ 48,807	\$ 54,442	\$ (5,635)	(10.4)%	\$ 91,154	\$ 109,295	\$ (18,141)	(16.6)%
FFO per unit <sup>(1)</sup>	0.32	0.36	(0.04)	(11.1)%	0.60	0.72	(0.12)	(16.7)%
FFO payout ratio <sup>(1)</sup>	84.4%	75.0%		9.4 %	90.0%	75.0%		15.0 %
Normalized FFO <sup>(1)(2)</sup>	\$ 48,807	\$ 54,442	\$ (5,635)	(10.4)%	\$ 99,571	\$ 109,295	\$ (9,724)	(8.9)%
Normalized FFO per unit <sup>(1)(2)</sup>	0.32	0.36	(0.04)	(11.1)%	0.65	0.72	(0.07)	(9.7)%
Normalized FFO payout ratio <sup>(1)(2)</sup>	84.4%	75.0%		9.4 %	83.1%	75.0%		8.1 %
AFFO <sup>(1)</sup>	\$ 36,304	\$ 40,134	\$ (3,830)	(9.5)%	\$ 65,884	\$ 80,884	\$ (15,000)	(18.5)%
AFFO per unit <sup>(1)</sup>	0.24	0.27	(0.03)	(11.1)%	0.43	0.54	(0.11)	(20.4)%
AFFO payout ratio <sup>(1)</sup>	112.5%	100.0%		12.5 %	125.6%	100.0%		25.6 %
Normalized AFFO <sup>(1)(2)</sup>	\$ 36,304	\$ 40,134	\$ (3,830)	(9.5)%	\$ 74,301	\$ 80,884	\$ (6,583)	(8.1)%
Normalized AFFO per unit <sup>(1)(2)</sup>	0.24	0.27	(0.03)	(11.1)%	0.49	0.54	(0.05)	(9.3)%
Normalized AFFO payout ratio <sup>(1)(2)</sup>	112.5%	100.0%		12.5 %	110.2%	100.0%		10.2 %

(1) Represents a non-GAAP measure. Refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

(2) 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, Property NOI, FFO and AFFO in Q2-18 were primarily impacted by dispositions completed in 2017 and 2018 and a lower US dollar to Canadian dollar average exchange rate of 1.2912 in Q2-18 compared to 1.3448 in Q2-17, partially offset by the impact of acquisitions and (re)developments completed in 2017 and 2018.

The largest contributor to the increase in net income in Q2-18 was the change in fair values on investments properties, partially offset by the impact of dispositions.

The increase in total comprehensive income in Q2-18 was primarily due to the impact of changes in foreign currency translations and fair values on investment properties.

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 section of this MD&A.

	Three months ended				Six months ended			
	2018	June 30, 2017	Change	% Change	2018	June 30, 2017	Change	% Change
Interest coverage ratio	2.84	3.14	(0.30)	(9.6)%	2.88	3.10	(0.22)	(7.1)%
Normalized interest coverage ratio <sup>(1)</sup>	2.84	3.14	(0.30)	(9.6)%	2.95	3.10	(0.15)	(4.8)%
EBITDA interest coverage ratio	3.17	3.48	(0.31)	(8.9)%	3.24	3.42	(0.18)	(5.3)%
Normalized EBITDA interest coverage ratio <sup>(1)</sup>	3.17	3.48	(0.31)	(8.9)%	3.31	3.42	(0.11)	(3.2)%

	June 30, 2018	March 31, 2018	December 31, 2017
000's, except per unit amounts			
Secured mortgages and loans to GBV	30.2%	30.2%	29.9%
Total long-term debt and credit facilities to GBV	47.9%	47.8%	47.9%
Total long-term debt and credit facilities to EBITDA	8.4	8.5	7.9
Total long-term debt and credit facilities to normalized EBITDA <sup>(2)</sup>	8.4	8.2	7.9
NAV per unit	\$ 15.39	\$ 15.03	\$ 14.86
Fair value of unencumbered properties	\$ 1,591,976	\$ 1,689,925	\$ 1,649,077
Total assets	\$ 5,528,722	\$ 5,427,394	\$ 5,215,896
Total non-current financial liabilities	2,158,444	1,791,677	1,695,705

The following non-GAAP metrics are prepared on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

	Three months ended				Six months ended			
	2018	June 30, 2017	Change	% Change	2018	June 30, 2017	Change	% Change
Interest coverage ratio	2.79	3.11	(0.32)	(10.3)%	2.84	3.07	(0.23)	(7.5)%
Normalized interest coverage ratio <sup>(1)</sup>	2.79	3.11	(0.32)	(10.3)%	2.90	3.07	(0.17)	(5.5)%
EBITDA interest coverage ratio	3.02	3.30	(0.28)	(8.5)%	3.07	3.25	(0.18)	(5.5)%
Normalized EBITDA interest coverage ratio <sup>(1)</sup>	3.02	3.30	(0.28)	(8.5)%	3.13	3.25	(0.12)	(3.7)%

	June 30, 2018	March 31, 2018	December 31, 2017
Secured mortgages and loans to GBV	31.7%	31.7%	31.9%
Total long-term debt and credit facilities to GBV	49.0%	48.9%	49.3%
Total long-term debt and credit facilities to EBITDA	8.8	8.9	8.4
Total long-term debt and credit facilities to normalized EBITDA <sup>(2)</sup>	8.8	8.5	8.4
Fair value of unencumbered properties	\$ 1,636,911	\$ 1,729,678	\$ 1,687,754
Total assets	\$ 5,658,520	\$ 5,553,071	\$ 5,382,008
Total non-current financial liabilities	2,210,991	1,866,408	1,807,853

(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.

(2) Normalized EBITDA excludes the non-recurring pension liability adjustment of \$3,392 included in corporate expenses in Q1-18.

## ANALYSIS OF OPERATING RESULTS

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

	Three months ended June 30,					
	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	\$ 126,140	\$ 4,791	\$ 130,931	\$ 129,507	\$ 6,710	\$ 136,217
Expenses:						
Property operating	30,301	1,308	31,609	29,737	2,009	31,746
Realty taxes	19,951	1,065	21,016	21,070	1,133	22,203
	50,252	2,373	52,625	50,807	3,142	53,949
Net operating income	75,888	2,418	78,306	78,700	3,568	82,268
Other income (expenses):						
Corporate expenses	(3,364)	—	(3,364)	(3,330)	—	(3,330)
Interest expense	(25,665)	(1,320)	(26,985)	(24,070)	(1,410)	(25,480)
Interest income	329	2	331	262	2	264
Net income from investments in joint ventures	475	(475)	—	1,528	(1,528)	—
Fair value gain (loss) on investment properties	24,505	(625)	23,880	(16,169)	(632)	(16,801)
Foreign currency translation (loss) gain	(519)	—	(519)	1,552	—	1,552
Transaction costs	(27)	—	(27)	—	—	—
Fair value gain on derivative instruments and other transactions	3,459	—	3,459	131	—	131
Income before income taxes	75,081	—	75,081	38,604	—	38,604
Income tax expense	(106)	—	(106)	(51)	—	(51)
Net income	74,975	—	74,975	38,553	—	38,553
Other comprehensive income (loss):						
Unrealized foreign currency translation gain (loss)	25,871	2,389	28,260	(26,329)	(3,743)	(30,072)
Unrealized foreign currency translation gain (loss) on joint ventures	2,389	(2,389)	—	(3,743)	3,743	—
Unrealized gain from remeasurements of net pension obligation	—	—	—	38	—	38
	28,260	—	28,260	(30,034)	—	(30,034)
Total comprehensive income	\$ 103,235	\$ —	\$ 103,235	\$ 8,519	\$ —	\$ 8,519

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



## Six months ended June 30,

	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	\$ 251,909	\$ 11,267	\$ 263,176	\$ 263,064	\$ 12,691	\$ 275,755
Expenses:						
Property operating	61,101	3,256	64,357	61,568	3,822	65,390
Realty taxes	39,955	2,256	42,211	42,518	2,177	44,695
	101,056	5,512	106,568	104,086	5,999	110,085
Net operating income	150,853	5,755	156,608	158,978	6,692	165,670
Other income (expenses):						
Corporate expenses	(9,665)	—	(9,665)	(7,112)	—	(7,112)
Interest expense	(49,279)	(2,860)	(52,139)	(49,152)	(2,711)	(51,863)
Interest income	914	4	918	541	3	544
Net income from investments in joint ventures	5,496	(5,496)	—	7,642	(7,642)	—
Fair value gain (loss) on investment properties	18,573	900	19,473	(2,698)	3,658	960
Foreign currency translation (loss) gain	(2,686)	—	(2,686)	6,419	—	6,419
Transaction costs	(5,703)	—	(5,703)	—	—	—
Fair value gain on derivative instruments and other transactions	17,413	1,697	19,110	610	—	610
Income before income taxes	125,916	—	125,916	115,228	—	115,228
Income tax (expense) recovery	(219)	—	(219)	341	—	341
Net income	125,697	—	125,697	115,569	—	115,569
Other comprehensive income (loss):						
Unrealized foreign currency translation gain (loss)	57,099	5,671	62,770	(35,347)	(4,815)	(40,162)
Unrealized foreign currency translation gain (loss) on joint ventures	5,671	(5,671)	—	(4,815)	4,815	—
Unrealized loss from remeasurements of net pension obligation	—	—	—	(8)	—	(8)
	62,770	—	62,770	(40,170)	—	(40,170)
Total comprehensive income	\$ 188,467	\$ —	\$ 188,467	\$ 75,399	\$ —	\$ 75,399

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

## INCOME STATEMENT METRICS

## Quarterly Interest Coverage Ratio

	IFRS		Proportionate Share	
	Three months ended June 30,		Three months ended June 30,	
	2018	2017	2018	2017
Property NOI	\$ 75,888	\$ 78,700	\$ 78,306	\$ 82,268
Interest income	329	262	331	264
Corporate expenses	(3,364)	(3,330)	(3,364)	(3,330)
	72,853	75,632	75,273	79,202
Interest expense	\$ 25,665	\$ 24,070	\$ 26,985	\$ 25,480
Interest coverage ratio	2.84	3.14	2.79	3.11
Normalized interest coverage ratio	2.84	3.14	2.79	3.11

## Quarterly EBITDA Interest Coverage Ratio

	IFRS		Proportionate Share	
	Three months ended June 30,		Three months ended June 30,	
	2018	2017	2018	2017
Net income	\$ 74,975	\$ 38,553	\$ 74,975	\$ 38,553
Add (deduct):				
Tenant inducements amortized to revenue	4,940	4,107	5,111	4,544
Straight-line rent adjustments	(1,486)	(1,632)	(1,719)	(1,871)
Interest expense	25,665	24,070	26,985	25,480
Adjustment for investments in joint ventures <sup>(1)</sup>	1,883	2,240	—	—
Fair value (gain) loss on investment properties	(24,505)	16,169	(23,880)	16,801
Foreign currency translation loss (gain)	519	(1,552)	519	(1,552)
Transaction costs	27	—	27	—
Fair value gain on derivative instruments and other transactions	(3,459)	(131)	(3,459)	(131)
Depreciation of property and equipment	273	224	273	224
Income tax expense	106	51	106	51
EBITDA	78,938	82,099	78,938	82,099
Interest expense	25,665	24,070	26,985	25,480
Add (deduct):				
Amortization of financing costs	(850)	(857)	(937)	(962)
Amortization of above- and below-market mortgages, net	34	293	34	293
Accretion on liability component of debentures	53	52	53	52
Adjusted interest expense	\$ 24,902	\$ 23,558	\$ 26,135	\$ 24,863
EBITDA interest coverage ratio	3.17	3.48	3.02	3.30
Normalized EBITDA	\$ 78,938	\$ 82,099	\$ 78,938	\$ 82,099
Normalized EBITDA interest coverage ratio	3.17	3.48	3.02	3.30

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

## Year-to-Date Interest Coverage Ratio

	IFRS		Proportionate Share	
	Six months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Property NOI	\$ 150,853	\$ 158,978	\$ 156,608	\$ 165,670
Interest income	914	541	918	544
Corporate expenses	(9,665)	(7,112)	(9,665)	(7,112)
	142,102	152,407	147,861	159,102
Interest expense	\$ 49,279	\$ 49,152	\$ 52,139	\$ 51,863
Interest coverage ratio	2.88	3.10	2.84	3.07
Normalized interest coverage ratio <sup>(1)</sup>	2.95	3.10	2.90	3.07

## Year-to-Date EBITDA Interest Coverage Ratio

	IFRS		Proportionate Share	
	Six months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Net income	\$ 125,697	\$ 115,569	\$ 125,697	\$ 115,569
Add (deduct):				
Tenant inducements amortized to revenue	9,738	8,319	10,212	9,159
Straight-line rent adjustments	(3,063)	(3,099)	(3,516)	(3,534)
Interest expense	49,279	49,152	52,139	51,863
Adjustment for investments in joint ventures <sup>(2)</sup>	284	(542)	—	—
Fair value (gain) loss on investment properties	(18,573)	2,698	(19,473)	(960)
Foreign currency translation loss (gain)	2,686	(6,419)	2,686	(6,419)
Transaction costs	5,703	—	5,703	—
Fair value gain on derivative instruments and other transactions	(17,413)	(610)	(19,110)	(610)
Depreciation of property and equipment	536	465	536	465
Income tax expense (recovery)	219	(341)	219	(341)
EBITDA	155,093	165,192	155,093	165,192
Interest expense	49,279	49,152	52,139	51,863
Add (deduct):				
Amortization of financing costs	(1,692)	(1,708)	(1,892)	(1,896)
Amortization of above- and below-market mortgages, net	214	616	214	616
Accretion on liability component of debentures	106	227	106	227
Adjusted interest expense	\$ 47,907	\$ 48,287	\$ 50,567	\$ 50,810
EBITDA interest coverage ratio	3.24	3.42	3.07	3.25
Normalized EBITDA <sup>(1)</sup>	\$ 158,485	\$ 165,192	\$ 158,485	\$ 165,192
Normalized EBITDA interest coverage ratio <sup>(1)</sup>	3.31	3.42	3.13	3.25

(1) This ratio excludes the non-recurring pension liability adjustment of \$3,392 included in corporate expenses in Q1-18.

(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

	Three months ended June 30,					
	2018			2017		
	IFRS	Adjustment <sup>(1)</sup>	Total Proportionate Share	IFRS	Adjustment <sup>(1)</sup>	Total Proportionate Share
Revenue:						
Rental income	\$ 128,734	\$ 4,729	\$ 133,463	\$ 131,968	\$ 6,893	\$ 138,861
Tenant inducements amortized to revenue	(4,940)	(171)	(5,111)	(4,107)	(437)	(4,544)
Straight-line rent adjustments	1,486	233	1,719	1,632	239	1,871
Lease termination income	860	—	860	14	15	29
	126,140	4,791	130,931	129,507	6,710	136,217
Property operating and realty tax expenses	50,252	2,373	52,625	50,807	3,142	53,949
Property NOI	\$ 75,888	\$ 2,418	\$ 78,306	\$ 78,700	\$ 3,568	\$ 82,268

	Six months ended June 30,					
	2018			2017		
	IFRS	Adjustment <sup>(1)</sup>	Total Proportionate Share	IFRS	Adjustment <sup>(1)</sup>	Total Proportionate Share
Revenue:						
Rental income	\$ 255,601	\$ 11,258	\$ 266,859	\$ 267,356	\$ 13,081	\$ 280,437
Tenant inducements amortized to revenue	(9,738)	(474)	(10,212)	(8,319)	(840)	(9,159)
Straight-line rent adjustments	3,063	453	3,516	3,099	435	3,534
Lease termination income	2,983	30	3,013	928	15	943
	251,909	11,267	263,176	263,064	12,691	275,755
Property operating and realty tax expenses	101,056	5,512	106,568	104,086	5,999	110,085
Property NOI	\$ 150,853	\$ 5,755	\$ 156,608	\$ 158,978	\$ 6,692	\$ 165,670

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

Rental income is revenue earned from tenants primarily related to lease agreements.

Tenant inducement costs are amortized over the term of the tenant's lease.

Rent steps are accounted for 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. In Q2-18, the below Same Property NOI comparison excludes Centrepoint, an office property in Winnipeg, Manitoba, which has an unconditional sale agreement.

	Three months ended				Six months ended			
	2018	June 30, 2017	Change	% Change	2018	June 30, 2017	Change	% Change
Property NOI	\$ 78,306	\$ 82,268			\$ 156,608	\$ 165,670		
Add (deduct) Property NOI from:								
Acquisitions	(3,081)	—			(4,640)	—		
Dispositions	(1,504)	(7,240)			(1,559)	(14,737)		
(Re)development properties	(704)	6			(1,809)	147		
Other <sup>(2)</sup>	(235)	(712)			(3,014)	(1,610)		
	(5,524)	(7,946)			(11,022)	(16,200)		
Straight-line rent adjustments	(1,333)	(1,756)			(2,754)	(3,441)		
Tenant inducements amortized to revenue	4,635	3,787			9,561	7,898		
<b>Same Property NOI</b>	<b>\$ 76,084</b>	<b>\$ 76,353</b>	<b>\$ (269)</b>	<b>(0.4)%</b>	<b>\$ 152,393</b>	<b>\$ 153,927</b>	<b>\$ (1,534)</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 section of this MD&A.

(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				Six months ended			
	2018	June 30, 2017	Change	% Change	2018	June 30, 2017	Change	% Change
Canada:								
Office	\$ 18,691	\$ 18,906	\$ (215)	(1.1)%	\$ 38,979	\$ 40,273	\$ (1,294)	(3.2)%
Retail	15,013	14,581	432	3.0 %	30,077	29,293	784	2.7 %
Industrial	11,436	11,167	269	2.4 %	22,470	22,281	189	0.8 %
<b>Total Canada</b>	<b>45,140</b>	<b>44,654</b>	<b>486</b>	<b>1.1 %</b>	<b>91,526</b>	<b>91,847</b>	<b>(321)</b>	<b>(0.3)%</b>
U.S.:								
Office	17,244	17,284	(40)	(0.2)%	34,342	34,193	149	0.4 %
Retail	1,152	1,120	32	2.9 %	2,309	2,109	200	9.5 %
Industrial	5,569	5,168	401	7.8 %	10,973	10,238	735	7.2 %
<b>Total U.S.</b>	<b>23,965</b>	<b>23,572</b>	<b>393</b>	<b>1.7 %</b>	<b>47,624</b>	<b>46,540</b>	<b>1,084</b>	<b>2.3 %</b>
<b>Total in functional currency</b>	<b>69,105</b>	<b>68,226</b>	<b>879</b>	<b>1.3 %</b>	<b>139,150</b>	<b>138,387</b>	<b>763</b>	<b>0.6 %</b>
Foreign exchange	6,979	8,127	(1,148)	(14.1)%	13,243	15,540	(2,297)	(14.8)%
<b>Total in Canadian dollars</b>	<b>\$ 76,084</b>	<b>\$ 76,353</b>	<b>\$ (269)</b>	<b>(0.4)%</b>	<b>\$ 152,393</b>	<b>\$ 153,927</b>	<b>\$ (1,534)</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 section of this MD&A.

In Q2-18, Artis' Canadian office segment decreased due to increased vacancy in two properties currently being re-purposed. Excluding the impact of the Calgary office properties, the Canadian office segment decreased \$602 (YTD - decreased \$972) or 4.8% (YTD - 3.7%) in Q2-18.

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

Geographical Region	As at June 30,		Asset Class	As at June 30,	
	2018	2017		2018	2017
Alberta	84.6%	87.4%	Office	88.0%	89.4%
British Columbia	94.7%	93.0%	Retail	88.3%	92.7%
Manitoba	89.9%	94.1%	Industrial	95.6%	95.2%
Ontario	93.8%	93.1%			
Saskatchewan	89.8%	92.5%			
Arizona	94.2%	96.8%			
Minnesota	95.0%	92.8%			
Wisconsin	88.7%	92.2%			
U.S. - Other	92.3%	92.6%			
<b>Total</b>	<b>91.1%</b>	<b>92.4%</b>	<b>Total</b>	<b>91.1%</b>	<b>92.4%</b>

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

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

	Three months ended				Six months ended			
	2018	June 30, 2017	Change	% Change	2018	June 30, 2017	Change	% Change
Alberta	\$ 17,557	\$ 17,084	\$ 473	2.8 %	\$ 35,085	\$ 35,346	\$ (261)	(0.7)%
British Columbia	2,436	2,283	153	6.7 %	6,050	5,601	449	8.0 %
Manitoba	10,719	10,936	(217)	(2.0)%	21,854	22,238	(384)	(1.7)%
Ontario	9,648	9,171	477	5.2 %	18,913	18,168	745	4.1 %
Saskatchewan	4,780	5,180	(400)	(7.7)%	9,624	10,494	(870)	(8.3)%
Arizona	4,607	4,853	(246)	(5.1)%	9,044	9,702	(658)	(6.8)%
Minnesota	10,917	10,367	550	5.3 %	21,650	20,506	1,144	5.6 %
Wisconsin	5,414	5,378	36	0.7 %	10,917	10,403	514	4.9 %
U.S. - Other	3,027	2,974	53	1.8 %	6,013	5,929	84	1.4 %
<b>Total Same Property NOI in functional currency</b>	<b>69,105</b>	<b>68,226</b>	<b>879</b>	<b>1.3 %</b>	<b>139,150</b>	<b>138,387</b>	<b>763</b>	<b>0.6 %</b>
<i>Less: properties planned for disposition</i>	<i>(1,152)</i>	<i>(1,120)</i>	<i>(32)</i>	<i>2.9 %</i>	<i>(2,687)</i>	<i>(2,384)</i>	<i>(303)</i>	<i>12.7 %</i>
<i>Less: properties planned for re-purposing</i>	<i>(1,422)</i>	<i>(2,897)</i>	<i>1,475</i>	<i>(50.9)%</i>	<i>(2,926)</i>	<i>(5,896)</i>	<i>2,970</i>	<i>(50.4)%</i>
<i>Less: Calgary office segment</i>	<i>(6,831)</i>	<i>(6,444)</i>	<i>(387)</i>	<i>6.0 %</i>	<i>(13,625)</i>	<i>(13,947)</i>	<i>322</i>	<i>(2.3)%</i>
<b>Stabilized Same Property NOI in functional currency</b>	<b>59,700</b>	<b>57,765</b>	<b>1,935</b>	<b>3.3 %</b>	<b>119,912</b>	<b>116,160</b>	<b>3,752</b>	<b>3.2 %</b>
<i>Foreign exchange</i>	<i>6,645</i>	<i>7,743</i>	<i>(1,098)</i>	<i>(14.2)%</i>	<i>12,603</i>	<i>14,837</i>	<i>(2,234)</i>	<i>(15.1)%</i>
<b>Stabilized Same Property NOI in Canadian dollars</b>	<b>\$ 66,345</b>	<b>\$ 65,508</b>	<b>\$ 837</b>	<b>1.3 %</b>	<b>\$ 132,515</b>	<b>\$ 130,997</b>	<b>\$ 1,518</b>	<b>1.2 %</b>

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

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. During Q2-18, the REIT entered into an unconditional sale agreement for Centrepoint, 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 Commercial 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. In Q2-18, the Calgary office segment increased quarter-over-quarter by \$387 or 6.0% primarily due to the commencement of a long-term lease in one of the Calgary office properties.

## PROPERTY NOI BY ASSET CLASS

### Canadian Portfolio:

In Q2-18, Proportionate Share Property NOI primarily decreased in the office segment due to dispositions in 2017 and 2018. Vacancy at 360 Main, an office property in Winnipeg, Manitoba undergoing significant improvements to accommodate two major tenants with long-term leases, also continues to impact the office segment.

	Three months ended June 30,					
	2018			2017		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	\$ 17,581	\$ 14,768	\$ 10,121	\$ 22,301	\$ 15,019	\$ 10,364
Property NOI from investments in joint ventures	282	—	1,353	419	—	1,312
Proportionate Share Property NOI	\$ 17,863	\$ 14,768	\$ 11,474	\$ 22,720	\$ 15,019	\$ 11,676
Share of Property NOI	40.5%	33.5%	26.0%	46.0%	30.4%	23.6%

### U.S. Portfolio:

In Q2-18, Proportionate Share Property NOI increased in the industrial segment in comparison to Q2-17 primarily due to the completion of the Park 8Ninety Phase I and Park Lucero Phase III developments, and increased occupancy at Park Lucero Phase I. Acquisitions in 2017, partially offset by dispositions in 2017, also contributed to the industrial segment increase. The U.S. portfolio has also been negatively impacted by the effect of foreign exchange.

	Three months ended June 30,					
	2018			2017		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	\$ 23,333	\$ 1,333	\$ 8,686	\$ 22,121	\$ 1,416	\$ 7,421
Property NOI from investments in joint ventures	350	—	433	1,702	—	135
Proportionate Share Property NOI	\$ 23,683	\$ 1,333	\$ 9,119	\$ 23,823	\$ 1,416	\$ 7,556
Share of Property NOI	69.4%	3.9%	26.7%	72.7%	4.3%	23.0%

## Total Canadian and U.S. Portfolio:

	Three months ended June 30,					
	2018			2017		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	\$ 40,914	\$ 16,101	\$ 18,807	\$ 44,422	\$ 16,435	\$ 17,785
Property NOI from investments in joint ventures	632	—	1,786	2,121	—	1,447
Proportionate Share Property NOI	\$ 41,546	\$ 16,101	\$ 20,593	\$ 46,543	\$ 16,435	\$ 19,232
Share of Property NOI	53.1%	20.6%	26.3%	56.6%	20.0%	23.4%

## Canadian Portfolio:

	Six months ended June 30,					
	2018			2017		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	\$ 37,009	\$ 29,686	\$ 20,191	\$ 46,623	\$ 31,129	\$ 20,387
Property NOI from investments in joint ventures	658	—	2,705	699	—	2,657
Proportionate Share Property NOI	\$ 37,667	\$ 29,686	\$ 22,896	\$ 47,322	\$ 31,129	\$ 23,044
Share of Property NOI	41.7%	32.9%	25.4%	46.6%	30.7%	22.7%

## U.S. Portfolio:

	Six months ended June 30,					
	2018			2017		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	\$ 43,997	\$ 2,669	\$ 17,176	\$ 43,538	\$ 2,667	\$ 14,503
Property NOI from investments in joint ventures	1,625	—	767	3,192	—	144
Proportionate Share Property NOI	\$ 45,622	\$ 2,669	\$ 17,943	\$ 46,730	\$ 2,667	\$ 14,647
Share of Property NOI	68.9%	4.0%	27.1%	73.0%	4.1%	22.9%

## Total Canadian and U.S. Portfolio:

	Six months ended June 30,					
	2018			2017		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	\$ 81,006	\$ 32,355	\$ 37,367	\$ 90,161	\$ 33,796	\$ 34,890
Property NOI from investments in joint ventures	2,283	—	3,472	3,891	—	2,801
Proportionate Share Property NOI	\$ 83,289	\$ 32,355	\$ 40,839	\$ 94,052	\$ 33,796	\$ 37,691
Share of Property NOI	53.2%	20.7%	26.1%	56.8%	20.4%	22.8%



## PROPERTY NOI BY GEOGRAPHICAL REGION

In Q2-18, Proportionate Share Property NOI decreased in Alberta due to dispositions in 2017 and 2018. Property NOI in U.S. - Other increased due an acquisition in 2017, completion of the Park 8Nintey Phase I development and the Q1-18 acquisition of the remaining 50% interest in two office properties located in the Greater Denver Area, Colorado. The U.S. region has also been negatively impacted by the effect of foreign exchange.

	Three months ended June 30, 2018									
	Canada					U.S.				
	AB	BC	MB	ON	SK	AZ	MN	WI	Other	
Property NOI	\$ 16,029	\$ 3,130	\$ 10,032	\$ 8,859	\$ 4,420	\$ 6,649	\$ 14,288	\$ 7,119	\$ 5,296	
Property NOI from investments in joint ventures	849	129	281	—	376	128	109	—	546	
Proportionate Share Property NOI	\$ 16,878	\$ 3,259	\$ 10,313	\$ 8,859	\$ 4,796	\$ 6,777	\$ 14,397	\$ 7,119	\$ 5,842	
Share of Property NOI	21.6%	4.2%	13.2%	11.3%	6.1%	8.7%	18.4%	9.1%	7.4%	
	Three months ended June 30, 2017									
	Canada					U.S.				
	AB	BC	MB	ON	SK	AZ	MN	WI	Other	
Property NOI	\$ 20,215	\$ 3,044	\$ 10,502	\$ 8,984	\$ 4,940	\$ 6,604	\$ 14,539	\$ 7,742	\$ 2,072	
Property NOI from investments in joint ventures	814	128	420	—	369	195	134	—	1,508	
Proportionate Share Property NOI	\$ 21,029	\$ 3,172	\$ 10,922	\$ 8,984	\$ 5,309	\$ 6,799	\$ 14,673	\$ 7,742	\$ 3,580	
Share of Property NOI	25.6%	3.9%	13.3%	10.9%	6.5%	8.3%	17.7%	9.4%	4.4%	
	Six months ended June 30, 2018									
	Canada					U.S.				
	AB	BC	MB	ON	SK	AZ	MN	WI	Other	
Property NOI	\$ 33,241	\$ 6,177	\$ 20,292	\$ 18,196	\$ 8,980	\$ 13,102	\$ 28,384	\$ 14,064	\$ 8,292	
Property NOI from investments in joint ventures	1,696	258	657	—	752	221	260	—	1,911	
Proportionate Share Property NOI	\$ 34,937	\$ 6,435	\$ 20,949	\$ 18,196	\$ 9,732	\$ 13,323	\$ 28,644	\$ 14,064	\$ 10,203	
Share of Property NOI	22.3%	4.1%	13.4%	11.6%	6.2%	8.5%	18.3%	9.0%	6.6%	
	Six months ended June 30, 2017									
	Canada					U.S.				
	AB	BC	MB	ON	SK	AZ	MN	WI	Other	
Property NOI	\$ 42,721	\$ 6,949	\$ 20,892	\$ 17,725	\$ 9,853	\$ 13,157	\$ 28,447	\$ 14,971	\$ 4,132	
Property NOI from investments in joint ventures	1,662	255	700	—	739	235	134	—	2,967	
Proportionate Share Property NOI	\$ 44,383	\$ 7,204	\$ 21,592	\$ 17,725	\$ 10,592	\$ 13,392	\$ 28,581	\$ 14,971	\$ 7,099	
Share of Property NOI	26.8%	4.4%	13.0%	10.7%	6.4%	8.1%	17.3%	9.0%	4.3%	

## CORPORATE EXPENSES

	Three months ended				Six months ended			
	2018	June 30, 2017	Change	% Change	2018	June 30, 2017	Change	% Change
Accounting, legal and consulting	\$ 932	\$ 794	\$ 138	17.4 %	\$ 1,347	\$ 1,404	\$ (57)	(4.1)%
Public company costs	411	298	113	37.9 %	949	802	147	18.3 %
Unit-based compensation	668	523	145	27.7 %	1,246	1,147	99	8.6 %
Salaries and benefits	712	884	(172)	(19.5)%	4,811	1,868	2,943	157.5 %
Depreciation of property and equipment	273	224	49	21.9 %	536	465	71	15.3 %
General and administrative	368	607	(239)	(39.4)%	776	1,426	(650)	(45.6)%
<b>Total corporate expenses</b>	<b>\$ 3,364</b>	<b>\$ 3,330</b>	<b>\$ 34</b>	<b>1.0 %</b>	<b>\$ 9,665</b>	<b>\$ 7,112</b>	<b>\$ 2,553</b>	<b>35.9 %</b>

Corporate expenses in Q2-18 were \$3,364 (YTD - \$9,665), or 2.7% (YTD - 3.8%) of total revenues compared to \$3,330 (YTD - \$7,112), or 2.6% (YTD - 2.7%) of total revenues in Q2-17. In Q1-18, Artis recorded a non-recurring pension liability adjustment of \$3,392 which is included in salaries and benefits.

## INTEREST EXPENSE

	Three months ended				Six months ended			
	2018	June 30, 2017	Change	% Change	2018	June 30, 2017	Change	% Change
Mortgages and other loans <sup>(1)</sup>	\$ 14,457	\$ 17,270	\$ (2,813)		\$ 28,177	\$ 35,238	\$ (7,061)	
Debentures <sup>(1)</sup>	3,343	1,885	1,458		6,111	4,500	1,611	
Credit facilities <sup>(1)</sup>	5,689	2,782	2,907		11,012	5,122	5,890	
Preferred shares <sup>(1)</sup>	34	34	—		67	68	(1)	
	23,523	21,971	1,552	7.1%	45,367	44,928	439	1.0%
Foreign exchange	2,142	2,099	43		3,912	4,224	(312)	
<b>Total interest expense</b>	<b>\$ 25,665</b>	<b>\$ 24,070</b>	<b>\$ 1,595</b>	<b>6.6%</b>	<b>\$ 49,279</b>	<b>\$ 49,152</b>	<b>\$ 127</b>	<b>0.3%</b>
Mortgages and other loans included in investments in joint ventures <sup>(1)</sup>	1,133	1,169	(36)		2,455	2,267	188	
Foreign exchange included in investments in joint ventures	187	241	(54)		405	444	(39)	
<b>Total Proportionate Share interest expense</b>	<b>\$ 26,985</b>	<b>\$ 25,480</b>	<b>\$ 1,505</b>	<b>5.9%</b>	<b>\$ 52,139</b>	<b>\$ 51,863</b>	<b>\$ 276</b>	<b>0.5%</b>

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

Interest expense on mortgages and other loans has decreased primarily due to the repayment of mortgages on maturity and on the disposition of investment properties in 2017 and 2018. Interest on debentures has increased from the issuance of the Series B senior unsecured debentures in Q1-18. Interest 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 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 June 30, 2018, on mortgages and other loans secured by properties, inclusive of properties held in joint venture arrangements, was 4.06%, 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 June 30, 2018, was 3.93%, compared to 3.79% at December 31, 2017.

**FAIR VALUE GAIN (LOSS) ON INVESTMENT PROPERTIES**

The changes in fair value of investment properties, period-over-period, are recognized as fair value gains and losses in the consolidated statement of operations. Fair values of the investment properties are determined through either the discounted cash flow method or the overall capitalization method. 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 Q2-18, the Proportionate Share fair value gain on investment properties was \$23,880 (YTD - gain of \$19,473), compared to a loss of \$16,801 (YTD - gain of \$960) in Q2-17. The fair value gain in Q2-18 was primarily due to higher expected market rents in the Ontario segment and a realized gain on the disposition of Production Court.

**FOREIGN CURRENCY TRANSLATION (LOSS) GAIN**

In Q2-18, 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 \$519 (YTD - loss of \$2,686), compared to a gain of \$1,552 (YTD - gain of \$6,419) in Q2-17.

**FAIR VALUE GAIN ON DERIVATIVE INSTRUMENTS AND OTHER 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 \$2,128 (YTD - gain of \$6,605) in Q2-18, compared to an unrealized gain of \$1,741 (YTD - gain of \$2,821) in Q2-17. 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 \$1,334 (YTD - gain of \$5,147) in Q2-18 on the fair value of outstanding foreign currency contracts, compared to an unrealized loss of \$1,610 (YTD - loss of \$3,256) in Q2-17.

**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 \$28,260 (YTD - gains of \$62,770) in Q2-18, compared to losses of \$30,072 (YTD - losses of \$40,162) in Q2-17. 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				Six months ended			
	2018	June 30, 2017	Change	% Change	2018	June 30, 2017	Change	% Change
Net income	\$ 74,975	\$ 38,553			\$ 125,697	\$ 115,569		
Add (deduct):								
Fair value (gain) loss on investment properties <sup>(1)</sup>	(23,880)	16,801			(19,473)	(960)		
Tenant inducements amortized to revenue <sup>(1)</sup>	5,111	4,544			10,212	9,159		
Transaction costs on acquisitions	27	—			678	—		
Foreign currency translation loss (gain)	519	(1,552)			2,686	(6,419)		
Fair value (gain) loss on derivative instruments and other transactions <sup>(1)</sup>	(3,459)	(131)			(19,110)	(610)		
Remeasurement component of unit-based compensation	(135)	(13)			(222)	105		
Distributions on preferred shares treated as interest expense	43	45			85	91		
Incremental leasing costs	889	792			1,805	1,587		
Preferred unit distributions	(5,283)	(4,597)			(11,204)	(9,227)		
<b>FFO</b>	<b>\$ 48,807</b>	<b>\$ 54,442</b>	<b>\$ (5,635)</b>	<b>(10.4)%</b>	<b>\$ 91,154</b>	<b>\$ 109,295</b>	<b>\$ (18,141)</b>	<b>(16.6)%</b>
Add (deduct):								
Amortization of recoverable capital expenditures <sup>(1)</sup>	\$ (2,274)	\$ (2,137)			\$ (4,444)	\$ (4,427)		
Non-recoverable property maintenance reserve <sup>(1)</sup>	(950)	(700)			(1,900)	(1,350)		
Leasing costs reserve <sup>(1)</sup>	(7,560)	(9,600)			(15,410)	(19,100)		
Straight-line rent adjustments <sup>(1)</sup>	(1,719)	(1,871)			(3,516)	(3,534)		
<b>AFFO</b>	<b>\$ 36,304</b>	<b>\$ 40,134</b>	<b>\$ (3,830)</b>	<b>(9.5)%</b>	<b>\$ 65,884</b>	<b>\$ 80,884</b>	<b>\$ (15,000)</b>	<b>(18.5)%</b>
FFO per unit:								
Basic	\$ 0.32	\$ 0.36	\$ (0.04)	(11.1)%	\$ 0.60	\$ 0.73	\$ (0.13)	(17.8)%
Diluted	0.32	0.36	(0.04)	(11.1)%	0.60	0.72	(0.12)	(16.7)%
AFFO per unit:								
Basic	\$ 0.24	\$ 0.27	\$ (0.03)	(11.1)%	\$ 0.43	\$ 0.54	\$ (0.11)	(20.4)%
Diluted	0.24	0.27	(0.03)	(11.1)%	0.43	0.54	(0.11)	(20.4)%

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

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				Six months ended			
	2018	June 30, 2017	Change	% Change	2018	June 30, 2017	Change	% Change
FFO per above	\$ 48,807	\$ 54,442			\$ 91,154	\$ 109,295		
Add (deduct):								
Pension liability adjustment <sup>(1)</sup>	—	—			3,392	—		
Property management termination fees <sup>(2)</sup>	—	—			5,025	—		
Normalized FFO	\$ 48,807	\$ 54,442	\$ (5,635)	(10.4)%	\$ 99,571	\$ 109,295	\$ (9,724)	(8.9)%
Normalized AFFO	\$ 36,304	\$ 40,134	\$ (3,830)	(9.5)%	\$ 74,301	\$ 80,884	\$ (6,583)	(8.1)%
Normalized FFO per unit:								
Basic	\$ 0.32	\$ 0.36	\$ (0.04)	(11.1)%	\$ 0.65	\$ 0.73	\$ (0.08)	(11.0)%
Diluted	0.32	0.36	(0.04)	(11.1)%	0.65	0.72	(0.07)	(9.7)%
Normalized AFFO per unit:								
Basic	\$ 0.24	\$ 0.27	\$ (0.03)	(11.1)%	\$ 0.49	\$ 0.54	\$ (0.05)	(9.3)%
Diluted	0.24	0.27	(0.03)	(11.1)%	0.49	0.54	(0.05)	(9.3)%

(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.

Normalized FFO and AFFO in Q2-18 were primarily impacted by dispositions completed in 2017 and 2018 and a lower US dollar to Canadian dollar average exchange rate of 1.2912 in Q2-18 compared to 1.3448 in Q2-17, partially offset by the impact of acquisitions and (re)developments completed in 2017 and 2018.

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 79.5% of this amortization (YTD - 80.4%) is recoverable from tenants in Q2-18, compared to 82.6% in Q2-17 (YTD - 82.7%). 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:

#### Diluted Common Units Reconciliations (in 000's)

	Three months ended		Six months ended	
	2018	June 30, 2017	2018	June 30, 2017
Basic units	153,798	150,581	152,653	150,563
Add:				
Restricted units	449	325	432	321
Deferred units	99	60	94	56
Diluted units	154,346	150,966	153,179	150,940

## PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at June 30, 2018, and the previous four periods, were as follows:

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

	Q2-18 % Committed <sup>(2)</sup>	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17
Office	89.4%	86.7%	84.9%	87.2%	88.5%	89.2%
Retail	93.6%	91.7%	91.9%	92.6%	96.1%	93.9%
Industrial	97.4%	95.8%	95.8%	95.6%	94.9%	92.5%
Total portfolio	93.5%	91.4%	90.6%	91.6%	92.4%	91.3%

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

	Q2-18 % Committed <sup>(2)</sup>	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17
Canada:						
Alberta	88.0%	84.6%	81.0%	82.1%	87.7%	86.2%
British Columbia	99.2%	94.7%	94.9%	94.8%	94.7%	93.3%
Manitoba	94.2%	89.4%	89.2%	92.0%	93.5%	93.8%
Ontario	95.4%	94.0%	94.6%	94.8%	94.7%	93.2%
Saskatchewan	95.1%	89.8%	90.2%	92.4%	92.8%	92.5%
U.S.:						
Arizona	94.0%	94.0%	91.3%	92.2%	93.1%	96.6%
Minnesota	95.8%	95.5%	95.1%	94.3%	92.8%	90.4%
Wisconsin	88.7%	88.7%	88.8%	92.3%	92.0%	92.2%
Other	93.2%	93.2%	91.9%	93.8%	92.4%	92.6%
Total portfolio	93.5%	91.4%	90.6%	91.6%	92.4%	91.3%

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

(2) Percentage committed is based on occupancy at June 30, 2018, plus commitments on vacant space.

## PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

### Renewal Summary <sup>(1)</sup>

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Leasable area renewed (in S.F.)	349,313	672,673	871,596	1,206,533
Increase in weighted-average rental rate	5.0%	0.8%	2.9%	3.5%

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

In Q2-18, 349,313 square feet was renewed at an increase in weighted-average rental rate of 5.0%, compared to 672,673 square feet renewed at an increase of 0.8% in Q2-17.

Excluding the impact of Calgary office segment lease renewals, Artis' increase in the weighted-average rental rate in Q2-18 was 5.0% (YTD - 3.2%).

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	1,049,330	65,260	494,888	1,239,588	1,101,046	1,273,217	3,748,694	8,972,023
Office - committed	265,571	—	227,854	132,568	152,531	25,548	136,229	940,301
<b>Total office</b>	<b>1,314,901</b>	<b>65,260</b>	<b>722,742</b>	<b>1,372,156</b>	<b>1,253,577</b>	<b>1,298,765</b>	<b>3,884,923</b>	<b>9,912,324</b>
Retail - uncommitted	220,554	15,956	168,189	262,143	413,562	423,098	1,659,323	3,162,825
Retail - committed	66,719	—	114,583	45,691	1,252	47,987	24,455	300,687
<b>Total retail</b>	<b>287,273</b>	<b>15,956</b>	<b>282,772</b>	<b>307,834</b>	<b>414,814</b>	<b>471,085</b>	<b>1,683,778</b>	<b>3,463,512</b>
Industrial - uncommitted	272,815	29,402	261,614	1,182,126	1,268,158	1,339,598	5,379,636	9,733,349
Industrial - committed	160,681	—	341,123	72,365	7,320	—	69,999	651,488
<b>Total industrial</b>	<b>433,496</b>	<b>29,402</b>	<b>602,737</b>	<b>1,254,491</b>	<b>1,275,478</b>	<b>1,339,598</b>	<b>5,449,635</b>	<b>10,384,837</b>
<b>Total - uncommitted</b>	<b>1,542,699</b>	<b>110,618</b>	<b>924,691</b>	<b>2,683,857</b>	<b>2,782,766</b>	<b>3,035,913</b>	<b>10,787,653</b>	<b>21,868,197</b>
<b>Total - committed</b>	<b>492,971</b>	<b>—</b>	<b>683,560</b>	<b>250,624</b>	<b>161,103</b>	<b>73,535</b>	<b>230,683</b>	<b>1,892,476</b>
<b>Total portfolio</b>	<b>2,035,670</b>	<b>110,618</b>	<b>1,608,251</b>	<b>2,934,481</b>	<b>2,943,869</b>	<b>3,109,448</b>	<b>11,018,336</b>	<b>23,760,673</b>

(1) Based on owned share of GLA 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 June 30, 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	\$ 17.67	\$ 15.53	\$ 16.08	\$ 18.02	\$ 17.08	\$ 16.90
Market rents	13.78	12.94	16.13	17.45	18.72	16.74
Change	(22.0)%	(16.7)%	0.3 %	(3.2)%	9.6%	(0.9)%
Revenue impact <sup>(2)</sup>	\$ (1,164)	\$ (1,931)	\$ 21	\$ (436)	\$ 2,871	\$ (639)
Retail:						
In-place rents	\$ 23.49	\$ 25.45	\$ 23.52	\$ 24.08	\$ 20.69	\$ 22.22
Market rents	23.57	24.50	23.40	25.02	21.26	22.56
Change	0.3 %	(3.7)%	(0.5)%	4.0 %	2.8%	1.5 %
Revenue impact <sup>(2)</sup>	\$ 23	\$ (281)	\$ (39)	\$ 360	\$ 907	\$ 970
Industrial:						
In-place rents	\$ 6.81	\$ 7.55	\$ 7.92	\$ 7.47	\$ 9.14	\$ 8.51
Market rents	6.94	7.55	7.68	7.54	9.14	8.48
Change	1.9 %	— %	(3.0)%	0.9 %	—%	(0.3)%
Revenue impact <sup>(2)</sup>	\$ 39	\$ 2	\$ (226)	\$ 39	\$ (19)	\$ (165)
Total Canadian portfolio:						
In-place rents	\$ 15.78	\$ 15.50	\$ 13.11	\$ 16.13	\$ 14.17	\$ 14.56
Market rents	14.53	13.93	12.97	16.10	14.75	14.57
Change	(7.9)%	(10.1)%	(1.1)%	(0.2)%	4.1%	0.1 %
Revenue impact <sup>(2)</sup>	\$ (1,102)	\$ (2,210)	\$ (244)	\$ (37)	\$ 3,759	\$ 166

## U.S. Portfolio:

	2018	2019	2020	2021	2022 & later	Total
Office:						
In-place rents	\$ 17.14	\$ 22.40	\$ 18.85	\$ 16.57	\$ 19.10	\$ 19.03
Market rents	16.70	23.57	18.96	16.77	19.64	19.44
Change	(2.6)%	5.2 %	0.6%	1.2 %	2.8%	2.2%
Revenue impact <sup>(2)</sup>	\$ (186)	\$ 730	\$ 87	\$ 104	\$ 1,152	\$ 1,887
Retail:						
In-place rents	\$ 22.12	\$ 19.88	\$ 12.97	\$ 17.15	\$ 13.00	\$ 14.80
Market rents	20.00	21.21	14.60	16.71	13.36	15.30
Change	(9.6)%	6.7 %	12.6%	(2.6)%	2.8%	3.4%
Revenue impact <sup>(2)</sup>	\$ (10)	\$ 18	\$ 136	\$ (38)	\$ 29	\$ 135
Industrial:						
In-place rents	\$ 4.86	\$ 5.49	\$ 6.19	\$ 5.38	\$ 5.79	\$ 5.63
Market rents	4.89	5.42	6.30	5.57	5.90	5.72
Change	0.6 %	(1.3)%	1.8%	3.5 %	1.9%	1.6%
Revenue impact <sup>(2)</sup>	\$ 9	\$ (61)	\$ 39	\$ 157	\$ 280	\$ 424
Total U.S. portfolio:						
In-place rents	\$ 12.10	\$ 12.57	\$ 14.84	\$ 10.25	\$ 12.13	\$ 12.27
Market rents	11.85	13.02	15.05	10.41	12.45	12.53
Change	(2.1)%	3.6 %	1.4%	1.6 %	2.6%	2.1%
Revenue impact <sup>(2)</sup>	\$ (187)	\$ 687	\$ 262	\$ 223	\$ 1,461	\$ 2,446

(1) Based on owned share of GLA 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	\$ 17.36	\$ 18.66	\$ 17.86	\$ 17.42	\$ 18.19	\$ 18.03
Market rents	15.49	17.79	17.95	17.17	19.22	18.18
Change	(10.8)%	(4.7)%	0.5 %	(1.4)%	5.7%	0.8%
Revenue impact <sup>(2)</sup>	\$ (1,350)	\$ (1,201)	\$ 108	\$ (332)	\$ 4,023	\$ 1,248
Retail:						
In-place rents	\$ 23.47	\$ 25.21	\$ 21.39	\$ 22.80	\$ 20.31	\$ 21.58
Market rents	23.51	24.36	21.62	23.48	20.86	21.93
Change	0.2 %	(3.4)%	1.1 %	3.0 %	2.7%	1.6%
Revenue impact <sup>(2)</sup>	\$ 13	\$ (263)	\$ 97	\$ 322	\$ 936	\$ 1,105
Industrial:						
In-place rents	\$ 5.84	\$ 6.10	\$ 7.44	\$ 6.19	\$ 7.69	\$ 7.14
Market rents	5.92	6.05	7.29	6.34	7.74	7.17
Change	1.4 %	(0.8)%	(2.0)%	2.4 %	0.7%	0.4%
Revenue impact <sup>(2)</sup>	\$ 48	\$ (59)	\$ (187)	\$ 196	\$ 261	\$ 259
Total Canadian and U.S. portfolio:						
In-place rents	\$ 14.11	\$ 13.98	\$ 13.84	\$ 13.40	\$ 13.32	\$ 13.55
Market rents	13.31	13.46	13.85	13.46	13.79	13.67
Change	(5.7)%	(3.7)%	0.1 %	0.4 %	3.5%	0.9%
Revenue impact <sup>(2)</sup>	\$ (1,289)	\$ (1,523)	\$ 18	\$ 186	\$ 5,220	\$ 2,612
Total Canadian and U.S. portfolio excluding Calgary office segment:						
In-place rents	\$ 13.17	\$ 13.43	\$ 13.83	\$ 12.79	\$ 13.20	\$ 13.27
Market rents	13.44	13.62	13.87	13.03	13.46	13.48
Change	2.1 %	1.4 %	0.3 %	1.9 %	2.0%	1.6%
Revenue impact <sup>(2)</sup>	\$ 409	\$ 531	\$ 94	\$ 660	\$ 2,653	\$ 4,347

(1) Based on owned share of GLA 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 June 30, 2018, were estimated to be 0.9% above in-place rents across the portfolio, compared to 0.6% at March 31, 2018. Today's market rents for the 2018 and 2019 lease expiries are estimated to be 5.7% and 3.7% below in-place rents, respectively. The office 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 2.1% and 1.4% 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	453,876	20,533	148,997	325,818	251,392	543,844	1,807,823	3,552,283
AB - committed	128,970	—	62,512	32,009	—	—	2,952	226,443
<b>Total Alberta</b>	<b>582,846</b>	<b>20,533</b>	<b>211,509</b>	<b>357,827</b>	<b>251,392</b>	<b>543,844</b>	<b>1,810,775</b>	<b>3,778,726</b>
BC - uncommitted	4,579	8,161	47,542	127,953	20,382	56,568	215,018	480,203
BC - committed	24,234	—	20,710	5,950	8,037	1,393	—	60,324
<b>Total British Columbia</b>	<b>28,813</b>	<b>8,161</b>	<b>68,252</b>	<b>133,903</b>	<b>28,419</b>	<b>57,961</b>	<b>215,018</b>	<b>540,527</b>
MB - uncommitted	223,720	19,476	157,808	338,913	493,694	575,905	1,588,445	3,397,961
MB - committed	186,550	—	90,690	57,854	106,775	—	24,213	466,082
<b>Total Manitoba</b>	<b>410,270</b>	<b>19,476</b>	<b>248,498</b>	<b>396,767</b>	<b>600,469</b>	<b>575,905</b>	<b>1,612,658</b>	<b>3,864,043</b>
ON - uncommitted	181,628	33,942	195,762	337,556	755,217	379,785	1,817,140	3,701,030
ON - committed	55,625	—	75,836	107,267	2,014	—	7,649	248,391
<b>Total Ontario</b>	<b>237,253</b>	<b>33,942</b>	<b>271,598</b>	<b>444,823</b>	<b>757,231</b>	<b>379,785</b>	<b>1,824,789</b>	<b>3,949,421</b>
SK - uncommitted	71,188	6,171	42,968	65,799	62,295	106,919	954,303	1,309,643
SK - committed	77,657	—	36,671	13,003	1,252	—	22,237	150,820
<b>Total Saskatchewan</b>	<b>148,845</b>	<b>6,171</b>	<b>79,639</b>	<b>78,802</b>	<b>63,547</b>	<b>106,919</b>	<b>976,540</b>	<b>1,460,463</b>
AZ - uncommitted	101,820	3,562	11,398	151,015	273,114	197,932	957,791	1,696,632
AZ - committed	—	—	11,883	—	—	—	—	11,883
<b>Total Arizona</b>	<b>101,820</b>	<b>3,562</b>	<b>23,281</b>	<b>151,015</b>	<b>273,114</b>	<b>197,932</b>	<b>957,791</b>	<b>1,708,515</b>
MN - uncommitted	233,634	4,685	108,014	859,378	595,379	1,042,148	2,331,050	5,174,288
MN - committed	19,935	—	240,712	2,634	37,547	46,594	63,862	411,284
<b>Total Minnesota</b>	<b>253,569</b>	<b>4,685</b>	<b>348,726</b>	<b>862,012</b>	<b>632,926</b>	<b>1,088,742</b>	<b>2,394,912</b>	<b>5,585,572</b>
WI - uncommitted	192,054	8,983	59,568	151,497	234,018	77,308	693,650	1,417,078
WI - committed	—	—	137,866	—	5,478	25,548	109,770	278,662
<b>Total Wisconsin</b>	<b>192,054</b>	<b>8,983</b>	<b>197,434</b>	<b>151,497</b>	<b>239,496</b>	<b>102,856</b>	<b>803,420</b>	<b>1,695,740</b>
U.S. - Other - uncommitted	80,200	5,105	152,634	325,928	97,275	55,504	422,433	1,139,079
U.S. - Other - committed	—	—	6,680	31,907	—	—	—	38,587
<b>Total U.S. - Other</b>	<b>80,200</b>	<b>5,105</b>	<b>159,314</b>	<b>357,835</b>	<b>97,275</b>	<b>55,504</b>	<b>422,433</b>	<b>1,177,666</b>
<b>Total - uncommitted</b>	<b>1,542,699</b>	<b>110,618</b>	<b>924,691</b>	<b>2,683,857</b>	<b>2,782,766</b>	<b>3,035,913</b>	<b>10,787,653</b>	<b>21,868,197</b>
<b>Total - committed</b>	<b>492,971</b>	<b>—</b>	<b>683,560</b>	<b>250,624</b>	<b>161,103</b>	<b>73,535</b>	<b>230,683</b>	<b>1,892,476</b>
<b>Total portfolio</b>	<b>2,035,670</b>	<b>110,618</b>	<b>1,608,251</b>	<b>2,934,481</b>	<b>2,943,869</b>	<b>3,109,448</b>	<b>11,018,336</b>	<b>23,760,673</b>

(1) Based on owned share of GLA 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	\$ 27.45	\$ 25.47	\$ 21.95	\$ 21.14	\$ 19.01	\$ 20.90
Market rents	19.65	19.07	21.06	21.07	20.66	20.52
Change	(28.4)%	(25.1)%	(4.1)%	(0.3)%	8.7 %	(1.9)%
Revenue impact <sup>(2)</sup>	\$ (1,649)	\$ (2,291)	\$ (227)	\$ (39)	\$ 2,984	\$ (1,222)
British Columbia:						
In-place rents	\$ 23.95	\$ 16.17	\$ 22.54	\$ 19.97	\$ 16.04	\$ 17.96
Market rents	24.19	16.91	23.35	19.52	17.11	18.65
Change	1.0 %	4.6 %	3.6 %	(2.2)%	6.7 %	3.8 %
Revenue impact <sup>(2)</sup>	\$ 17	\$ 99	\$ 23	\$ (26)	\$ 232	\$ 345
Manitoba:						
In-place rents	\$ 9.37	\$ 9.74	\$ 12.88	\$ 14.08	\$ 13.48	\$ 12.75
Market rents	9.90	9.97	12.93	13.22	13.50	12.68
Change	5.7 %	2.4 %	0.4 %	(6.1)%	0.1 %	(0.5)%
Revenue impact <sup>(2)</sup>	\$ 131	\$ 90	\$ 32	\$ (499)	\$ 22	\$ (224)
Ontario:						
In-place rents	\$ 9.60	\$ 11.23	\$ 9.23	\$ 9.91	\$ 9.99	\$ 9.95
Market rents	11.15	11.21	9.08	11.42	10.26	10.32
Change	16.1 %	(0.2)%	(1.6)%	15.2 %	2.7 %	3.7 %
Revenue impact <sup>(2)</sup>	\$ 420	\$ (9)	\$ (113)	\$ 571	\$ 508	\$ 1,377
Saskatchewan:						
In-place rents	\$ 18.85	\$ 22.11	\$ 22.41	\$ 21.61	\$ 13.70	\$ 15.60
Market rents	18.59	20.85	23.05	21.19	13.72	15.51
Change	(1.4)%	(5.7)%	2.9 %	(1.9)%	0.1 %	(0.6)%
Revenue impact <sup>(2)</sup>	\$ (21)	\$ (99)	\$ 41	\$ (44)	\$ 13	\$ (110)
Arizona:						
In-place rents	\$ 22.91	\$ 24.18	\$ 18.74	\$ 14.18	\$ 16.25	\$ 17.27
Market rents	23.69	26.41	20.16	15.62	16.72	18.19
Change	3.4 %	9.2 %	7.6 %	10.2 %	2.9 %	5.3 %
Revenue impact <sup>(2)</sup>	\$ 18	\$ 338	\$ 386	\$ 285	\$ 449	\$ 1,476
Minnesota:						
In-place rents	\$ 7.05	\$ 6.45	\$ 12.08	\$ 8.66	\$ 8.56	\$ 8.56
Market rents	7.13	6.25	11.73	8.56	8.50	8.44
Change	1.1 %	(3.1)%	(2.9)%	(1.2)%	(0.7)%	(1.4)%
Revenue impact <sup>(2)</sup>	\$ 29	\$ (174)	\$ (223)	\$ (107)	\$ (142)	\$ (617)
Wisconsin:						
In-place rents	\$ 15.58	\$ 15.62	\$ 15.06	\$ 15.20	\$ 14.54	\$ 14.92
Market rents	14.67	15.89	15.82	15.83	15.73	15.63
Change	(5.8)%	1.7 %	5.0 %	4.1 %	8.2 %	4.8 %
Revenue impact <sup>(2)</sup>	\$ (180)	\$ 41	\$ 183	\$ 64	\$ 957	\$ 1,065
U.S. - Other:						
In-place rents	\$ 17.29	\$ 21.13	\$ 21.30	\$ 18.36	\$ 18.44	\$ 19.41
Market rents	16.95	22.48	20.44	18.01	18.91	19.88
Change	(2.0)%	6.4 %	(4.0)%	(1.9)%	2.5 %	2.4 %
Revenue impact <sup>(2)</sup>	\$ (54)	\$ 482	\$ (84)	\$ (19)	\$ 197	\$ 522
Total portfolio:						
In-place rents	\$ 14.11	\$ 13.98	\$ 13.84	\$ 13.40	\$ 13.32	\$ 13.55
Market rents	13.31	13.46	13.85	13.46	13.79	13.67
Change	(5.7)%	(3.7)%	0.1 %	0.4 %	3.5 %	0.9 %
Revenue impact <sup>(2)</sup>	\$ (1,289)	\$ (1,523)	\$ 18	\$ 186	\$ 5,220	\$ 2,612

(1) Based on owned share of GLA 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.

## LARGEST SEGMENTS BY PROPERTY NOI

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the office, retail and industrial asset classes. At June 30, 2018, the five largest segments of the REIT's portfolio (by Proportionate Share Property NOI) were Madison office, Twin Cities Area office, Calgary office, Twin Cities Area industrial and Winnipeg office.

### Madison Office Segment

The Madison office segment represents 9.1% of the Q2-18 Proportionate Share Property NOI and 6.9% of the overall portfolio by GLA. At June 30, 2018, the Madison office segment of Artis' portfolio was 88.7% occupied, compared to 88.8% at March 31, 2018. During the remainder of 2018, 197,434 square feet comes up for renewal, which represents 0.8% of the total portfolio GLA; 69.8% was renewed or committed to new leases at June 30, 2018. Of the total Madison office GLA, 47.4% expires in 2022 or later.

### Twin Cities Area Office Segment

The Twin Cities Area office segment represents 8.6% of the Q2-18 Proportionate Share Property NOI and 5.4% of the overall portfolio by GLA. At June 30, 2018, the Twin Cities Area office segment of Artis' portfolio was 94.4% occupied, compared to 93.4% at March 31, 2018. During the remainder of 2018, 52,290 square feet comes up for renewal, which represents 0.2% of the total portfolio GLA; 32.6% was renewed or committed to new leases at June 30, 2018. Of the total Twin Cities Area office GLA, 44.4% expires in 2022 or later.

### Calgary Office Segment

The Calgary office segment represents 8.1% of the Q2-18 Proportionate Share Property NOI (7.3% excluding lease termination income in the quarter) and 7.1% of the overall portfolio by GLA (excluding properties held for redevelopment). 34.9% of the total Calgary office GLA is located downtown, 31.3% is beltline and 33.8% is suburban. Overall direct vacancy in the Calgary office market, as reported by CBRE, was 18.4% at June 30, 2018, compared to 17.6% at March 31, 2018. At June 30, 2018, the Calgary office segment of Artis' portfolio was 79.7% occupied (excluding properties held for redevelopment), compared to 72.5% at March 31, 2018. During the remainder of 2018, 116,101 square feet comes up for renewal, which represents 0.5% of the total portfolio GLA. Of Artis' Calgary office GLA, 42.3% expires in 2022 or later (excluding properties held for redevelopment). Artis' largest 10 Calgary office tenants by GLA lease over half of Artis' Calgary office space with a weighted-average lease term of 5.1 years. The average size of Artis' Calgary office tenants is approximately 9,900 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	233,859	12,991	22,112	80,015	6,123	32,355	154,613	542,068
Downtown - committed	6,923	—	—	—	—	—	—	6,923
<b>Total downtown</b>	<b>240,782</b>	<b>12,991</b>	<b>22,112</b>	<b>80,015</b>	<b>6,123</b>	<b>32,355</b>	<b>154,613</b>	<b>548,991</b>
Beltline - uncommitted	12,148	—	60,725	26,576	11,758	—	444,052	555,259
Beltline - committed	—	—	18,475	—	—	—	—	18,475
<b>Total beltline</b>	<b>12,148</b>	<b>—</b>	<b>79,200</b>	<b>26,576</b>	<b>11,758</b>	<b>—</b>	<b>444,052</b>	<b>573,734</b>
Suburban - uncommitted	55,293	5,509	12,567	34,835	29,656	296,702	137,063	571,625
Suburban - committed	45,416	—	2,222	—	—	—	734	48,372
<b>Total suburban</b>	<b>100,709</b>	<b>5,509</b>	<b>14,789</b>	<b>34,835</b>	<b>29,656</b>	<b>296,702</b>	<b>137,797</b>	<b>619,997</b>
<b>Total - uncommitted</b>	<b>301,300</b>	<b>18,500</b>	<b>95,404</b>	<b>141,426</b>	<b>47,537</b>	<b>329,057</b>	<b>735,728</b>	<b>1,668,952</b>
<b>Total - committed</b>	<b>52,339</b>	<b>—</b>	<b>20,697</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>734</b>	<b>73,770</b>
<b>Total Calgary office</b>	<b>353,639</b>	<b>18,500</b>	<b>116,101</b>	<b>141,426</b>	<b>47,537</b>	<b>329,057</b>	<b>736,462</b>	<b>1,742,722</b>

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

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

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

	Current vacancy	Monthly tenants <sup>(2)</sup>	2018	2019	2020	2021	2022 & later	Total
Other - uncommitted	748,030	46,760	399,484	1,098,162	1,053,509	944,160	3,012,966	7,303,071
Other - committed	213,232	—	207,157	132,568	152,531	25,548	135,495	866,531
<b>Total other office</b>	<b>961,262</b>	<b>46,760</b>	<b>606,641</b>	<b>1,230,730</b>	<b>1,206,040</b>	<b>969,708</b>	<b>3,148,461</b>	<b>8,169,602</b>

(1) Based on owned share of GLA 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
Downtown:						
In-place rents	\$ 22.56	\$ 26.78	\$ 15.73	\$ 19.69	\$ 20.00	\$ 21.91
Market rents	8.71	7.54	12.47	19.94	21.39	16.34
Change	(61.4)%	(71.8)%	(20.7)%	1.3 %	7.0%	(25.4)%
Revenue impact <sup>(2)</sup>	\$ (306)	\$ (1,539)	\$ (20)	\$ 8	\$ 215	\$ (1,642)
Beltline:						
In-place rents	\$ 28.89	\$ 28.35	\$ 18.50	\$ —	\$ 14.64	\$ 17.38
Market rents	12.09	13.66	10.00	—	19.67	18.11
Change	(58.2)%	(51.8)%	(45.9)%	— %	34.4%	4.2 %
Revenue impact <sup>(2)</sup>	\$ (1,330)	\$ (390)	\$ (100)	\$ —	\$ 2,231	\$ 411
Suburban:						
In-place rents	\$ 17.97	\$ 17.32	\$ 12.60	\$ 18.42	\$ 10.23	\$ 15.80
Market rents	13.79	13.74	14.08	16.79	11.11	14.82
Change	(23.3)%	(20.7)%	11.7 %	(8.8)%	8.6%	(6.2)%
Revenue impact <sup>(2)</sup>	\$ (62)	\$ (125)	\$ 44	\$ (482)	\$ 121	\$ (504)
Total Calgary Office:						
In-place rents	\$ 26.29	\$ 24.74	\$ 14.46	\$ 18.54	\$ 14.94	\$ 17.76
Market rents	11.66	10.22	12.86	17.10	18.43	16.50
Change	(55.6)%	(58.7)%	(11.1)%	(7.8)%	23.4%	(7.1)%
Revenue impact <sup>(2)</sup>	\$ (1,698)	\$ (2,054)	\$ (76)	\$ (474)	\$ 2,567	\$ (1,735)

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

	2018	2019	2020	2021	2022 & later	Total
Other office:						
In-place rents	\$ 15.65	\$ 17.97	\$ 18.00	\$ 17.04	\$ 18.95	\$ 18.08
Market rents	16.22	18.66	18.15	17.19	19.41	18.50
Change	3.6%	3.8%	0.8%	0.9%	2.4%	2.3%
Revenue impact <sup>(2)</sup>	\$ 348	\$ 853	\$ 184	\$ 142	\$ 1,456	\$ 2,983

(1) Based on owned share of GLA 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.

**Twin Cities Area Industrial Segment**

The Twin Cities Area industrial segment represents 8.1% of the Q2-18 Proportionate Share Property NOI and 16.1% of the overall portfolio by GLA. Direct vacancy in the Twin Cities Area industrial market, as reported by CBRE, was 4.6% at June 30, 2018, compared to 4.5% at March 31, 2018. The average asking market lease rate was \$5.92 per square foot at June 30, 2018, compared to \$5.75 per square foot at March 31, 2018. Occupancy in this segment of the portfolio was 96.1% at June 30, 2018, compared to 95.9% reported at March 31, 2018. During the remainder of 2018, 291,972 square feet comes up for renewal, which represents 1.2% of the total portfolio GLA; 75.1% was renewed or committed to new leases at June 30, 2018. Of Artis' total Twin Cities Area industrial GLA, 43.5% expires in 2022 or later.

**Winnipeg Office Segment**

The Winnipeg office segment represents 6.3% of the Q2-18 Proportionate Share Property NOI and 6.2% of the overall portfolio by GLA. Overall direct vacancy in the Winnipeg office market, as reported by Colliers International, was 8.6% at June 30, 2018, compared to 8.5% at March 31, 2018. At June 30, 2018, the Winnipeg office segment of Artis' portfolio was 81.6% occupied, compared to 80.6% at March 31, 2018. During the remainder of 2018, 54,434 square feet comes up for renewal, which represents 0.2% of the total portfolio GLA; 19.3% had been renewed or committed to new leases at June 30, 2018. Of Artis' Winnipeg office GLA, 36.1% 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.

	June 30, 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	\$ 4,944,051	\$ 257,751	\$ 5,201,802	\$ 4,720,362	\$ 332,359	\$ 5,052,721
Investment properties under development	84,916	4,337	89,253	79,701	—	79,701
Investments in joint ventures	162,267	(162,267)	—	200,383	(200,383)	—
Property and equipment	6,868	—	6,868	7,005	—	7,005
Notes receivable	14,121	—	14,121	12,982	—	12,982
	5,212,223	99,821	5,312,044	5,020,433	131,976	5,152,409
Current assets:						
Investment properties held for sale	90,779	26,139	116,918	110,188	26,187	136,375
Deposits on investment properties	4,938	—	4,938	5,081	—	5,081
Prepaid expenses and other assets	23,898	204	24,102	17,134	282	17,416
Notes receivable	3,693	—	3,693	2,322	—	2,322
Accounts receivable and other receivables	19,056	409	19,465	16,816	655	17,471
Cash held in trust	9,300	—	9,300	8,090	—	8,090
Cash	164,835	3,225	168,060	35,832	7,012	42,844
	316,499	29,977	346,476	195,463	34,136	229,599
	\$ 5,528,722	\$ 129,798	\$ 5,658,520	\$ 5,215,896	\$ 166,112	\$ 5,382,008
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>						
Non-current liabilities:						
Mortgages and loans payable	\$ 1,374,638	\$ 52,547	\$ 1,427,185	\$ 1,190,525	\$ 112,148	\$ 1,302,673
Senior unsecured debentures	199,373	—	199,373	199,854	—	199,854
Credit facilities	577,326	—	577,326	298,922	—	298,922
Other long-term liabilities	7,107	—	7,107	6,404	—	6,404
	2,158,444	52,547	2,210,991	1,695,705	112,148	1,807,853
Current liabilities:						
Mortgages and loans payable	297,180	71,562	368,742	370,508	46,484	416,992
Senior unsecured debentures	199,911	—	199,911	—	—	—
Security deposits and prepaid rent	35,518	2,266	37,784	30,521	2,190	32,711
Accounts payable and other liabilities	68,994	3,423	72,417	75,570	5,290	80,860
Credit facilities	—	—	—	438,383	—	438,383
	601,603	77,251	678,854	914,982	53,964	968,946
	2,760,047	129,798	2,889,845	2,610,687	166,112	2,776,799
Unitholders' equity	2,768,675	—	2,768,675	2,605,209	—	2,605,209
	\$ 5,528,722	\$ 129,798	\$ 5,658,520	\$ 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.

**Secured Mortgages and Loans to GBV and Total Long-term Debt and Credit Facilities to GBV Ratios**

	IFRS		Proportionate Share	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
GBV	\$ 5,533,597	\$ 5,220,217	\$ 5,663,395	\$ 5,386,329
Secured mortgages and loans	1,671,818	1,561,033	1,795,927	1,719,665
Secured mortgages and loans to GBV	30.2%	29.9%	31.7%	31.9%
Preferred shares liability	\$ 631	\$ 601	\$ 631	\$ 601
Carrying value of debentures	399,284	199,854	399,284	199,854
Credit facilities	577,326	737,305	577,326	737,305
Total long-term debt and credit facilities	\$ 2,649,059	\$ 2,498,793	\$ 2,773,168	\$ 2,657,425
Total long-term debt and credit facilities to GBV	47.9%	47.9%	49.0%	49.3%

**Total Long-term Debt and Credit Facilities to EBITDA Ratios**

	IFRS		Proportionate Share	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Total long-term debt and credit facilities	\$ 2,649,059	\$ 2,498,793	\$ 2,773,168	\$ 2,657,425
EBITDA <sup>(1)</sup>	315,752	315,008	315,752	315,008
Total long-term debt and credit facilities to EBITDA	8.4	7.9	8.8	8.4
Normalized EBITDA	\$ 315,752	\$ 315,008	\$ 315,752	\$ 315,008
Total long-term debt and credit facilities to normalized EBITDA	8.4	7.9	8.8	8.4

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

**Unencumbered Assets to Unsecured Debt Ratios**

	IFRS		Proportionate Share	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Unencumbered assets	\$ 1,591,976	\$ 1,649,077	\$ 1,636,911	\$ 1,687,754
Senior unsecured debentures	399,284	199,854	399,284	199,854
Unsecured credit facilities	577,326	737,305	577,326	737,305
Total unsecured debt	\$ 976,610	\$ 937,159	\$ 976,610	\$ 937,159
Unencumbered assets to unsecured debt	1.6	1.8	1.7	1.8



**NAV per Unit**

000's, except unit and per unit amounts	June 30, 2018	December 31, 2017	Change
Unitholders' equity	\$ 2,768,675	\$ 2,605,209	\$ 163,466
Less value of preferred equity <sup>(1)</sup>	(391,250)	(360,338)	(30,912)
NAV attributable to common unitholders	\$ 2,377,425	\$ 2,244,871	\$ 132,554
Total number of dilutive units outstanding:			
Common units	153,816,404	150,599,666	3,216,738
Restricted units	515,488	394,040	121,448
Deferred units	98,607	81,635	16,972
	154,430,499	151,075,341	3,355,158
NAV per unit	\$ 15.39	\$ 14.86	\$ 0.53

(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**

The change in total investment properties is a result of the following:

	Per consolidated financial statements	Adjustment <sup>(1)</sup>	Total Proportionate Share
Balance, December 31, 2017	\$ 4,910,251	\$ 358,546	\$ 5,268,797
Additions:			
Acquisitions	99,656	—	99,656
Transfers from investments in joint ventures <sup>(2)</sup>	88,536	(88,536)	—
Capital expenditures:			
Investment properties	6,976	194	7,170
Investment properties under development	5,518	243	5,761
Capitalized interest	195	—	195
Leasing commissions	2,174	465	2,639
Dispositions	(25,007)	—	(25,007)
Foreign currency translation gain	54,950	5,468	60,418
Straight-line rent adjustments	1,577	220	1,797
Tenant inducement additions, net of amortization	7,094	243	7,337
Fair value (loss) gain	(5,932)	1,525	(4,407)
Balance, March 31, 2018	5,145,988	278,368	5,424,356
Additions:			
Acquisitions	1,799	3,724	5,523
Capital expenditures:			
Investment properties	9,061	1,158	10,219
Investment properties under development	9,722	369	10,091
Capitalized interest	310	—	310
Leasing commissions	3,029	482	3,511
Dispositions	(127,972)	—	(127,972)
Foreign currency translation gain	44,863	3,900	48,763
Straight-line rent adjustments	1,486	233	1,719
Tenant inducement additions, net of amortization	6,955	618	7,573
Fair value gain (loss)	24,505	(625)	23,880
Balance, June 30, 2018	\$ 5,119,746	\$ 288,227	\$ 5,407,973

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

(2) On March 7, 2018, the REIT increased its ownership interest in 1700 Broadway and Hudson's Bay Centre to 100%.

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

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	Six months ended			% Change
	2018	June 30, 2017	Change		2018	June 30, 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	5,523	—	5,523		16,788	—	16,788	
Bargain purchase gain	—	—	—		5,384	—	5,384	
Foreign currency translation gain	—	—	—		968	—	968	
<b>Total acquisitions</b>	<b>\$ 5,523</b>	<b>\$ —</b>	<b>\$ 5,523</b>	<b>—%</b>	<b>\$ 105,179</b>	<b>\$ —</b>	<b>\$ 105,179</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	Six months ended			% Change
	2018	June 30, 2017	Change		2018	June 30, 2017	Change	
New and (re)development expenditures	\$ 10,091	\$ 19,319	\$ (9,228)		\$ 15,852	\$ 48,183	\$ (32,331)	
Building improvements expenditures:								
Recoverable from tenants	1,612	1,424	188		2,601	3,361	(760)	
Non-recoverable	4,944	6,742	(1,798)		10,363	11,807	(1,444)	
Property maintenance expenditures:								
Recoverable from tenants	1,101	2,036	(935)		1,785	2,810	(1,025)	
Non-recoverable	2,562	1,402	1,160		2,640	1,577	1,063	
<b>Total capital expenditures</b>	<b>\$ 20,310</b>	<b>\$ 30,923</b>	<b>\$ (10,613)</b>	<b>(34.3)%</b>	<b>\$ 33,241</b>	<b>\$ 67,738</b>	<b>\$ (34,497)</b>	<b>(50.9)%</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	Six months ended			% Change
	2018	June 30, 2017	Change		2018	June 30, 2017	Change	
Investment property leasing costs:								
Tenant inducements	\$ 12,004	\$ 7,003	\$ 5,001		\$ 22,434	\$ 14,671	\$ 7,763	
Leasing commissions	2,758	3,247	(489)		4,847	6,333	(1,486)	
Investment property (re)development related leasing costs:								
Tenant inducements	680	8,087	(7,407)		2,688	11,688	(9,000)	
Leasing commissions	753	1,040	(287)		1,303	1,862	(559)	
<b>Total leasing costs</b>	<b>\$ 16,195</b>	<b>\$ 19,377</b>	<b>\$ (3,182)</b>	<b>(16.4)%</b>	<b>\$ 31,272</b>	<b>\$ 34,554</b>	<b>\$ (3,282)</b>	<b>(9.5)%</b>

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

In Q2-18, tenant inducements on investment properties paid to tenants with long-term leases included \$2,011 related to an Arizona office tenant and \$1,633 for a Calgary office tenant.

#### Dispositions:

During Q2-18, Artis sold three office properties in Canada, two of which were located in Calgary, Alberta, for an aggregate sale price of \$130,000. The aggregate sale proceeds, net of costs of \$2,028 and related debt of \$15,756, were \$112,216.

#### Investment properties held for sale:

At June 30, 2018, the REIT had one office property, held in a joint venture arrangement, and seven retail properties with an aggregate Proportionate Share fair value of \$116,918 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 Q2-18, the Proportionate Share foreign currency translation gain on investment properties was \$48,763 (YTD - \$109,181) due to the change in the period end US dollar to Canadian dollar exchange rate from 1.2894 at March 31, 2018, to 1.3168 at June 30, 2018.

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

In Q2-18, the REIT recorded a gain on the Proportionate Share fair value of investment properties of \$23,880 (YTD - gain of \$19,473), compared to a loss of \$16,801 (YTD - gain of \$960) in Q2-17. The fair value gain in Q2-18 was primarily due to higher expected market rents in the Ontario segment and a realized gain on the disposition of Production Court.

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.

	June 30, 2018			December 31, 2017		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
Canada	8.50%	4.75%	6.41%	8.50%	5.00%	6.35%
U.S.	8.25%	5.75%	6.77%	8.25%	5.50%	6.79%
Total office	8.50%	4.75%	6.58%	8.50%	5.00%	6.54%
Retail:						
Canada	8.75%	5.25%	6.35%	8.50%	5.25%	6.34%
U.S.	8.50%	5.75%	6.98%	8.50%	5.75%	6.85%
Total retail	8.75%	5.25%	6.39%	8.50%	5.25%	6.38%
Industrial:						
Canada	7.75%	4.25%	6.05%	7.75%	4.25%	6.26%
U.S.	8.00%	5.50%	6.51%	7.75%	5.50%	6.55%
Total industrial	8.00%	4.25%	6.22%	7.75%	4.25%	6.37%
Total:						
Canadian portfolio	8.75%	4.25%	6.30%	8.50%	4.25%	6.33%
U.S. portfolio	8.50%	5.50%	6.70%	8.50%	5.50%	6.73%
Total portfolio	8.75%	4.25%	6.44%	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 June 30, 2018 was \$11,897 (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 June 30, 2018 was \$17,814, compared to \$15,304 at December 31, 2017.

## Cash

At June 30, 2018, the REIT had \$164,835 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

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. The weighted-average term to maturity on all mortgages and loans payable, on a Proportionate Share basis, at June 30, 2018 was 3.4 years, compared to 3.6 years at December 31, 2017.

At June 30, 2018, Artis had mortgages and loans payable outstanding, as follows:

	IFRS		Proportionate Share	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Fixed rate mortgages	\$ 770,682	\$ 720,685	\$ 819,160	\$ 809,379
Variable rate mortgages:				
Hedged	465,956	456,956	465,956	456,956
Unhedged	440,494	385,058	516,505	455,739
Net above- and below-market mortgage adjustments	1,189	4,991	1,189	4,991
Financing costs	(6,503)	(6,657)	(6,883)	(7,400)
	\$ 1,671,818	\$ 1,561,033	\$ 1,795,927	\$ 1,719,665
% of unhedged variable rate mortgage debt of total debt, including credit facilities	16.6%	15.4%	18.6%	17.1%

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.

The change in total mortgages and loans payable is a result of the following:

	Per consolidated financial statements	Adjustment <sup>(1)</sup>	Total Proportionate Share
Balance, December 31, 2017	\$ 1,562,699	\$ 159,375	\$ 1,722,074
Add (deduct):			
Assumed fixed rate mortgages on acquisitions	80,454	(40,227)	40,227
New variable rate mortgage	20,376	—	20,376
Draws on variable rate construction loans	2,188	767	2,955
Repayment of maturing hedged mortgage	(21,542)	—	(21,542)
Repayment of variable mortgage related to sale of investment property	(10,926)	—	(10,926)
Principal repayments	(10,904)	(691)	(11,595)
Foreign currency translation loss	23,864	2,154	26,018
Balance, March 31, 2018	1,646,209	121,378	1,767,587
Add (deduct):			
Uplifts on fixed rate mortgage refinancings	15,478	—	15,478
New variable rate mortgages	30,989	—	30,989
Draws on variable rate construction loans	1,065	2,080	3,145
Repayment of maturing fixed rate mortgages	(9,337)	—	(9,337)
Repayment of fixed rate mortgage related to sale of investment property	(15,756)	—	(15,756)
Principal repayments	(11,344)	(444)	(11,788)
Foreign currency translation loss	19,828	1,475	21,303
Balance, June 30, 2018	\$ 1,677,132	\$ 124,489	\$ 1,801,621

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

During Q2-18, the REIT renewed one fixed rate mortgage at a variable rate in the amount of \$30,475, and renewed a maturing, hedged mortgage at a fixed rate in the amount of \$35,603.

### Senior Unsecured Debentures

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

	June 30, 2018				December 31, 2017			
	Issued	Maturity	Interest rate	Carrying value	Face value	Carrying value	Face value	
Series A	27-Mar-14 10-Sept-14	27-Mar-19	3.753%	\$ 199,911	\$ 200,000	\$ 199,854	\$ 200,000	
Series B	07-Feb-18	07-Feb-20	Three month CDOR <sup>(1)</sup> plus 1.07%	199,373	200,000	—	—	
				\$ 399,284	\$ 400,000	\$ 199,854	\$ 200,000	

(1) CDOR is defined as Canadian Dollar Offered Rate.

### 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 14, 2021. The second tranche of the credit facilities matures on April 29, 2023. The REIT can draw on the facilities in Canadian or US dollars. Amounts drawn on the facilities in Canadian dollars bear interest at the bankers' acceptance rate plus 1.70% or at prime plus 0.70%. Amounts drawn on the facilities in US dollars bear interest at LIBOR plus 1.70% or at the U.S. base rate plus 0.70%. At June 30, 2018, there was \$279,184 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 June 30, 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 \$15,749, which was paid subsequent to the end of the period.

### UNITHOLDERS' EQUITY

Unitholders' equity increased overall by \$163,466 between December 31, 2017 and June 30, 2018. This increase was primarily due to net income of \$125,697, the issuance of new units for \$165,386 and an unrealized foreign currency translation gain included in other comprehensive income of \$62,770. The increase was partially offset by distributions made to unitholders of \$93,682 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 June 30, 2018	Six months ended June 30, 2018	Year ended December 31, 2017	Year ended December 31, 2016
Cash flow from operations	\$ 43,611	\$ 96,085	\$ 214,005	\$ 251,820
Net income	74,975	125,697	234,435	115,935
Distributions declared	46,810	93,682	181,052	175,450
(Shortfall) excess of cash flow from operations over distributions declared	(3,199)	2,403	32,953	76,370
Excess (shortfall) of net income over distributions declared	28,165	32,015	53,383	(59,515)

Artis' primary objective is to provide stable, reliable and tax-efficient monthly cash distributions. The shortfall of cash flow from operations over distributions declared during Q2-18 was funded through financing activities, including upward financing received during the quarter on investment properties.

### CAPITAL RESOURCES

At June 30, 2018, Artis had \$164,835 of cash on hand. Management anticipates that the cash on hand will be invested in investment properties in subsequent periods, used for working capital purposes or for debt repayment.

The REIT has two unsecured revolving term credit facilities in the aggregate amount of \$500,000, which can be utilized for general corporate and working capital purposes, short term financing of investment property acquisitions and the issuance of letters of credit. At June 30, 2018, the REIT had \$279,184 drawn on these facilities.

At June 30, 2018, the REIT had 84 unencumbered properties and 10 unencumbered parcels of development land, inclusive of properties held in joint venture arrangements, representing a Proportionate Share fair value of \$1,636,911.

Artis is not in default or arrears on any of its obligations, including distributions to unitholders, interest or principal payments on debt or any debt covenants at June 30, 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	\$ 72,417	\$ 72,417	\$ —	\$ —	\$ —
Credit facilities	579,184	—	—	579,184	—
Senior unsecured debentures <sup>(2)</sup>	400,000	200,000	200,000	—	—
Mortgages and loans payable	1,801,621	300,979	804,365	430,023	266,254
<b>Total contractual obligations</b>	<b>\$ 2,853,222</b>	<b>\$ 573,396</b>	<b>\$ 1,004,365</b>	<b>\$ 1,009,207</b>	<b>\$ 266,254</b>

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	\$ 175,155	11.1%	\$ 23,493	\$ 198,648	3.86%
2019	318,433	20.3%	45,075	363,508	4.07%
2020	180,871	11.5%	37,568	218,439	3.83%
2021	362,976	23.1%	27,421	390,397	3.84%
2022	189,912	12.1%	21,243	211,155	3.54%
2023 & later	345,120	21.9%	74,354	419,474	3.88%
<b>Total</b>	<b>\$ 1,572,467</b>	<b>100.0%</b>	<b>\$ 229,154</b>	<b>\$ 1,801,621</b>	<b>3.86%</b>

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

(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	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16
Revenue	\$ 126,140	\$ 125,769	\$ 126,256	\$ 127,008	\$ 129,507	\$ 133,557	\$ 140,663	\$ 143,094
Expenses:								
Property operating	30,301	30,800	32,222	30,065	29,737	31,831	36,334	32,534
Realty taxes	19,951	20,004	19,092	19,639	21,070	21,448	21,249	21,887
	50,252	50,804	51,314	49,704	50,807	53,279	57,583	54,421
Net operating income	75,888	74,965	74,942	77,304	78,700	80,278	83,080	88,673
Other income (expenses):								
Corporate expenses	(3,364)	(6,301)	(3,332)	(3,334)	(3,330)	(3,782)	(3,234)	(2,929)
Interest expense	(25,665)	(23,614)	(23,462)	(23,882)	(24,070)	(25,082)	(26,340)	(27,329)
Interest income	329	585	307	300	262	279	286	296
Net income from interests in joint ventures	475	5,021	5,742	7,896	1,528	6,114	6,081	3,763
Fair value gain (loss) on investment properties	24,505	(5,932)	4,906	2,486	(16,169)	13,471	(97,291)	18,430
Foreign currency translation (loss) gain	(519)	(2,167)	(3,144)	(3,542)	1,552	4,867	(4,695)	206
Transaction costs	(27)	(5,676)	(543)	(567)	—	—	(9)	(195)
Fair value gain (loss) on financial derivatives and other transactions	3,459	13,954	(1,420)	8,231	131	479	12,513	(4,039)
Income (loss) before income taxes	75,081	50,835	53,996	64,892	38,604	76,624	(29,609)	76,876
Income tax (expense) recovery	(106)	(113)	67	(89)	(51)	392	(683)	—
Net income (loss)	74,975	50,722	54,063	64,803	38,553	77,016	(30,292)	76,876
Other comprehensive income (loss):								
Unrealized foreign currency translation gain (loss)	28,260	34,510	12,534	(44,755)	(30,072)	(10,090)	25,936	9,877
Unrealized (loss) gain from remeasurements of net pension obligation	—	—	(33)	(70)	38	(46)	(4)	(4)
	28,260	34,510	12,501	(44,825)	(30,034)	(10,136)	25,932	9,873
Total comprehensive income (loss)	\$ 103,235	\$ 85,232	\$ 66,564	\$ 19,978	\$ 8,519	\$ 66,880	\$ (4,360)	\$ 86,749
Net income (loss) per unit attributable to common unitholders:								
Basic	\$ 0.45	\$ 0.30	\$ 0.33	\$ 0.40	\$ 0.23	\$ 0.48	\$ (0.23)	\$ 0.48
Diluted	0.45	0.29	0.33	0.40	0.22	0.48	(0.23)	0.48
Secured mortgages and loans to GBV	30.2%	30.2%	29.9%	31.4%	36.9%	38.5%	39.1%	39.1%

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	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16 <sup>(1)</sup>	Q3-16 <sup>(1)</sup>
Net income (loss)	\$ 74,975	\$ 50,722	\$ 54,063	\$ 64,803	\$ 38,553	\$ 77,016	\$ (30,292)	\$ 76,876
Add (deduct):								
Adjustment for investments in joint ventures <sup>(2)</sup>	796	(2,919)	(3,245)	(5,426)	1,069	(3,887)	(3,707)	(1,417)
Fair value (gain) loss on investment properties	(24,505)	5,932	(4,906)	(2,486)	16,169	(13,471)	97,291	(18,430)
Tenant inducements amortized to revenue	4,940	4,798	4,415	4,292	4,107	4,212	4,143	4,102
Transaction costs on acquisitions	27	651	543	567	—	—	9	195
Foreign currency translation loss (gain)	519	2,167	3,144	3,542	(1,552)	(4,867)	4,695	(206)
Fair value (gain) loss on derivative instruments and other transactions	(3,459)	(13,954)	1,420	(8,231)	(131)	(479)	(12,513)	4,039
Remeasurement component of unit-based compensation	(135)	(87)	289	76	(13)	118	(3)	(294)
Distributions on preferred shares treated as interest expense	43	42	43	43	45	46	20	28
Incremental leasing costs	889	916	1,252	1,058	792	795	1,406	806
Preferred unit distributions	(5,283)	(5,921)	(4,643)	(4,548)	(4,597)	(4,630)	(4,641)	(4,611)
<b>FFO</b>	<b>\$ 48,807</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>
Add (deduct):								
Amortization of recoverable capital expenditures <sup>(3)</sup>	\$ (2,274)	\$ (2,170)	\$ (3,407)	\$ (2,196)	\$ (2,137)	\$ (2,290)	\$ (3,846)	\$ (2,331)
Non-recoverable property maintenance reserve <sup>(3)</sup>	(950)	(950)	(950)	(950)	(700)	(650)	(650)	(650)
Leasing costs reserve <sup>(3)</sup>	(7,560)	(7,850)	(8,100)	(10,000)	(9,600)	(9,500)	(9,500)	(9,500)
Straight-line rent adjustments <sup>(3)</sup>	(1,719)	(1,797)	(1,925)	(1,954)	(1,871)	(1,663)	(1,743)	(1,979)
<b>AFFO</b>	<b>\$ 36,304</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>
FFO per unit:								
Basic	\$ 0.32	\$ 0.28	\$ 0.35	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.38	\$ 0.41
Diluted	0.32	0.28	0.35	0.36	0.36	0.36	0.37	0.41
AFFO per unit:								
Basic	\$ 0.24	\$ 0.20	\$ 0.25	\$ 0.26	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.31
Diluted	0.24	0.19	0.25	0.26	0.27	0.27	0.27	0.31
Weighted-average number of common units outstanding for FFO:								
Basic	153,798	151,494	150,594	150,593	150,581	150,545	149,937	149,227
Diluted <sup>(4)</sup>	154,346	152,041	151,022	151,035	150,966	150,947	154,921	154,326

(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 section of this MD&A.

(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	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16 <sup>(1)</sup>	Q3-16 <sup>(1)</sup>
FFO per above	\$ 48,807	\$ 42,347	\$ 52,375	\$ 53,690	\$ 54,442	\$ 54,853	\$ 56,408	\$ 61,088
Add (deduct):								
Pension liability adjustment <sup>(2)</sup>	—	3,392	—	—	—	—	—	—
Property management termination fees <sup>(2)</sup>	—	5,025	—	—	—	—	—	—
Normalized FFO	\$ 48,807	\$ 50,764	\$ 52,375	\$ 53,690	\$ 54,442	\$ 54,853	\$ 56,408	\$ 61,088
Normalized AFFO	\$ 36,304	\$ 37,997	\$ 37,993	\$ 38,590	\$ 40,134	\$ 40,750	\$ 40,669	\$ 46,628
Normalized FFO per unit:								
Basic	\$ 0.32	\$ 0.34	\$ 0.35	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.38	\$ 0.41
Diluted	0.32	0.33	0.35	0.36	0.36	0.36	0.37	0.41
Normalized AFFO per unit:								
Basic	\$ 0.24	\$ 0.25	\$ 0.25	\$ 0.26	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.31
Diluted	0.24	0.25	0.25	0.26	0.27	0.27	0.27	0.31

(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 August 2, 2018, the balance of units outstanding is as follows:

Units outstanding at June 30, 2018	153,816,404
Units issued on redemption of restricted units	<u>4,197</u>
Units outstanding at August 2, 2018	<u>153,820,601</u>

As of August 2, 2018, 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 August 2, 2018 is 505,537, none of which have vested.

The balance of deferred units outstanding as of August 2, 2018 is 73,949. All of these deferred units have vested, none of which are redeemable.

## OUTLOOK

Scotiabank's Global Outlook dated July 3, 2018, predicts that real GDP growth in Canada will be 2.0% in 2018. The GDP growth forecast for British Columbia, Manitoba and Ontario in 2018 is 2.5%, 1.9% and 2.0%, respectively, which are healthy growth rates that are near or above the 2018 national forecast. After a year of GDP contraction in Saskatchewan and Alberta in 2016, these provinces produced GDP growth in 2017 of 2.9% and 4.9%, respectively, while Scotiabank is forecasting continued GDP growth of 1.6% and 2.4%, respectively, and declining unemployment rates in 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 2.8% in 2018. According to the United States Bureau of Labor Statistics, U.S. unemployment decreased nationally from 4.3% to 4.0% year-over-year in June. Most recently available unemployment rates in our U.S. target markets are generally near or below the national average. We continue to monitor this and other key economic indicators in our target U.S. markets on a continuous basis. Given the health of the U.S. economy, strength of the US dollar, positive GDP growth expectations and decline in unemployment rates, we anticipate that there is further growth potential to be realized during the remainder of 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 June 30, 2018, Artis had \$164,835 of cash on hand and \$220,816 available on its revolving term credit facilities. Subsequent to June 30, 2018, the following transactions took place:

- The REIT repaid a maturing mortgage on an office property in the amount of \$47,274.
- The REIT repaid an aggregate amount of \$48,000 on its revolving term credit facilities.
- The REIT declared a monthly cash distribution of \$0.09 per unit for the month of July 2018.
- The REIT declared a quarterly cash distribution of \$0.3125 per Series G Unit for the quarter ending July 31, 2018.
- The REIT declared a quarterly cash distribution of \$0.3750 per Series I Unit for the quarter ending July 31, 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 Proportionate Share 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 credit facilities, mortgages and debentures payable due to the expected requirement to refinance such debts in the year of maturity. The REIT minimizes the risk by restricting debt to 70% of gross book value and by carefully monitoring the amount of variable rate debt. At June 30, 2018, 46.0% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 27.8% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At June 30, 2018, the REIT is a party to \$1,485,634 of variable rate debt, including credit facilities (December 31, 2017, \$1,580,397). At June 30, 2018, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$765,956 of 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 June 30, 2018, the REIT's ratio of secured mortgages and loans to GBV was 30.2%, compared to 29.9% at December 31, 2017. The REIT's ratio of total long-term debt and credit facilities to GBV was 47.9%, compared to 47.9% at December 31, 2017. Approximately 11.1% of Artis' maturing mortgage debt comes up for renewal in 2018, and 20.3% 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 1,889 tenant leases with a weighted-average term to maturity of 4.3 years. Approximately 54.8% 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	1.4%	4.7
Graham Group Ltd.	1.7%	243	1.0%	16.1
AT&T	1.6%	257	1.1%	7.0
WorleyParsons Canada	1.5%	180	0.8%	3.2
Whiting Oil and Gas Corporation	1.3%	223	0.9%	1.3
Bell Canada	1.2%	115	0.5%	11.1
TDS Telecommunications Corporation	1.1%	195	0.8%	6.5
TransAlta Corp	1.1%	336	1.4%	4.9
Home Depot	1.0%	130	0.5%	3.0
Bellatrix Exploration Ltd.	1.0%	94	0.4%	5.6
Shoppers Drug Mart	1.0%	136	0.6%	7.1
Canada Institute for Health Info.	0.9%	92	0.4%	7.2
CB Richard Ellis, Inc.	0.9%	108	0.5%	8.5
Fairview Health Services	0.8%	179	0.8%	5.2
3M Canada Company	0.8%	319	1.3%	1.8
Cara Operations Limited	0.8%	100	0.4%	10.5
TD Canada Trust	0.8%	96	0.4%	2.1
Co-operators General Insurance	0.7%	93	0.4%	4.4
IHS Global Canada Unlimited	0.7%	59	0.2%	0.5
Telephone and Data Systems, Inc.	0.7%	132	0.6%	6.4
<b>Total</b>	<b>21.8%</b>	<b>3,409</b>	<b>14.4%</b>	<b>5.8</b>

(1) Based on owned share of GLA 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	1.9%	7.6
Provincial Government	1.8%	249	1.0%	2.4
Civic or Municipal Government	0.4%	91	0.4%	13.9
<b>Total</b>	<b>5.3%</b>	<b>780</b>	<b>3.3%</b>	<b>6.7</b>
Weighted-average term to maturity (entire portfolio)				4.3

(1) Based on owned share of GLA 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	0.9%	0.3%	1.0%	0.4%	1.1%	0.5%	0.1%	1.4%	0.8%	0.6%	6.6%	
2019	1.5%	0.5%	1.6%	0.4%	1.8%	0.6%	0.6%	3.5%	0.6%	1.5%	12.0%	
2020	1.0%	0.1%	2.4%	0.3%	3.1%	0.2%	1.1%	2.6%	1.0%	0.4%	12.0%	
2021	2.2%	0.2%	2.3%	0.4%	1.5%	1.3%	0.9%	4.5%	0.4%	0.3%	12.7%	
2022	1.0%	0.2%	1.0%	1.4%	2.4%	0.2%	0.7%	2.6%	0.3%	0.1%	9.7%	
2023	2.2%	0.1%	1.0%	0.5%	1.0%	1.5%	0.2%	1.7%	0.1%	0.4%	7.2%	
2024 & later	4.1%	0.7%	4.7%	2.0%	4.0%	1.3%	3.0%	5.4%	2.8%	1.2%	27.9%	
Month-to-month	0.1%	—%	0.1%	—%	0.2%	0.1%	—%	—%	0.1%	—%	0.5%	
Vacant	2.4%	0.1%	1.7%	0.6%	1.0%	1.4%	0.4%	1.0%	0.8%	0.3%	8.3%	
New development/ redevelopment	0.4%	—%	—%	—%	—%	0.4%	—%	0.5%	—%	2.2%	3.1%	
<b>Total</b>	<b>15.8%</b>	<b>2.2%</b>	<b>15.8%</b>	<b>6.0%</b>	<b>16.1%</b>	<b>7.5%</b>	<b>7.0%</b>	<b>23.2%</b>	<b>6.9%</b>	<b>7.0%</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 Proportionate Share Property NOI) are Madison office, Twin Cities Area office, Calgary 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 six months ended June 30, 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.

## DEVELOPMENT RISK

Artis is exposed to risks relating to completed developments not being leased or not leased at anticipated rates and the costs of development exceeding original estimates. At June 30, 2018, investment properties under development account for 1.7% of Artis' total investment properties (December 31, 2017, 1.7%).

## 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*. 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 June 30, 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 six months ended June 30, 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 June 30, 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 six months ended June 30, 2018.