



Management's Discussion and Analysis 2019 Annual

TSX: AX.UN AX.PR.A AX.PR.E AX.PR.I
OTCQX: ARESF

Management Discussion and Analysis - 2019 Annual

(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 audited annual consolidated financial statements for the years ended December 31, 2019 and 2018, 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 February 27, 2020. Additional information about Artis, including the REIT's most recent Annual Information Form, has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com or on our website at www.artisreit.com.

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, including the implementation of Artis' new initiatives, 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 the implementation of Artis' New Initiatives, real property ownership, debt financing, foreign currency, credit and tenant concentration, lease rollover, tax related matters, illiquidity, reliance on key personnel, future property transactions, general uninsured losses, cyber security, environmental matters, land and air rights leases, public market risk, availability of cash flow, fluctuations in cash distributions, potential dilution, unitholder liability, potential conflicts of interest, changes in legislation and development risk. 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. 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 and properties that are unconditionally sold. 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 2019. 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 2019. 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 as it adjusts FFO by excluding straight-line rent adjustments, as well as costs incurred relating to leasing activities and property capital expenditures. 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.

Net Asset Value ("NAV") per Unit

Artis calculates NAV per Unit as its unitholders' equity, adjusted for the outstanding face value 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.

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.

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, on a Proportionate Share basis. EBITDA Interest Coverage Ratio is calculated by dividing EBITDA by interest expense from operations (excluding amortization of financing costs, above- and below-market mortgage adjustments and accretion on debentures). Management considers this ratio to be a valuable measure of Artis' ability to service the interest requirements on its outstanding debt. Refer to the Debt 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, on a Proportionate Share basis. Management considers this ratio to be a valuable measure of Artis' ability to meet financial obligations. Refer to the Debt Metrics section of this MD&A for a calculation of this measure.

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OVERVIEW

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

Certain of the REIT's securities are listed on the Toronto Stock Exchange ("TSX"). The REIT's common units trade under the symbol AX.UN and the REIT's preferred units trade under the symbols AX.PR.A, AX.PR.E and AX.PR.I. The REIT's common units also trade in the United States ("U.S.") on the OTCQX Best Market ("OTCQX"), under the symbol ARESF. As at February 27, 2020, there were 137,975,121 common units, 12,221,200 preferred units, 744,453 restricted units and 482,221 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 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 \$0.54 per common 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 in consideration of 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 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.

UPDATE ON NEW INITIATIVES

In November 2018, we announced several new initiatives that are focused on improving our growth profile, strengthening our balance sheet and ensuring the REIT is best positioned for long-term and sustainable AFFO and NAV per unit growth. These initiatives included revising the REIT's distribution, immediately and continually purchasing units under the normal course issuer bid ("NCIB"), optimizing our portfolio by narrowing our focus to key assets in fewer markets, and pursuing high-yield, accretive development projects in our target markets that will improve the value and quality of our portfolio.

NCIB Activity and Preferred Unit Redemption

During 2019, we purchased 12,417,833 common units for a weighted-average price of \$11.15 and 278,100 preferred units for a weighted-average price of \$21.10 under our NCIB. From November 1, 2018, when we announced our intention to purchase units under our NCIB until December 31, 2019, we purchased 15,959,760 common units for a weighted-average price of \$10.84 and 290,300 preferred units for a weighted-average price of \$21.04. The total aggregate market prices of common units and preferred units purchased under the NCIB from November 1, 2018, to December 31, 2019, were \$173,008 and \$6,108, respectively. Artis purchased the maximum number of common units permitted under the December 16, 2018, normal course issuer bid. On December 17, 2019, Artis renewed its normal course issuer bid for a further year.

During 2019, we completed the redemption of the outstanding Series G preferred units with an aggregate face value of \$78,463.

Property Dispositions

In November 2018, we announced our intention to sell between \$800,000 to \$1,000,000 of non-core assets over the following three years. In accordance with these initiatives, at December 31, 2019, we have sold or entered into unconditional sale agreements for the following properties:

Property	Property count	Location	Disposition date	Asset class	Owned share of GLA	Annualized Property NOI ⁽¹⁾	Capitalization rate ⁽²⁾	Sale price	Fair value ⁽³⁾
Centrepoint ⁽⁴⁾	1	Winnipeg, MB	October 31, 2018	Office	51,723	\$1,479	6.00 %	\$ 27,250	\$ 26,106
169 Inverness Drive West I & II ⁽⁵⁾	1	Greater Denver Area, CO	April 9, 2019	Office	118,518	(146)	N/A	36,113	46,590
Reenders Square	1	Winnipeg, MB	May 21, 2019	Retail	65,713	1,258	6.00 %	20,550	18,315
Britannia Building	1	Calgary, AB	May 22, 2019	Office	133,897	(269)	N/A	10,650	10,101
Nanaimo Portfolio	4	Nanaimo, BC	June 17, 2019	Office / Retail	112,327	2,079	4.60 %	37,038	36,621
1700 Broadway	1	Greater Denver Area, CO	June 27, 2019	Office	394,151	8,867	N/A	104,325	111,196
GSA Professional Office Building	1	Greater Phoenix Area, AZ	July 26, 2019	Office	210,202	7,008	5.81 %	121,825	117,958
415 Yonge Street	1	Greater Toronto Area, ON	September 27, 2019	Office	192,036	4,600	3.71 %	124,000	94,801
Estevan Retail Portfolio	2	Estevan, SK	October 30, 2019	Retail	167,114	1,153	9.52 %	13,000	12,867
495 Richmond Road	1	Ottawa, ON	November 27, 2019	Office	106,195	2,509	6.28 %	39,000	37,143
Centre 70 Building	1	Calgary, AB	December 16, 2019	Office	134,293	2,467	N/A	23,500	25,124
Minnesota Retail Portfolio ⁽⁵⁾	6	Twin Cities Area, MN	December 19, 2019	Retail	298,232	4,487	10.75 %	45,870	52,035
Centre 15 Building (unconditional)	1	Calgary, AB	January 21, 2020	Office	76,021	1,349	7.50 %	14,000	13,991
Calgary Office Portfolio ⁽⁵⁾ (unconditional)	2	Calgary, AB	January 30, 2020	Office	497,635	6,727	8.75 %	77,826	78,872
800 5th Avenue (unconditional)	1	Calgary, AB	January 31, 2020	Office	258,445	2,418	8.00 %	26,000	25,854
1165 Kenaston Street (unconditional)	1	Ottawa, ON	February 2020	Office	180,689	638	N/A	22,500	22,437
	26				2,997,191	\$46,624		\$743,447	\$730,011

(1) Based on the annualized Property NOI reported for the quarter prior to disposition, except for properties where the sale has not yet closed. Property NOI for 415 Yonge Street is forward-looking and includes future lease commitments.

(2) Capitalization rates based on 12-month forward looking Property NOI, as of the date of closing.

(3) Based on the fair value reported at the quarter prior to disposition, except for properties where the sale has not yet closed.

(4) The REIT disposed of its 50% interest in Centrepoint, a property held under a joint venture arrangement.

(5) This disposition includes a parcel of development land.

At December 31, 2019, we had seven office properties, one retail property and one parcel of development land classified as held for sale, for a total fair value of \$221,915.

Disposition Activity Subsequent to December 31, 2019

In January 2020, we sold the Centre 15 Building, the Calgary Office Portfolio and 800 5th Avenue, office properties located in Calgary, Alberta for an aggregate sale price of \$117,826, which represents a weighted-average capitalization rate of 8.44%.

New Developments

During 2019, we completed five new industrial development projects located in key target markets in the U.S., adding 1,527,000 square feet to our portfolio. Additionally, we currently have three new development projects in process in Winnipeg, Manitoba, and the fourth phase of an industrial development project in process in the Greater Houston Area, Texas.

2019 OVERVIEW

At December 31, 2019, our portfolio occupancy (including commitments) was 93.4%, compared to 93.7% at December 31, 2018. During the year, we completed 1,607,341 square feet of lease renewal transactions. The weighted-average increase in renewal rents in 2019 compared to the expiring rents was 5.6%. Our leasing team continues to work diligently on our upcoming renewals and leasing program.

FFO per unit for the year ended December 31, 2019, increased 8.5% to \$1.41 (from \$1.30 for the year ended December 31, 2018), while AFFO per unit for the same period increased 8.2% to \$1.05 (from \$0.97 for the year ended December 31, 2018). We reported conservative FFO and AFFO payout ratios for the year ended December 31, 2019, of 38.3% and 51.4%, respectively. Same Property NOI year-over-year increased 3.8%, or 5.1% for stabilized properties. At December 31, 2019, NAV per unit was \$15.56 compared to \$15.55 at December 31, 2018.

In 2019, we completed construction of five industrial projects totalling approximately 1,640,000 square feet of leasable area (1,527,000 square feet of owned leasable area) in the Greater Houston Area, Texas, the Greater Denver Area, Colorado and the Greater Phoenix Area, Arizona. Three of these projects were 100% leased before completion.

Environmental, Social and Governance ("ESG") Practices

Environmental Practices

Corporate sustainability is a high priority for Artis. We are committed to improving the energy efficiency of our properties and reducing our environmental footprint. To assist with this initiative, in 2015 we hired Goby Inc. as a consultant and to track consumption at all of our properties to the extent that it is possible to do so. In addition, we are in our second year of participating in Global Real Estate Sustainability Benchmark ("GRESB"). At December 31, 2019, we had 17 properties with a Leadership in Energy and Environmental Design ("LEED") certification, 22 properties with a Building Owners and Managers Association ("BOMA") Building Environmental Standards ("BEST") certification and 18 properties with an Energy Star certification.

For more information on Artis' comprehensive corporate sustainability program, including Artis' Environmental, Social and Governance Report, please visit www.artisreit.com.

Social Practices

Artis demonstrates social responsibility through its relationships with employees, tenants and the communities in which we operate. Artis is committed to fostering a diverse, inclusive and safe work environment. Employees make meaningful contributions to local charities through fundraising activities and by volunteering their time. The REIT's social committee and health and wellness committee provide opportunities for social engagement and an array of valuable information on health and wellness. This focus on a positive culture in the workplace and strong community relationships fosters an environment that is conducive to an engaged and dedicated workforce.

Governance Practices

Artis' Board has conducted a comprehensive strategic review of our 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, the Board approved the following policies and initiatives:

- a diversity policy which requires that, no later than the 2020 annual general meeting, at least 20% of the Trustees are female, a target which was achieved at the 2018 Annual General Meeting and surpassed at the 2019 Annual General Meeting;
- a board renewal policy pursuant to which three out of eight Trustees are new to the Board over the last two years, resulting in a decrease in average tenure from 9 years to 8 years; and
- the submission to unitholders of a non-binding "say on pay" vote on an annual basis, which was implemented at Artis' 2019 annual general meeting, with respect to compensation practices for the 2018 year.

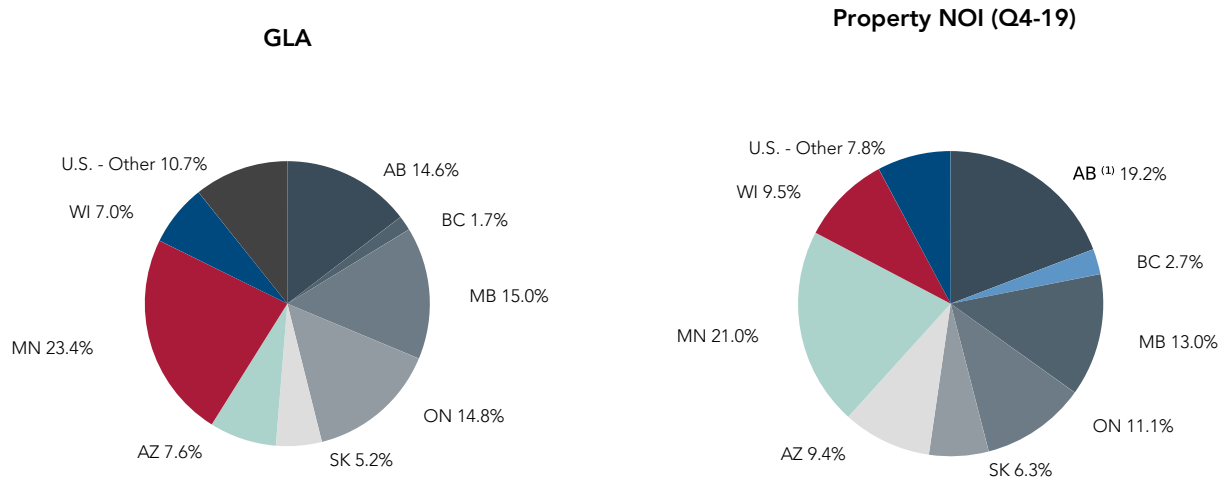
In addition to its role overseeing the vision and strategic direction of Artis, the Board continuously reviews the corporate governance of the REIT to ensure it is aligned with industry best practices.

On May 9, 2019, the Board announced the formation of a Special Committee ("Special Committee") of Independent Trustees to review and evaluate additional strategic alternatives that may arise. On August 6, 2019, the Special Committee announced that it had retained financial and legal advisory services in connection with the previously announced strategic alternatives review.

PORTFOLIO SUMMARY

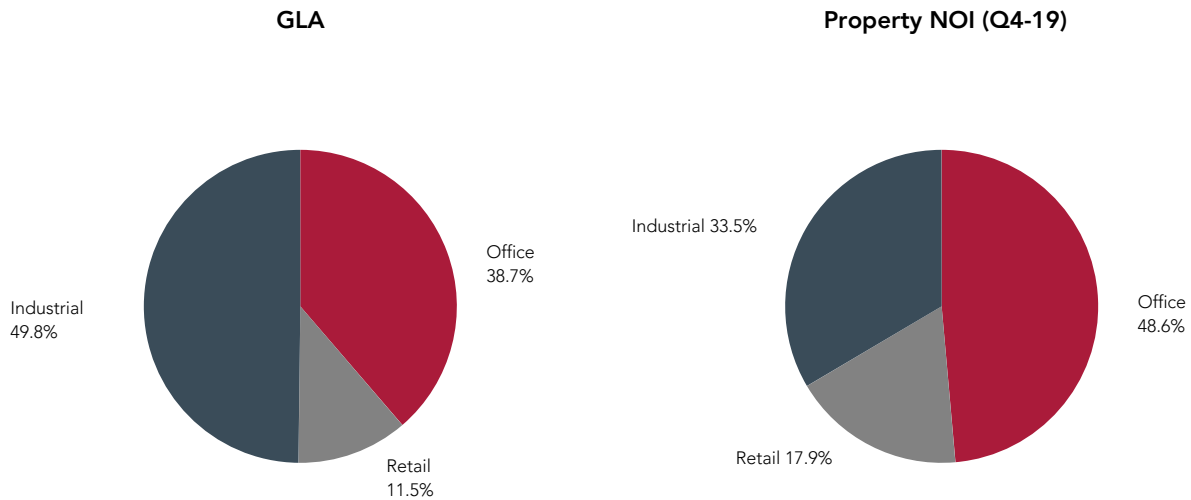
At December 31, 2019, the REIT's portfolio was comprised of 220 commercial properties (inclusive of properties held in joint venture arrangements) totalling approximately 24.8 million square feet ("S.F.") of gross leasable area ("GLA").

Diversification by Geographical Region (Proportionate Share basis)



(1) The Calgary office segment represents 6.0% of the Q4-19 Proportionate Share Property NOI. Adjusted for disposition activity in January and February 2020, the Q4-19 Proportionate Share Property NOI is reduced to 2.1% on a proforma basis.

Diversification by Asset Class (Proportionate Share basis)



Portfolio by Asset Class ⁽¹⁾

Asset class	City	Province / State	Property count	Owned share of GLA (000's S.F.)	% of portfolio GLA	% Occupied	% Committed ⁽²⁾
Canadian portfolio:							
Office	Calgary	AB	10	1,496	6.0 %	78.7%	79.2%
	Greater Edmonton Area	AB	1	48	0.2 %	92.7%	92.7%
	Greater Toronto Area	ON	6	909	3.7 %	86.2%	88.1%
	Greater Vancouver Area	BC	2	164	0.7 %	83.2%	83.2 %
	Ottawa	ON	1	181	0.7 %	29.9%	29.9%
	Saskatoon	SK	1	64	0.3 %	100.0%	100.0%
	Winnipeg	MB	9	1,460	5.9 %	80.6%	89.0%
Office total			30	4,322	17.5 %	79.5%	82.9%
Retail	Calgary	AB	5	345	1.3 %	88.1%	88.1%
	Fort McMurray	AB	8	195	0.8 %	88.6%	88.6%
	Grande Prairie	AB	5	365	1.5 %	66.6%	66.6%
	Greater Edmonton Area	AB	5	440	1.8 %	99.2%	99.2%
	Greater Vancouver Area	BC	1	165	0.6 %	97.6 %	98.2%
	Regina	SK	8	541	2.2 %	91.9%	92.5%
	Saskatoon	SK	3	219	0.9 %	97.9%	98.8%
Winnipeg	MB	6	587	2.4 %	97.9%	98.2%	
Retail total			41	2,857	11.5 %	91.1%	91.4%
Industrial	Calgary	AB	6	362	1.5 %	100.0%	100.0%
	Greater Edmonton Area	AB	3	156	0.6 %	100.0%	100.0%
	Greater Toronto Area	ON	28	2,526	10.2 %	99.9%	99.9%
	Greater Vancouver Area	BC	2	98	0.4 %	100.0%	100.0%
	Red Deer	AB	1	126	0.5 %	74.9%	74.9%
	Regina	SK	2	143	0.6 %	100.0%	100.0%
	Saskatoon	SK	5	327	1.2 %	100.0%	100.0%
Winnipeg	MB	28	1,690	6.7 %	97.7%	98.3%	
Industrial total			75	5,428	21.7 %	98.7%	98.8%
Total Canadian portfolio			146	12,607	50.7 %	90.4%	91.7%
U.S. portfolio:							
Office	Greater Denver Area	CO	3	525	2.1%	91.1%	94.4%
	Greater Phoenix Area	AZ	5	963	3.9%	93.6%	97.1%
	Madison	WI	16	1,737	7.0%	90.7%	91.6%
	New Hartford	NY	1	123	0.5%	100.0%	100.0%
	Twin Cities Area	MN	8	1,855	7.5%	91.3%	95.2%
Office total			33	5,203	21.0%	91.7%	94.4%
Industrial	Greater Denver Area	CO	1	138	0.6%	100.0%	100.0%
	Greater Phoenix Area	AZ	7	921	3.7%	98.3%	98.3%
	Twin Cities Area ⁽³⁾	MN	26	3,951	15.9%	96.8%	97.9%
	Greater Houston Area	TX	4	1,540	6.2%	81.6%	89.0%
Industrial total			38	6,550	26.4%	93.5%	95.9%
Total U.S. portfolio			71	11,753	47.4 %	92.7%	95.2%
Total Canadian and U.S. portfolio			217	24,360	98.1%	91.5%	93.4%

(1) Information is as at December 31, 2019, and excludes properties listed in the Properties Held for Redevelopment table and the New Developments in Process table on the following page, and includes properties held in joint venture arrangements.

(2) Percentage committed is based on occupancy at December 31, 2019, plus commitments on vacant space.

(3) During 2019, Artis reclassified a land lease to Home Depot from the retail asset class to the industrial asset class.

Properties Held for Redevelopment

Asset class	City	Province / State	Property count	Owned share of GLA (000's of S.F.)	% of portfolio GLA	Property	Committed % ⁽¹⁾
Office	Calgary	AB	1	92	0.4%	Sierra Place	0.0%
Industrial	Greater Toronto Area	ON	1	53	0.2%	2145-2155 Dunwin Drive	74.1%
Total properties held for redevelopment			2	145	0.6%		27.1 %

(1) Percentage committed is based on occupancy at December 31, 2019, plus commitments on vacant space.

Redevelopment plans were underway to convert Sierra Place, located in Calgary, Alberta, from an office property to a multi-residential property. The building, which is conveniently located downtown on a light rail transit line and provides access to the Plus 15 walkway system, would have approximately 100 suites upon completion. Redevelopment work is on hold as the REIT is pursuing opportunities to sell this property.

Artis has implemented a plan to convert an industrial property into commercial condominium units at 2145-2155 Dunwin Drive, located in the Greater Toronto Area, Ontario. 2145-2155 Dunwin Drive is a 52,969 square foot two-storey complex that is located just minutes from Queen Elizabeth Way and Highway 403. The completion of the conversion is expected in 2020. At December 31, 2019, commercial condominium units representing 68.6% of the total square footage of the converted complex were under conditional sale agreements.

New Development Activity ⁽¹⁾

Asset class	City	Province / State	Property count	Owned share of GLA (000's of S.F.)	% of portfolio GLA	Property	Completed %	Committed % ⁽²⁾
Industrial	Greater Denver Area	CO	1	336	1.3 %	Tower Business Center	100.0 %	69.0 %
Total new developments completed			1	336	1.3%			
Retail	Winnipeg	MB	1	27		330 Main	80.0 %	90.0 %
Residential / Multi-Family	Winnipeg	MB	1	580		300 Main	35.0 %	0.0 %
Industrial	Greater Houston Area	TX	1	95		Park 8Ninety IV	5.0 %	100.0 %
Retail	Winnipeg	MB	—	17		Linden Ridge Shopping Centre II	15.0 %	100.0 %
Total new developments in process ⁽³⁾			3	719				

(1) Information is at December 31, 2019, and includes properties held in joint venture arrangements.

(2) Percentage committed is based on occupancy at December 31, 2019, plus commitments on vacant space.

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

Completed New Developments

Artis has completed construction of all four phases of Park Lucero, an industrial development project located in the Greater Phoenix Area, Arizona. All four phases of the development, which total approximately 582,000 square feet, are over 90% leased. Construction of Park Lucero IV (the last phase of this project), a 95,000 square foot rear-load building, was completed in Q4-18. The property is 100% leased to a single tenant pursuant to a lease that commenced in Q2-19.

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 1,040,000 square feet of industrial real estate. The first phase of this project, Cedar Port I, totals approximately 519,000 square feet and is 100% leased for a 12.5-year term with annual rent escalations of 2.5%. Artis completed Cedar Port I in Q2-19.

Artis owns a 127 acre parcel of development land called Park 8Ninety located in the Southwest industrial submarket in the Greater Houston Area, Texas, which is being developed in several phases into approximately 1,789,000 square feet of new generation industrial real estate. Construction of Park 8Ninety I was completed in Q2-17, comprising three buildings and totalling approximately 440,000 square feet. Park 8Ninety III, comprising 33,000 square feet, is 100% leased to a national tenant and was completed in Q2-19 while Park 8Ninety II, comprising 572,000 square feet, was completed in Q3-19. Artis has a 95% ownership interest in Park 8Ninety II in the form of a joint venture arrangement.

In 2018, Artis acquired an 80% interest in Tower Business Center (in the form of a joint venture arrangement), an 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 market. This project comprises two buildings totalling approximately 420,000 square feet of leasable area. The first building totals approximately 290,000 square feet and is 100% leased to a national tenant pursuant to a long-term lease which commenced in Q4-19. Construction of Tower Business Center was completed in Q4-19.

New Developments in Process

Construction of 300 Main and 330 Main, two new projects that will span nearly one city block in downtown Winnipeg, Manitoba, is under way. 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 to a national tenant with rental increases every five years.

In Q4-19, Artis commenced construction of Park 8Ninety IV, a 100,000 square foot build-to-suit development for a multi-national tenant. Artis has a 95% interest in Park 8Ninety IV in the form of a joint venture arrangement.

Artis owns Linden Ridge Shopping Centre II, a 12 acre parcel of land in Winnipeg, Manitoba, which is located adjacent to Linden Ridge Shopping Centre, a retail property also owned by Artis. In 2017, Artis completed a build-to-suit building at Linden Ridge Shopping Centre II for a land lease with Lowe's on nine acres at the site. In Q4-19, Artis began construction of an additional 17,000 square foot building on the site, which is 100% pre-leased to two national tenants.

Future Development Program

Asset class	City	Province / State	Estimated owned share of GLA (000's of S.F.)	Property
Industrial	Greater Houston Area	TX	1,270	Cedar Port - Future Phases
Industrial	Greater Houston Area	TX	613	Park 8Ninety - Future Phases
Office	Madison	WI	43	1630 Aspen
Office	Madison	WI	50	Heartland Trail Land

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

Rezoning and Densification Initiatives

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 500 apartment units on the site.

Artis is exploring opportunities for a densification project at Poco Place in Port Coquitlam, British Columbia. The site provides access to major transportation routes and frontage on four streets, including Lougheed Highway, an east-west arterial corridor. Preliminary plans to build 600 to 900 apartment units are underway.

These projects will be planned for sale once rezoning and densification entitlements are achieved. Additional information about these projects will be released as progress is made.

Stampede Station II development land on Macleod Trail in Calgary, Alberta, has been rezoned from office to multi-residential. The original plan for a 300,000 square foot office project has been changed to a 30-storey multi-family project with 300 suites. This parcel of development land was sold subsequent to December 31, 2019.

2019 ANNUAL HIGHLIGHTS

PORTFOLIO ACTIVITY

During 2019, Artis acquired one office property and disposed of eight office and 12 retail properties. During the year, Artis also acquired the remaining interest in one office and one industrial property and completed the development of four industrial properties.

	Office		Retail		Industrial		Total	
	Property count	S.F. (000's) ⁽¹⁾	Property count	S.F. (000's) ⁽¹⁾	Property count	S.F. (000's) ⁽¹⁾	Property count	S.F. (000's) ⁽¹⁾
Portfolio properties, December 31, 2018	71	10,721	53	3,462	111	10,916	235	25,099
Acquisitions	1	183	—	—	—	20	1	203
New developments	—	40	—	—	4	1,431	4	1,471
Dispositions	(8)	(1,327)	(12)	(605)	—	—	(20)	(1,932)
Portfolio properties, December 31, 2019	64	9,617	41	2,857	115	12,367	220	24,841

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

Acquisitions

During 2019, Artis acquired the following property:

Property	Property count	Location	Acquisition date	Asset class	Owned share of GLA	Purchase price
Boulder Lakes Business Park II	1	Twin Cities Area, MN	October 25, 2019	Office	163,109	\$ US41,961

The purchase of this property was partially satisfied with new mortgage financing in the amount of US\$25,175.

On May 15, 2019, the REIT acquired the remaining 15% interest in the Centre 70 Building, an office property located in Calgary, Alberta for total consideration of \$3,023, and subsequently sold the property in December 2019.

On May 16, 2019, the REIT acquired the remaining 5% interest in Park 8Ninety I, an industrial property located in the Greater Houston Area, Texas for total consideration of US\$4,681. The REIT now owns 100% of the property.

On August 8, 2019, the REIT purchased a surface parking lot ancillary to an existing office property located in Winnipeg, Manitoba for \$3,800.

On November 1, 2019, Artis acquired a parcel of industrial development land adjacent to an existing industrial property in the Greater Houston Area, Texas, for a purchase price of US\$3,614.

New Developments

During 2019, Artis completed the following new developments:

Property	Property count	Location	Quarter Complete	Asset class	Owned share of GLA	% Occupied	% Committed
Park Lucero IV	1	Greater Phoenix Area, AZ	Q2-19	Industrial	96,000	100.0 %	100.0 %
Cedar Port I	1	Greater Houston Area, TX	Q2-19	Industrial	519,000	100.0 %	100.0 %
Park 8Ninety III	1	Greater Houston Area, TX	Q2-19	Industrial	33,000	100.0 %	100.0 %
Park 8Ninety II ⁽¹⁾	1	Greater Houston Area, TX	Q3-19	Industrial	543,000	48.4 %	69.2 %
Tower Business Center ⁽¹⁾	1	Greater Denver Area, CO	Q4-19	Industrial	336,000	69.0 %	69.0 %

(1) The REIT has a 95% interest in Park 8Ninety II and an 80% interest in Tower Business Center, in the form of joint venture arrangements.

Dispositions

During 2019, Artis disposed of the following properties:

Property	Property count	Location	Disposition date	Asset class	Owned share of GLA	Sale price
169 Inverness Drive West I & II ⁽¹⁾	1	Greater Denver Area, CO	April 9, 2019	Office	118,518	\$ US27,000
Reenders Square	1	Winnipeg, MB	May 21, 2019	Retail	65,713	20,550
Britannia Building	1	Calgary, AB	May 22, 2019	Office	133,897	10,650
Nanaimo Portfolio	4	Nanaimo, BC	June 17, 2019	Office & Retail	112,327	37,038
1700 Broadway	1	Greater Denver Area, CO	June 27, 2019	Office	394,151	US78,000
GSA Professional Office Building	1	Greater Phoenix Area, AZ	July 26, 2019	Office	210,202	US92,250
415 Yonge Street	1	Greater Toronto Area, ON	September 27, 2019	Office	192,036	124,000
Estevan Retail Portfolio	2	Estevan, SK	October 30, 2019	Retail	167,114	13,000
495 Richmond Road	1	Ottawa, ON	November 27, 2019	Office	106,195	39,000
Centre 70 Building	1	Calgary, AB	December 16, 2019	Office	134,293	23,500
Minnesota Retail Portfolio ⁽¹⁾	6	Twin Cities Area, MN	December 19, 2019	Retail	298,232	US 34,750

(1) This disposition includes a parcel of development land.

During 2019, Artis repaid mortgage debt related to the disposition of the above properties in the aggregate amount of \$224,661.

As at December 31, 2019, the REIT had entered into unconditional sale agreements for the Centre 15 Building, the Calgary Office Portfolio and 800 5th Avenue, office properties located in Calgary, Alberta, for an aggregate sale price of \$117,826. These dispositions closed in January 2020. The REIT had also entered into an unconditional sale agreement for 1165 Kenaston Street, an office property located in Ottawa, Ontario for a sale price of \$22,500, which is expected to close in February 2020.

FINANCING AND EQUITY ACTIVITIES

Unsecured Revolving Term Credit Facilities

During 2019, Artis drew a net balance of \$122,576 on its revolving credit facilities. Proceeds of the revolving credit facilities were primarily used for the redemption of the Series G preferred units, repayment of maturing mortgages, ongoing development expenditures and unit purchases under the NCIB.

Mortgage Debt Financing and Repayment Activity

During 2019, the REIT repaid five maturing mortgages in the amount of \$53,964, drew on development loans and received an uplift upon renewal of two maturing mortgages, net of financing costs, in the amount of \$14,650.

Normal Course Issuer Bid

In 2019, Artis utilized the NCIB to purchase 12,417,833 common units for an aggregate market price of \$138,403 and 58,100 Series A, 162,300 Series E and 57,700 Series G preferred units for an aggregate market price of \$5,866.

Redemption of Preferred Units

On July 31, 2019, Artis completed the redemption of its outstanding Series G preferred units for an aggregate face value of \$78,463.

Short Form Base Shelf Prospectus

On August 23, 2018, 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 \$1,000,000 (i) common units of the REIT; (ii) preferred 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 December 31, 2019, the REIT had issued senior unsecured debentures under one offering in the amount of \$250,000 under this short form base shelf prospectus.

Senior Unsecured Debentures

On February 7, 2019, the REIT entered into an interest rate swap agreement for the Series B senior unsecured debentures, effectively fixing the interest rate at 3.354%.

On February 22, 2019, under its August 23, 2018 short form base shelf prospectus, Artis issued two-year Series C fixed rate senior unsecured debentures for gross proceeds of \$250,000. These debentures bear interest at 3.674%.

On March 27, 2019, the REIT completed the redemption of the outstanding 3.753% Series A senior unsecured debentures with a face value of \$200,000.

DISTRIBUTIONS

Artis declared distributions of \$96,332 to unitholders in 2019, which included distributions to preferred unitholders in the amount of \$19,936.

SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	Year ended		Change	% Change	Year ended	
	December 31, 2019	December 31, 2018			December 31, 2017	December 31, 2017
Revenue	\$ 521,660	\$ 512,870	\$ 8,790	1.7 %	\$ 516,328	
Property NOI ⁽¹⁾	309,856	304,323	5,533	1.8 %	311,224	
Net income	122,737	158,636	(35,899)	(22.6)%	234,435	
Total comprehensive income	51,069	274,388	(223,319)	(81.4)%	161,941	
Basic income per common unit	0.72	0.89	(0.17)	(19.1)%	1.43	
Diluted income per common unit	0.72	0.88	(0.16)	(18.2)%	1.43	
Distributions per unit:						
Common units	\$ 0.54	\$ 0.99	(0.45)	(45.5)%	\$ 1.08	
Preferred units - Series A	1.42	1.42	—	— %	1.34	
Preferred units - Series C	—	0.42	(0.42)	(100.0)%	1.68	
Preferred units - Series E	1.37	1.23	0.14	11.4 %	1.19	
Preferred units - Series G	0.73	1.25	(0.52)	(41.6)%	1.25	
Preferred units - Series I	1.50	1.38	0.12	8.7 %	—	
FFO ^{(1) (2)}	\$ 202,398	\$ 200,139	\$ 2,259	1.1 %	\$ 215,360	
FFO per unit ^{(1) (2)}	1.41	1.30	0.11	8.5 %	1.43	
FFO payout ratio ^{(1) (2)}	38.3 %	76.2 %		(37.9)%	75.5 %	
AFFO ^{(1) (2)}	\$ 150,518	\$ 149,428	\$ 1,090	0.7 %	\$ 157,467	
AFFO per unit ^{(1) (2)}	1.05	0.97	0.08	8.2 %	1.04	
AFFO payout ratio ^{(1) (2)}	51.4 %	102.1 %		(50.7)%	103.8 %	
Same Property NOI growth % ⁽¹⁾	3.8 %	1.1 %		2.7 %	(0.3)%	
EBITDA interest coverage ratio ^{(1) (2)}	2.97	3.11	(0.14)	(4.5)%	3.24	

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

(2) FFO, AFFO and EBITDA exclude certain non-recurring adjustments in Q1-18. Please refer to the FFO and AFFO section and the Debt Metrics of this MD&A for further discussion of these adjustments.

Revenue, Property NOI, FFO and AFFO increased year-over-year, primarily due to the impact of completed new developments and acquisitions. Artis completed the development of three fully leased industrial properties located in the U.S. Artis acquired Boulder Lakes Business Park II, a 100% leased office property in the Twin Cities Area, Minnesota and a surface parking lot adjacent to an office property in Winnipeg, Manitoba. The REIT reported year-over-year Same Property NOI growth of 3.8% (or 2.6% in functional currency) primarily due to growth in the industrial portfolio and the U.S. office portfolio. The weighted-average rental rate on renewals that commenced during 2019 increased 5.6%.

Foreign exchange also continues to positively impact Artis' financial results, due to a higher US dollar to Canadian dollar average exchange rate of 1.3268 in 2019, compared to 1.2961 in 2018.

The disposition of eight office and 12 retail properties during 2019 partially offset these increases.

Net income and total comprehensive income were also impacted by the fair value loss on investment properties of \$94,727 in 2019 compared to \$37,099 in 2018. This was primarily due to a decline in the value of Alberta office properties and select U.S. properties, partially offset by capitalization rate compression and higher expected market rents in the industrial portfolio. Also contributing to the decrease in net income and total comprehensive income was the loss on derivative instruments and other transactions in 2019 of \$16,379 compared to a gain of \$11,342 in 2018.

On November 1, 2018, as part of Artis' New Initiatives, the REIT reset the distribution rate to \$0.54 per unit annually. The decreased distributions resulted in conservative FFO and AFFO payout ratios of 38.3% and 51.4%, respectively, for the year ended December 31, 2019.

FFO per unit and AFFO per unit increased year-over-year, primarily due to the units acquired and cancelled under the NCIB in accordance with Artis' New Initiatives.

BALANCE SHEET METRICS

000's, except per unit amounts	December 31, 2019	December 31, 2018	% Change	December 31, 2017
NAV per unit ⁽¹⁾	\$ 15.56	\$ 15.55	0.1 %	\$ 14.86
<u>IFRS</u>				
Secured mortgages and loans to GBV ⁽¹⁾	26.3 %	29.4 %	(3.1)%	29.9 %
Total long-term debt and credit facilities to GBV ⁽¹⁾	51.3 %	49.9 %	1.4 %	47.9 %
Fair value of unencumbered assets ⁽¹⁾	\$ 1,926,661	\$ 1,805,382	6.7 %	\$ 1,649,077
Total assets	5,330,019	5,717,177	(6.8)%	5,215,896
Total non-current financial liabilities	2,142,090	2,252,874	(4.9)%	1,695,705
<u>Proportionate Share</u>				
Total long-term debt and credit facilities to EBITDA ⁽¹⁾⁽²⁾	8.8	9.0	(2.2)%	8.4
Secured mortgages and loans to GBV ⁽¹⁾	27.9 %	30.6 %	(2.7)%	31.9 %
Total long-term debt and credit facilities to GBV ⁽¹⁾	52.3 %	50.6 %	1.7 %	49.3 %
Fair value of unencumbered assets ⁽¹⁾	\$ 1,968,369	\$ 1,847,443	6.5 %	\$ 1,687,754
Total assets	5,460,034	5,841,846	(6.5)%	5,382,008
Total non-current financial liabilities	2,236,067	2,296,891	(2.6)%	1,807,853

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

(2) EBITDA exclude certain non-recurring adjustments in Q1-18. Please refer to the Debt Metrics of this MD&A for further discussion of these adjustments.

Artis reported NAV per unit of \$15.56 at December 31, 2019, which has remained stable compared to \$15.55 at December 31, 2018.

The fair value of unencumbered properties has increased year-over-year, primarily due to the repayment of maturing mortgages, partially offset by the disposition of investment properties.

The REIT's debt metrics have been impacted by Artis' New Initiatives due to the timing of the NCIB purchases and disposition of investment properties. Looking forward, Artis' primary focus will be to use proceeds from the disposition of investment properties to reduce debt.

Refer to the individual sections of this MD&A for additional information and discussion of the REIT's key financial metrics.

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 December 31,					
	2019			2018		
	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share
Revenue	\$ 127,180	\$ 4,798	\$ 131,978	\$ 132,864	\$ 4,432	\$ 137,296
Expenses:						
Property operating	32,910	1,377	34,287	35,315	1,021	36,336
Realty taxes	19,149	713	19,862	20,290	1,022	21,312
Total operating expenses	52,059	2,090	54,149	55,605	2,043	57,648
Net operating income	75,121	2,708	77,829	77,259	2,389	79,648
Other income (expenses):						
Corporate expenses	(3,399)	—	(3,399)	(2,186)	—	(2,186)
Interest expense	(26,299)	(1,106)	(27,405)	(26,853)	(1,275)	(28,128)
Interest income	1,745	2	1,747	689	2	691
Net income (loss) from investments in joint ventures	13,352	(13,352)	—	(2,085)	2,085	—
Fair value (loss) gain on investment properties	(31,863)	11,748	(20,115)	(23,576)	(3,201)	(26,777)
Foreign currency translation gain (loss)	4,804	—	4,804	(12,119)	—	(12,119)
Transaction costs	(84)	—	(84)	(488)	—	(488)
Fair value gain (loss) on derivative instruments and other transactions	105	—	105	(3,357)	—	(3,357)
Income before income taxes	33,482	—	33,482	7,284	—	7,284
Income tax expense	(605)	—	(605)	(64)	—	(64)
Net income	32,877	—	32,877	7,220	—	7,220
Other comprehensive (loss) income:						
Unrealized foreign currency translation (loss) gain	(26,084)	(2,696)	(28,780)	70,444	6,677	77,121
Unrealized foreign currency translation (loss) gain on joint ventures	(2,696)	2,696	—	6,677	(6,677)	—
Unrealized loss from remeasurements of net pension obligation	—	—	—	(437)	—	(437)
	(28,780)	—	(28,780)	76,684	—	76,684
Total comprehensive income	\$ 4,097	\$ —	\$ 4,097	\$ 83,904	\$ —	\$ 83,904

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

	Year ended December 31,					
	2019			2018		
	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share
Revenue	\$ 521,660	\$ 17,958	\$ 539,618	\$ 512,870	\$ 21,195	\$ 534,065
Expenses:						
Property operating	130,099	4,938	135,037	127,697	5,560	133,257
Realty taxes	81,705	3,513	85,218	80,850	4,422	85,272
Total operating expenses	211,804	8,451	220,255	208,547	9,982	218,529
Net operating income	309,856	9,507	319,363	304,323	11,213	315,536
Other income (expenses):						
Corporate expenses	(15,810)	—	(15,810)	(14,436)	—	(14,436)
Interest expense	(108,809)	(4,372)	(113,181)	(101,164)	(5,592)	(106,756)
Interest income	3,212	7	3,219	1,974	8	1,982
Net income from investments in joint ventures	36,843	(36,843)	—	8,754	(8,754)	—
Fair value (loss) gain on investment properties	(94,727)	31,701	(63,026)	(37,099)	1,428	(35,671)
Foreign currency translation gain (loss)	10,668	—	10,668	(8,113)	—	(8,113)
Transaction costs	(301)	—	(301)	(6,418)	—	(6,418)
Fair value (loss) gain on derivative instruments and other transactions	(16,379)	—	(16,379)	11,342	1,697	13,039
Income before income taxes	124,553	—	124,553	159,163	—	159,163
Income tax expense	(1,816)	—	(1,816)	(527)	—	(527)
Net income	122,737	—	122,737	158,636	—	158,636
Other comprehensive (loss) income:						
Unrealized foreign currency translation (loss) gain	(66,214)	(6,125)	(72,339)	105,935	10,254	116,189
Unrealized foreign currency translation (loss) gain on joint ventures	(6,125)	6,125	—	10,254	(10,254)	—
Unrealized gain (loss) from remeasurements of net pension obligation	671	—	671	(437)	—	(437)
	(71,668)	—	(71,668)	115,752	—	115,752
Total comprehensive income	\$ 51,069	\$ —	\$ 51,069	\$ 274,388	\$ —	\$ 274,388

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

REVENUE AND PROPERTY NOI

	Three months ended December 31,						
	2019			2018			
	IFRS	Adjustment ⁽¹⁾	Total Proportionate Share	IFRS	Adjustment ⁽¹⁾	Total Proportionate Share	
Revenue:							
Rental income	\$ 131,699	\$ 4,692	\$ 136,391	\$ 136,493	\$ 4,418	\$ 140,911	
Tenant inducements amortized to revenue	(6,254)	(173)	(6,427)	(5,152)	(233)	(5,385)	
Straight-line rent adjustments	1,579	279	1,858	1,090	247	1,337	
Lease termination income	156	—	156	433	—	433	
	127,180	4,798	131,978	132,864	4,432	137,296	
Property operating and realty tax expenses	52,059	2,090	54,149	55,605	2,043	57,648	
Property NOI	\$ 75,121	\$ 2,708	\$ 77,829	\$ 77,259	\$ 2,389	\$ 79,648	

	Year ended December 31,						
	2019			2018			
	IFRS	Adjustment ⁽¹⁾	Total Proportionate Share	IFRS	Adjustment ⁽¹⁾	Total Proportionate Share	
Revenue:							
Rental income	\$ 537,869	\$ 17,777	\$ 555,646	\$ 523,358	\$ 20,536	\$ 543,894	
Tenant inducements amortized to revenue	(23,385)	(751)	(24,136)	(19,761)	(888)	(20,649)	
Straight-line rent adjustments	6,077	932	7,009	5,491	1,507	6,998	
Lease termination income	1,099	—	1,099	3,782	40	3,822	
	521,660	17,958	539,618	512,870	21,195	534,065	
Property operating and realty tax expenses	211,804	8,451	220,255	208,547	9,982	218,529	
Property NOI	\$ 309,856	\$ 9,507	\$ 319,363	\$ 304,323	\$ 11,213	\$ 315,536	

(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 and lease termination income (if it is likely the tenant will exercise the lease termination option) are accounted for by straight-lining the incremental increases and lease termination payments over the entire non-cancelable lease term, including the tenant fixturing period.

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 ⁽¹⁾

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 and properties that are unconditionally sold.

	Three months ended				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
	2019	2018			2019	2018		
Property NOI	\$ 77,829	\$ 79,648			\$ 319,363	\$ 315,536		
Add (deduct) Property NOI from:								
Acquisitions	(2,172)	(686)			(11,245)	(1,628)		
Dispositions and unconditional dispositions	(4,654)	(11,644)			(11,837)	(26,247)		
(Re)development properties	(1,928)	123			(3,401)	449		
Other ⁽²⁾	(867)	(175)			(2,207)	(2,811)		
	(9,621)	(12,382)			(28,690)	(30,237)		
Straight-line rent adjustments	(1,112)	(1,210)			(5,043)	(6,588)		
Tenant inducements amortized to revenue	5,848	4,538			22,620	18,292		
Same Property NOI	\$ 72,944	\$ 70,594	\$ 2,350	3.3 %	\$ 308,250	\$ 297,003	\$ 11,247	3.8 %

(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 ⁽¹⁾

	Three months ended				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
	2019	2018			2019	2018		
Canada:								
Office	\$ 12,662	\$ 12,854	\$ (192)	(1.5)%	\$ 66,552	\$ 66,621	\$ (69)	(0.1)%
Retail	14,279	14,398	(119)	(0.8)%	59,008	58,774	234	0.4 %
Industrial	12,543	11,464	1,079	9.4 %	47,933	45,397	2,536	5.6 %
Total Canada	39,484	38,716	768	2.0 %	173,493	170,792	2,701	1.6 %
U.S.:								
Office	17,071	16,344	727	4.4 %	66,269	64,967	1,302	2.0 %
Retail	—	—	—	— %	3,454	3,413	41	1.2 %
Industrial	8,276	7,782	494	6.3 %	31,835	29,013	2,822	9.7 %
Total U.S.	25,347	24,126	1,221	5.1 %	101,558	97,393	4,165	4.3 %
Total in functional currency	64,831	62,842	1,989	3.2 %	275,051	268,185	6,866	2.6 %
Foreign exchange	8,113	7,752	361	4.7 %	33,199	28,818	4,381	15.2 %
Total in Canadian dollars	\$ 72,944	\$ 70,594	\$ 2,350	3.3 %	\$ 308,250	\$ 297,003	\$ 11,247	3.8 %

	Three months ended				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
	2019	2018			2019	2018		
Office	\$ 35,198	\$ 34,449	\$ 749	2.2 %	\$ 154,484	\$ 150,806	\$ 3,678	2.4 %
Retail	14,279	14,398	(119)	(0.8)%	63,599	63,167	432	0.7 %
Industrial	23,467	21,747	1,720	7.9 %	90,167	83,030	7,137	8.6 %
Same Property NOI	\$ 72,944	\$ 70,594	\$ 2,350	3.3 %	\$ 308,250	\$ 297,003	\$ 11,247	3.8 %

Artis' Canadian office segment decreased \$69 or 0.1% year-over-year. Excluding the impact of the Calgary office properties, the Canadian office segment increased \$2,900 or 6.5% year-over-year.

Same Property Occupancy Report ⁽¹⁾

Geographical Region	As at December 31,		Asset Class	As at December 31,	
	2019	2018		2019	2018
Alberta	85.2%	89.1%	Office	88.3%	88.0%
British Columbia	92.6%	98.7%	Retail	87.9%	90.0%
Manitoba	91.1%	90.0%	Industrial	98.0%	96.2%
Ontario	96.3%	92.9%			
Saskatchewan	96.3%	97.0%	Total	93.0%	92.4%
Arizona	95.7%	94.0%			
Minnesota	94.7%	95.7%			
Wisconsin	90.7%	88.7%			
U.S. - Other	96.2%	86.8%			
Total	93.0%	92.4%			

(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.

Same Property NOI by Geographical Region and stabilized Same Property NOI ⁽¹⁾

	Three months ended				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
2019	2018	2019			2018			
Alberta	\$ 12,910	\$ 13,308	\$ (398)	(3.0)%	\$ 62,060	\$ 64,867	\$ (2,807)	(4.3)%
British Columbia	2,112	2,106	6	0.3 %	8,821	8,495	326	3.8 %
Manitoba	11,363	10,866	497	4.6 %	45,818	43,881	1,937	4.4 %
Ontario	8,090	7,424	666	9.0 %	36,122	34,114	2,008	5.9 %
Saskatchewan	5,009	5,012	(3)	(0.1)%	20,672	19,435	1,237	6.4 %
Arizona	5,463	5,143	320	6.2 %	21,148	19,533	1,615	8.3 %
Minnesota	10,986	10,578	408	3.9 %	46,272	44,718	1,554	3.5 %
Wisconsin	5,688	5,365	323	6.0 %	22,061	21,557	504	2.3 %
U.S. - Other	3,210	3,040	170	5.6 %	12,077	11,585	492	4.2 %
Total Same Property NOI in functional currency	64,831	62,842	1,989	3.2 %	275,051	268,185	6,866	2.6 %
<i>Less: properties planned for disposition</i>	<i>(1,110)</i>	<i>(1,245)</i>	<i>135</i>	<i>(10.8)%</i>	<i>(13,421)</i>	<i>(12,619)</i>	<i>(802)</i>	<i>6.4 %</i>
<i>Less: Calgary office properties planned for disposition</i>	<i>(29)</i>	<i>(419)</i>	<i>390</i>	<i>(93.1)%</i>	<i>(2,760)</i>	<i>(5,740)</i>	<i>2,980</i>	<i>(51.9)%</i>
Less: Calgary office segment	(2,120)	(2,199)	79	(3.6)%	(16,258)	(16,247)	(11)	0.1 %
Stabilized Same Property NOI in functional currency	61,572	58,979	2,593	4.4 %	242,612	233,579	9,033	3.9 %
<i>Foreign exchange</i>	<i>8,113</i>	<i>7,752</i>	<i>361</i>	<i>4.7 %</i>	<i>31,684</i>	<i>27,524</i>	<i>4,160</i>	<i>15.1 %</i>
Stabilized Same Property NOI in Canadian dollars	\$ 69,685	\$ 66,731	\$ 2,954	4.4 %	\$ 274,296	\$ 261,103	\$ 13,193	5.1 %

(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 and the Calgary office segment. Properties planned for disposition includes one retail property and two office properties, one of which is located in Calgary, Alberta.

The Calgary office segment has been considered a non-stabilized segment as oil prices have impacted Alberta's economy and created non-stabilized results. During 2019, the REIT sold two Calgary office properties. At December 31, 2019, the REIT has four Calgary office properties under unconditional sale agreements, and one planned for disposition.

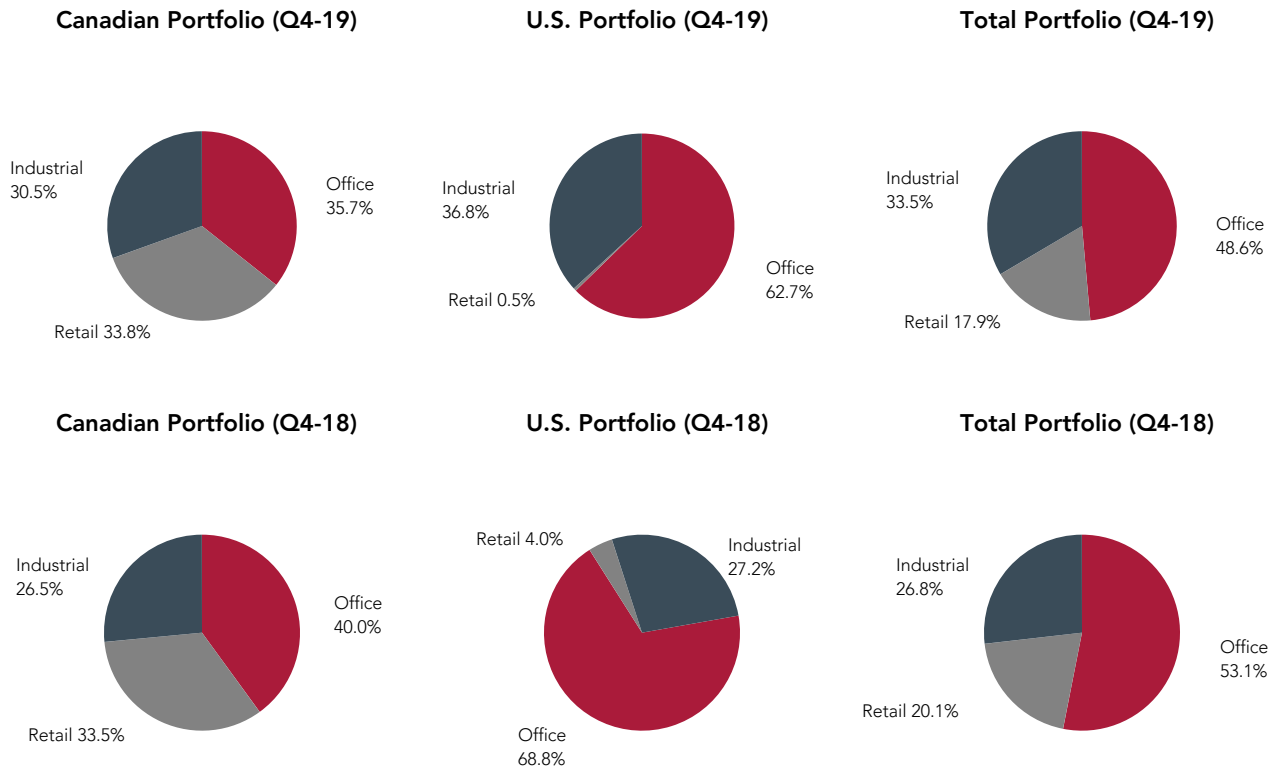
PROPERTY NOI BY ASSET CLASS

	IFRS			IFRS			Proportionate Share			Proportionate Share		
	Q4-19	Q4-18	Change	YTD-19	YTD-18	Change	Q4-19	Q4-18	Change	YTD-19	YTD-18	Change
Canada:												
Office	\$ 14,589	\$ 17,243	\$ (2,654)	\$ 64,198	\$ 71,262	\$ (7,064)	\$ 14,510	\$ 17,400	\$ (2,890)	\$ 64,098	\$ 72,386	\$ (8,288)
Retail	13,711	14,600	(889)	57,980	59,117	(1,137)	13,711	14,600	(889)	57,980	59,117	(1,137)
Industrial	11,033	10,190	843	42,501	40,559	1,942	12,400	11,544	856	47,943	45,970	1,973
	39,333	42,033	(2,700)	164,679	170,938	(6,259)	40,621	43,544	(2,923)	170,021	177,473	(7,452)
U.S.:												
Office	22,665	24,441	(1,776)	95,314	92,433	2,881	23,276	24,810	(1,534)	97,561	94,797	2,764
Retail	169	1,435	(1,266)	4,261	5,397	(1,136)	169	1,435	(1,266)	4,261	5,397	(1,136)
Industrial	12,863	9,320	3,543	45,291	35,274	10,017	13,672	9,829	3,843	47,209	37,588	9,621
	35,697	35,196	501	144,866	133,104	11,762	37,117	36,074	1,043	149,031	137,782	11,249
Total portfolio:												
Office	37,254	41,684	(4,430)	159,512	163,695	(4,183)	37,786	42,210	(4,424)	161,659	167,183	(5,524)
Retail	13,880	16,035	(2,155)	62,241	64,514	(2,273)	13,880	16,035	(2,155)	62,241	64,514	(2,273)
Industrial	23,896	19,510	4,386	87,792	75,833	11,959	26,072	21,373	4,699	95,152	83,558	11,594
	75,030	77,229	(2,199)	309,545	304,042	5,503	77,738	79,618	(1,880)	319,052	315,255	3,797
REIT	91	30	61	311	281	30	91	30	61	311	281	30
Property NOI	\$ 75,121	\$ 77,259	\$ (2,138)	\$309,856	\$304,323	\$ 5,533	\$ 77,829	\$ 79,648	\$ (1,819)	\$319,363	\$315,536	\$ 3,827

In Q4-19, the Canadian office segment decreased primarily due to dispositions in 2018 and 2019, in addition to increased vacancy and lower rental rates in Calgary, Alberta.

In Q4-19, the U.S. office and retail segments decreased primarily due to dispositions in 2019. The U.S. office portfolio was partially offset by acquisitions in 2018 and 2019. The U.S. industrial segment increased primarily due to increased occupancy at Park 8Ninety I, and completion of the Park Lucero IV, Cedar Port I, Park 8Ninety III, Tower Business Center and Park 8Ninety II developments. The U.S. portfolio was also impacted by the effect of foreign exchange.

The information below is based on Proportionate Share Property NOI:



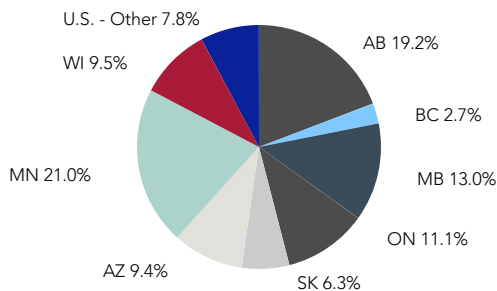
PROPERTY NOI BY GEOGRAPHICAL REGION

	IFRS			IFRS			Proportionate Share			Proportionate Share		
	Q4-19	Q4-18	Change	YTD-19	YTD-18	Change	Q4-19	Q4-18	Change	YTD-19	YTD-18	Change
Canada:												
Alberta	\$ 14,050	\$ 15,842	\$ (1,792)	\$ 58,219	\$ 64,854	\$ (6,635)	\$ 14,898	\$ 16,690	\$ (1,792)	\$ 61,611	\$ 68,246	\$ (6,635)
British Columbia	1,938	2,150	(212)	8,638	10,536	(1,898)	2,067	2,279	(212)	9,153	11,051	(1,898)
Manitoba	10,165	10,100	65	41,765	40,864	901	10,086	10,258	(172)	41,665	41,989	(324)
Ontario	8,642	9,084	(442)	36,984	36,079	905	8,642	9,084	(442)	36,984	36,079	905
Saskatchewan	4,538	4,857	(319)	19,073	18,605	468	4,928	5,233	(305)	20,608	20,108	500
	39,333	42,033	(2,700)	164,679	170,938	(6,259)	40,621	43,544	(2,923)	170,021	177,473	(7,452)
U.S.:												
Arizona	7,301	8,549	(1,248)	33,041	29,169	3,872	7,301	8,594	(1,293)	33,041	30,135	2,906
Minnesota	16,090	14,944	1,146	63,365	57,571	5,794	16,371	15,054	1,317	64,559	58,043	6,516
Wisconsin	7,420	6,937	483	28,746	27,963	783	7,420	6,937	483	28,746	27,963	783
U.S. - Other	4,886	4,766	120	19,714	18,401	1,313	6,025	5,489	536	22,685	21,641	1,044
	35,697	35,196	501	144,866	133,104	11,762	37,117	36,074	1,043	149,031	137,782	11,249
Total portfolio	75,030	77,229	(2,199)	309,545	304,042	5,503	77,738	79,618	(1,880)	319,052	315,255	3,797
REIT	91	30	61	311	281	30	91	30	61	311	281	30
Property NOI	\$ 75,121	\$ 77,259	\$ (2,138)	\$309,856	\$304,323	\$ 5,533	\$ 77,829	\$ 79,648	\$ (1,819)	\$319,363	\$315,536	\$ 3,827

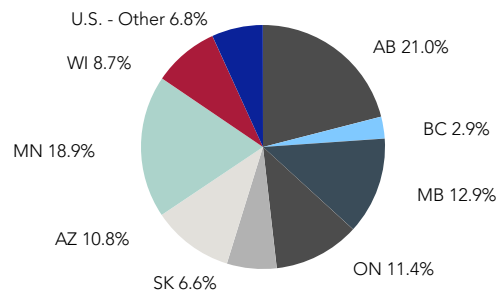
In Q4-19, Alberta decreased primarily due to increased vacancy and lower rental rates in Calgary, Alberta. Arizona decreased due to a disposition in 2019, partially offset by the completion of the Park Lucero IV development. Minnesota increased due to an acquisition in 2018 and 2019, partially offset by dispositions in 2019. U.S. - Other increased primarily due to increased occupancy at Park 8Ninety I and the completion of the Cedar Port I, Park 8Ninety II, Park 8Ninety III and Tower Business Center developments, partially offset by dispositions in 2019. The U.S. portfolio was also impacted by the effect of foreign exchange.

The information below is based on Proportionate Share Property NOI:

Total Portfolio (Q4-19)



Total Portfolio (Q4-18)



CORPORATE EXPENSES

	Three months ended				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
2019	2018	2019			2018			
Accounting, legal and consulting	\$ 1,520	\$ 525	\$ 995	189.5 %	\$ 4,754	\$ 2,214	\$ 2,540	114.7 %
Public company costs	254	241	13	5.4 %	1,545	1,599	(54)	(3.4)%
Unit-based compensation	402	(150)	552	(368.0)%	4,264	1,476	2,788	188.9 %
Salaries and benefits	510	610	(100)	(16.4)%	2,688	6,247	(3,559)	(57.0)%
Depreciation of property and equipment	301	249	52	20.9 %	1,130	1,049	81	7.7 %
General and administrative	412	711	(299)	(42.1)%	1,429	1,851	(422)	(22.8)%
Total corporate expenses	\$ 3,399	\$ 2,186	\$ 1,213	55.5 %	\$ 15,810	\$ 14,436	\$ 1,374	9.5 %

Corporate expenses in 2019 were \$15,810 (Q4-19 - \$3,399), or 3.0% (Q4-19 - 2.7%) of total revenues compared to \$14,436 (Q4-18 - \$2,186), or 2.8% (Q4-18 - 1.6%) of total revenues in 2018.

Accounting, legal and consulting in 2019 includes \$1,358 (Q4-19 - \$937) related to the Board of Trustees' strategic review. In Q1-18, Artis recorded a non-recurring pension liability adjustment of \$3,392 which is included in salaries and benefits.

Unit-based compensation was impacted by fluctuations in Artis' unit price during the period.

INTEREST EXPENSE

	Three months ended				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
2019	2018	2019			2018			
Mortgages and other loans ⁽¹⁾	\$ 12,207	\$ 14,441	\$ (2,234)		\$ 53,983	\$ 56,773	\$ (2,790)	
Debentures	4,210	3,635	575		17,202	13,229	3,973	
Credit facilities ⁽¹⁾	7,683	6,050	1,633		27,604	22,057	5,547	
Preferred shares ⁽¹⁾	34	34	—		135	135	—	
	24,134	24,160	(26)	(0.1)%	98,924	92,194	6,730	7.3 %
Foreign exchange	2,165	2,693	(528)		9,885	8,970	915	
Total interest expense	\$ 26,299	\$ 26,853	\$ (554)	(2.1)%	\$ 108,809	\$ 101,164	\$ 7,645	7.6 %
Mortgages and other loans included in investments in joint ventures ⁽¹⁾	909	1,062	(153)		3,589	4,747	(1,158)	
Foreign exchange included in investments in joint ventures	197	213	(16)		783	845	(62)	
Total Proportionate Share interest expense	\$ 27,405	\$ 28,128	\$ (723)	(2.6)%	\$ 113,181	\$ 106,756	\$ 6,425	6.0 %

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

Year-to-date interest expense has increased primarily due to additional amounts drawn on the revolving term credit facilities and the issuance of the Series C senior unsecured debentures in Q1-19, partially offset by the repayment of the Series A senior unsecured debentures in Q1-19 and the repayment of mortgages in 2018 and 2019. 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 December 31, 2019, on mortgages and other loans secured by properties, inclusive of properties held in joint venture arrangements, was 3.98%, compared to 4.30% at December 31, 2018. The weighted-average nominal interest rate on mortgages and other loans secured by properties, inclusive of properties held in joint venture arrangements, at December 31, 2019, was 3.79%, compared to 4.09% at December 31, 2018.

FAIR VALUE LOSS ON INVESTMENT PROPERTIES

The changes in fair value on 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 2019, the Proportionate Share fair value loss on investment properties was \$63,026 (Q4-19 - loss of \$20,115), compared to a loss of \$35,671 (Q4-18 - loss of \$26,777) in 2018. The fair value loss in 2019 was primarily due to a decline in the value of Alberta office properties and select U.S. properties, partially offset by capitalization rate compression and higher expected market rents in the industrial portfolio.

FOREIGN CURRENCY TRANSLATION GAIN (LOSS)

In 2019, Artis held cash, deposits and a portion of its revolving term credit facilities in US dollars. These assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. This translation resulted in a foreign currency translation gain of \$10,668 (Q4-19 - gain of \$4,804) in 2019, compared to a loss of \$8,113 (Q4-18 - loss of \$12,119) in 2018.

TRANSACTION COSTS

During 2019, \$301 (Q4-19 - \$84) of transaction costs were expensed, compared to \$6,418 (Q4-18 - \$488) in 2018. In Q1-18, Artis internalized the property management of several of its investment properties and terminated the third party property management contracts for an aggregate fee of \$5,025, which was included in transaction costs. The remaining transaction costs were attributable to the acquisitions of investment properties.

FAIR VALUE (LOSS) GAIN ON DERIVATIVE INSTRUMENTS AND OTHER TRANSACTIONS

Artis has entered into a number of interest rate swap contracts to effectively lock the interest rate on a portion of variable rate debt. The REIT recorded an unrealized loss on the fair value adjustment of the interest rate swaps outstanding of \$11,892 (Q4-19 - gain of \$3,537) in 2019, compared to an unrealized gain of \$221 (Q4-18 - loss of \$10,469) in 2018. The REIT anticipates holding the mortgages, non-revolving term credit facilities, senior unsecured debentures and related interest rate swap contracts until maturity.

Artis also recorded an unrealized loss of \$5,978 (Q4-19 - loss of \$3,432) in 2019 on the fair value of outstanding foreign currency contracts, compared to an unrealized gain of \$5,562 (Q4-18 - gain of \$7,199) in 2018.

INCOME TAX

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

The REIT's U.S. properties are owned by subsidiaries that are REITs for U.S. income tax purposes. These subsidiaries intend to distribute all of their U.S. taxable income to Canada and are entitled to deduct such distributions for U.S. income tax purposes. As a result, the REIT does not record a provision for current federal U.S. income taxes on the taxable income earned by these subsidiaries. These U.S. subsidiaries are subject to certain state taxes and a 30% to 35% withholding tax on distributions to Canada. Any withholding taxes paid are recorded with the related distributions.

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

OTHER COMPREHENSIVE (LOSS) INCOME

Other comprehensive (loss) income includes the unrealized foreign currency translation losses in the aggregate amount of \$72,339 (Q4-19 - losses of \$28,780) in 2019, compared to gains \$116,189 (Q4-18 - gains of \$77,121) in 2018. 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 2019.

Reconciliation of Net Income to FFO and AFFO

000's, except per unit amounts	Three months ended				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
	2019	2018			2019	2018		
Net income	\$ 32,877	\$ 7,220			\$ 122,737	\$ 158,636		
Add (deduct):								
Fair value loss on investment properties ⁽¹⁾	20,115	26,777			63,026	35,671		
Tenant inducements amortized to revenue ⁽¹⁾	6,427	5,385			24,136	20,649		
Transaction costs on acquisitions	84	488			301	1,393		
Strategic review costs	937	—			1,358	—		
Foreign currency translation (gain) loss	(4,804)	12,119			(10,668)	8,113		
Fair value (gain) loss on derivative instruments and other transactions ⁽¹⁾	(105)	3,357			16,379	(13,039)		
Deferred income tax (recovery) expense	(19)	—			317	—		
Remeasurement component of unit-based compensation	(531)	(946)			873	(1,510)		
Distributions on preferred shares treated as interest expense	44	44			178	174		
Incremental leasing costs	961	1,124			3,697	3,583		
Preferred unit distributions	(4,384)	(5,461)			(19,936)	(21,948)		
FFO	\$ 51,602	\$ 50,107	\$ 1,495	3.0 %	\$ 202,398	\$ 191,722	\$ 10,676	5.6 %
Add (deduct):								
Amortization of recoverable capital expenditures ⁽¹⁾	\$ (3,172)	\$ (2,716)			\$ (10,401)	\$ (9,383)		
Non-recoverable property maintenance reserve ⁽¹⁾	(1,100)	(950)			(3,950)	(3,800)		
Leasing costs reserve ⁽¹⁾	(7,700)	(7,560)			(30,520)	(30,530)		
Straight-line rent adjustments ⁽¹⁾	(1,858)	(1,337)			(7,009)	(6,998)		
AFFO	\$ 37,772	\$ 37,544	\$ 228	0.6 %	\$ 150,518	\$ 141,011	\$ 9,507	6.7 %
FFO per unit:								
Basic	\$ 0.37	\$ 0.33	\$ 0.04	12.1 %	\$ 1.42	\$ 1.25	\$ 0.17	13.6 %
Diluted	0.37	0.33	0.04	12.1 %	1.41	1.25	0.16	12.8 %
AFFO per unit:								
Basic	\$ 0.27	\$ 0.25	\$ 0.02	8.0 %	\$ 1.06	\$ 0.92	\$ 0.14	15.2 %
Diluted	0.27	0.24	0.03	12.5 %	1.05	0.92	0.13	14.1 %

(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 adjusted FFO and AFFO for \$1,358 (Q4-19 - \$937) in 2019 relating to the Special Committee's strategic review. Although the add-back of strategic review costs to arrive at FFO and AFFO is not in accordance with the guidelines set out by REALpac as issued in February 2019, management believes it provides a better representation of recurring FFO and AFFO.

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 normalized FFO and AFFO which excludes both of these adjustments.

000's, except per unit amounts	Three months ended				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
2019	2018	2019			2018			
FFO per above	\$ 51,602	\$ 50,107			\$ 202,398	\$ 191,722		
Add (deduct):								
Pension liability adjustment ⁽¹⁾	—	—			—	3,392		
Property management termination fees ⁽²⁾	—	—			—	5,025		
Normalized FFO	\$ 51,602	\$ 50,107	\$ 1,495	3.0 %	\$ 202,398	\$ 200,139	\$ 2,259	1.1 %
Normalized AFFO	\$ 37,772	\$ 37,544	\$ 228	0.6 %	\$ 150,518	\$ 149,428	\$ 1,090	0.7 %
Normalized FFO per unit:								
Basic	\$ 0.37	\$ 0.33	\$ 0.04	12.1 %	\$ 1.42	\$ 1.31	\$ 0.11	8.4 %
Diluted	0.37	0.33	0.04	12.1 %	1.41	1.30	0.11	8.5 %
Normalized AFFO per unit:								
Basic	\$ 0.27	\$ 0.25	\$ 0.02	8.0 %	\$ 1.06	\$ 0.98	\$ 0.08	8.2 %
Diluted	0.27	0.24	0.03	12.5 %	1.05	0.97	0.08	8.2 %

(1) In Q1-18, the REIT recorded a non-recurring pension liability adjustment to reflect the amounts that will be due upon expiry of key management personnel contracts.

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

FFO and AFFO in 2019 were impacted by acquisitions, dispositions and new developments completed in 2018 and 2019, year-over-year Same Property NOI growth and a higher US dollar to Canadian dollar average exchange rate in 2019 compared to 2018. Also contributing to the increase in per unit results is the decrease in the weighted-average number of units outstanding, primarily due to units acquired under the NCIB.

Actual capital expenditures are by nature variable and unpredictable. Recoverable capital expenditures are building improvement or property maintenance expenditures recovered from tenants over time. Management has deducted from AFFO the actual amortization of recoverable capital expenditures included in property operating expenses charged to tenants for the period. Approximately 81.2% (Q4-19 - 81.9%) is recoverable from tenants in 2019, compared to 81.1% (Q4-18 - 81.5%) in 2018. The non-recoverable property maintenance reserve reflects management's estimate of a normalized expenditure using the 2016, 2017, 2018 and 2019 actual expenditures and the 2020 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 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. Management calculates the leasing cost reserve to reflect the amortization of leasing costs over the related lease term.

The following reconciles the weighted-average number of basic common units to diluted common units:

(000's)	Three months ended		(000's)	Year ended	
	December 31,			December 31,	
	2019	2018		2019	2018
Basic units	137,938	153,138	Basic units	142,435	153,069
Add:			Add:		
Restricted units	639	480	Restricted units	535	427
Deferred units	472	93	Deferred units	281	73
Diluted units	139,049	153,711	Diluted units	143,251	153,569

PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at December 31, 2019, and the previous four periods, were as follows:

Occupancy Report by Asset Class ⁽¹⁾

	Q4-19 % Committed ⁽²⁾	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18
Office	89.2%	86.2%	87.1%	88.0%	87.1%	87.6%
Retail	91.4%	91.1%	93.4%	93.1%	92.9%	92.7%
Industrial	97.2%	95.8%	98.5%	96.8%	96.4%	96.2%
Total portfolio	93.4%	91.5%	93.3%	92.7%	92.0%	92.1%

Occupancy Report by Geographical Region ⁽¹⁾

	Q4-19 % Committed ⁽²⁾	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18
Canada:						
Alberta	84.9 %	84.7 %	87.7 %	87.7 %	85.2 %	87.0 %
British Columbia	92.8 %	92.6 %	93.6 %	99.2 %	98.5 %	95.0 %
Manitoba	94.6 %	91.1 %	90.8 %	91.0 %	91.0 %	90.2 %
Ontario	93.4 %	93.0 %	96.0 %	93.9 %	93.9 %	93.2 %
Saskatchewan	96.7 %	96.3 %	95.6 %	96.2 %	95.7 %	96.0 %
U.S.:						
Arizona	97.7 %	95.9 %	93.6 %	93.1 %	94.3 %	94.6 %
Minnesota	97.1 %	95.0 %	96.7 %	95.9 %	95.2 %	95.6 %
Wisconsin	91.6 %	90.7 %	90.5 %	89.4 %	88.2 %	88.7 %
Other	91.5 %	85.8 %	93.8 %	91.9 %	88.9 %	88.3 %
Total portfolio	93.4%	91.5%	93.3%	92.7%	92.0%	92.1%

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

(2) Percentage committed is based on occupancy at December 31, 2019, plus commitments on vacant space.

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES**Renewal Summary ⁽¹⁾**

	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18
Leasable area renewed (in S.F.)	558,544	362,669	353,870	332,258	537,165	249,051	349,313	522,283
Increase in weighted-average rental rate	8.1 %	8.7 %	4.0 %	(1.9)%	0.0 %	5.9 %	5.0 %	1.1 %

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

In 2019, 1,607,341 square feet were renewed at an increase in the weighted-average rental rate of 5.6% compared to 1,657,813 square feet renewed at an increase of 2.3% in 2018.

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

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

	Current vacancy	Monthly tenants ⁽²⁾	2020	2021	2022	2023	2024 & later	Total
Office - uncommitted	1,028,445	57,354	700,916	1,134,174	426,998	936,158	3,721,653	8,005,698
Office - committed	285,425	—	615,157	136,817	17,197	97,220	367,295	1,519,111
Total office	1,313,870	57,354	1,316,073	1,270,991	444,195	1,033,378	4,088,948	9,524,809
Retail - uncommitted	245,294	12,717	282,257	401,509	398,566	482,813	956,384	2,779,540
Retail - committed	7,534	—	39,509	1,294	—	—	28,130	76,467
Total retail	252,828	12,717	321,766	402,803	398,566	482,813	984,514	2,856,007
Industrial - uncommitted	330,235	—	914,664	1,620,019	1,610,032	904,800	5,708,107	11,087,857
Industrial - committed	168,070	—	229,248	61,872	103,146	3,014	325,771	891,121
Total industrial	498,305	—	1,143,912	1,681,891	1,713,178	907,814	6,033,878	11,978,978
Total - uncommitted	1,603,974	70,071	1,897,837	3,155,702	2,435,596	2,323,771	10,386,144	21,873,095
Total - committed	461,029	—	883,914	199,983	120,343	100,234	721,196	2,486,699
Total portfolio	2,065,003	70,071	2,781,751	3,355,685	2,555,939	2,424,005	11,107,340	24,359,794

(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 December 31, 2019, 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 do not allow for the impact of inflation, nor do they attempt to factor in anticipated higher (or lower) than normal periods of demand or market rent inflation due to specific market conditions.

Market Rents by Asset Class ⁽¹⁾

Canadian Portfolio:

	2020	2021	2022	2023	2024 & later	Total
Office:						
In-place rents	\$ 15.45	\$ 17.55	\$ 14.93	\$ 15.00	\$ 15.88	\$ 15.97
Market rents	15.93	14.26	15.68	17.15	16.73	16.20
Change	3.1 %	(18.7)%	5.0 %	14.3 %	5.4 %	1.4 %
Revenue impact ⁽²⁾	\$ 223	\$ (2,215)	\$ 41	\$ 1,393	\$ 1,341	\$ 783
Retail:						
In-place rents	\$ 23.47	\$ 24.61	\$ 21.53	\$ 25.14	\$ 22.48	\$ 23.28
Market rents	23.68	25.66	21.57	25.34	22.25	23.43
Change	0.9 %	4.3 %	0.2 %	0.8 %	(1.0)%	0.6 %
Revenue impact ⁽²⁾	\$ 69	\$ 425	\$ 15	\$ 97	\$ (228)	\$ 378
Industrial:						
In-place rents	\$ 8.01	\$ 7.75	\$ 7.40	\$ 7.80	\$ 10.21	\$ 8.83
Market rents	8.36	8.71	8.05	8.49	10.06	9.10
Change	4.4 %	12.4 %	8.8 %	8.8 %	(1.5)%	3.1 %
Revenue impact ⁽²⁾	\$ 350	\$ 540	\$ 647	\$ 285	\$ (351)	\$ 1,471
Total Canadian portfolio:						
In-place rents	\$ 12.71	\$ 15.90	\$ 11.56	\$ 16.23	\$ 14.48	\$ 14.27
Market rents	13.07	15.14	12.04	17.37	14.63	14.50
Change	2.8 %	(4.8)%	4.2 %	7.0 %	1.0 %	1.6 %
Revenue impact ⁽²⁾	\$ 642	\$ (1,250)	\$ 703	\$ 1,775	\$ 762	\$ 2,632

U.S. Portfolio:

	2020	2021	2022	2023	2024 & later	Total
Office:						
In-place rents	\$ 19.81	\$ 16.92	\$ 16.83	\$ 18.80	\$ 16.39	\$ 17.32
Market rents	20.82	17.35	18.76	18.51	16.54	17.79
Change	5.1 %	2.5 %	11.5 %	(1.5)%	0.9 %	2.7 %
Revenue impact ⁽²⁾	\$ 940	\$ 256	\$ 753	\$ (88)	\$ 374	\$ 2,235
Industrial:						
In-place rents	\$ 5.05	\$ 5.50	\$ 5.96	\$ 5.97	\$ 6.28	\$ 5.99
Market rents	5.24	5.43	5.62	5.82	6.22	5.90
Change	3.8 %	(1.3)%	(5.7)%	(2.5)%	(1.0)%	(1.5)%
Revenue impact ⁽²⁾	\$ 90	\$ (81)	\$ (249)	\$ (71)	\$ (230)	\$ (541)
Total U.S. portfolio:						
In-place rents	\$ 14.96	\$ 9.49	\$ 9.80	\$ 10.90	\$ 10.62	\$ 10.93
Market rents	15.70	9.59	10.26	10.70	10.64	11.09
Change	4.9 %	1.1 %	4.7 %	(1.8)%	0.2 %	1.5 %
Revenue impact ⁽²⁾	\$ 1,030	\$ 175	\$ 504	\$ (159)	\$ 144	\$ 1,694

(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 ⁽¹⁾:

	2020	2021	2022	2023	2024 & later	Total
Office:						
In-place rents	\$ 18.36	\$ 17.25	\$ 16.60	\$ 16.22	\$ 16.19	\$ 16.75
Market rents	19.19	15.71	18.38	17.58	16.61	17.12
Change	4.5 %	(8.9)%	10.7 %	8.4 %	2.6 %	2.2 %
Revenue impact ⁽²⁾	\$ 1,163	\$ (1,959)	\$ 794	\$ 1,305	\$ 1,715	\$ 3,018
Retail:						
In-place rents	\$ 23.47	\$ 24.61	\$ 21.53	\$ 25.14	\$ 22.48	\$ 23.28
Market rents	23.68	25.66	21.57	25.34	22.25	23.43
Change	0.9 %	4.3 %	0.2 %	0.8 %	(1.0)%	0.6 %
Revenue impact ⁽²⁾	\$ 69	\$ 425	\$ 15	\$ 97	\$ (228)	\$ 378
Industrial:						
In-place rents	\$ 7.09	\$ 6.26	\$ 6.80	\$ 6.81	\$ 7.91	\$ 7.31
Market rents	7.39	6.53	7.04	7.04	7.81	7.39
Change	4.2 %	4.3 %	3.5 %	3.4 %	(1.3)%	1.1 %
Revenue impact ⁽²⁾	\$ 440	\$ 459	\$ 398	\$ 214	\$ (581)	\$ 930
Total Canadian and U.S. portfolio:						
In-place rents	\$ 13.69	\$ 12.63	\$ 10.80	\$ 14.41	\$ 12.38	\$ 12.64
Market rents	14.22	12.31	11.27	15.10	12.46	12.83
Change	3.9 %	(2.5)%	4.4 %	4.8 %	0.6 %	1.5 %
Revenue impact ⁽²⁾	\$ 1,672	\$ (1,075)	\$ 1,207	\$ 1,616	\$ 906	\$ 4,326

(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 December 31, 2019, were estimated to be 1.5% above in-place rents across the portfolio, compared to 1.8% above in-place rents at September 30, 2019 and 1.3% above in-place rents at December 31, 2018. Today's market rents for the 2020 and 2021 lease expiries are estimated to be 3.9% above and 2.5% below in-place rents, respectively. The office segment is expected to be the strongest contributor to incremental rental revenue over the long-term.

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

	Current vacancy	Monthly tenants ⁽²⁾	2020	2021	2022	2023	2024 & later	Total
AB - uncommitted	534,113	24,238	206,982	548,955	231,424	674,443	1,174,436	3,394,591
AB - committed	7,404	—	4,539	1,294	—	800	123,513	137,550
Total Alberta	541,517	24,238	211,521	550,249	231,424	675,243	1,297,949	3,532,141
BC - uncommitted	30,639	—	14,665	47,830	9,716	66,727	229,915	399,492
BC - committed	962	—	12,187	5,271	10,292	—	—	28,712
Total British Columbia	31,601	—	26,852	53,101	20,008	66,727	229,915	428,204
MB - uncommitted	200,038	7,530	400,828	559,661	291,573	339,489	1,396,598	3,195,717
MB - committed	133,852	—	302,893	55,095	2,625	11,601	35,245	541,311
Total Manitoba	333,890	7,530	703,721	614,756	294,198	351,090	1,431,843	3,737,028
ON - uncommitted	237,731	1,011	281,424	316,830	584,701	345,262	1,296,068	3,063,027
ON - committed	16,827	—	86,664	—	7,649	81,485	360,788	553,413
Total Ontario	254,558	1,011	368,088	316,830	592,350	426,747	1,656,856	3,616,440
SK - uncommitted	43,134	2,065	67,162	106,285	314,828	105,735	608,204	1,247,413
SK - committed	5,131	—	17,885	—	—	—	22,980	45,996
Total Saskatchewan	48,265	2,065	85,047	106,285	314,828	105,735	631,184	1,293,409
AZ - uncommitted	43,775	3,562	167,029	258,700	129,234	116,835	904,187	1,623,322
AZ - committed	33,213	—	208,483	—	—	—	18,587	260,283
Total Arizona	76,988	3,562	375,512	258,700	129,234	116,835	922,774	1,883,605
MN - uncommitted	171,148	—	473,228	1,160,011	594,419	469,386	2,411,641	5,279,833
MN - committed	116,763	—	197,859	112,775	92,872	6,348	—	526,617
Total Minnesota	287,911	—	671,087	1,272,786	687,291	475,734	2,411,641	5,806,450
WI - uncommitted	145,414	25,764	208,471	83,528	89,664	48,207	892,279	1,493,327
WI - committed	15,367	—	35,727	25,548	6,905	—	160,083	243,630
Total Wisconsin	160,781	25,764	244,198	109,076	96,569	48,207	1,052,362	1,736,957
U.S. - Other - uncommitted	197,982	5,901	78,048	73,902	190,037	157,687	1,472,816	2,176,373
U.S. - Other - committed	131,510	—	17,677	—	—	—	—	149,187
Total U.S. - Other	329,492	5,901	95,725	73,902	190,037	157,687	1,472,816	2,325,560
Total - uncommitted	1,603,974	70,071	1,897,837	3,155,702	2,435,596	2,323,771	10,386,144	21,873,095
Total - committed	461,029	—	883,914	199,983	120,343	100,234	721,196	2,486,699
Total portfolio	2,065,003	70,071	2,781,751	3,355,685	2,555,939	2,424,005	11,107,340	24,359,794

(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 ⁽¹⁾

	2020	2021	2022	2023	2024 & later	Total
Alberta:						
In-place rents	\$ 22.80	\$ 21.65	\$ 24.76	\$ 18.45	\$ 18.37	\$ 19.81
Market rents	22.18	18.22	25.26	20.57	19.17	20.00
Change	(2.7)%	(15.8)%	2.0 %	11.5 %	4.4 %	1.0 %
Revenue impact ⁽²⁾	\$ (130)	\$ (1,886)	\$ 116	\$ 1,428	\$ 1,045	\$ 573
British Columbia:						
In-place rents	\$ 24.43	\$ 20.34	\$ 24.62	\$ 25.31	\$ 16.53	\$ 19.46
Market rents	27.90	25.31	26.47	27.64	15.56	20.28
Change	14.2 %	24.4 %	7.5 %	9.2 %	(5.9)%	4.2 %
Revenue impact ⁽²⁾	\$ 94	\$ 264	\$ 37	\$ 155	\$ (223)	\$ 327
Manitoba:						
In-place rents	\$ 12.18	\$ 13.10	\$ 8.98	\$ 11.71	\$ 13.29	\$ 12.49
Market rents	12.02	12.67	8.57	11.63	13.25	12.32
Change	(1.3)%	(3.3)%	(4.6)%	(0.7)%	(0.3)%	(1.4)%
Revenue impact ⁽²⁾	\$ (108)	\$ (264)	\$ (120)	\$ (29)	\$ (65)	\$ (586)
Ontario:						
In-place rents	\$ 9.34	\$ 8.09	\$ 6.74	\$ 13.03	\$ 10.94	\$ 9.78
Market rents	10.02	10.23	8.23	13.57	11.32	10.61
Change	7.3 %	26.5 %	22.1 %	4.1 %	3.5 %	8.5 %
Revenue impact ⁽²⁾	\$ 520	\$ 676	\$ 877	\$ 187	\$ 517	\$ 2,777
Saskatchewan:						
In-place rents	\$ 18.65	\$ 23.45	\$ 12.50	\$ 21.79	\$ 15.91	\$ 16.38
Market rents	21.78	23.07	11.84	22.11	15.10	16.01
Change	16.8 %	(1.6)%	(5.3)%	1.5 %	(5.1)%	(2.3)%
Revenue impact ⁽²⁾	\$ 266	\$ (40)	\$ (207)	\$ 34	\$ (512)	\$ (459)
Arizona:						
In-place rents	\$ 23.50	\$ 15.56	\$ 18.16	\$ 19.47	\$ 12.81	\$ 16.24
Market rents	25.00	16.75	18.05	19.02	12.68	16.63
Change	6.4 %	7.6 %	(0.6)%	(2.3)%	(1.0)%	2.4 %
Revenue impact ⁽²⁾	\$ 564	\$ 309	\$ (15)	\$ (53)	\$ (116)	\$ 689
Minnesota:						
In-place rents	\$ 9.76	\$ 7.44	\$ 7.31	\$ 7.06	\$ 9.77	\$ 8.69
Market rents	10.46	7.30	8.17	7.06	9.63	8.79
Change	7.2 %	(1.9)%	11.8 %	0.0 %	(1.4)%	1.2 %
Revenue impact ⁽²⁾	\$ 466	\$ (174)	\$ 595	\$ 1	\$ (317)	\$ 571
Wisconsin:						
In-place rents	\$ 15.46	\$ 15.60	\$ 16.65	\$ 15.31	\$ 12.97	\$ 13.85
Market rents	15.71	16.10	16.37	15.15	13.35	14.16
Change	1.6 %	3.2 %	(1.7)%	(1.0)%	2.9 %	2.2 %
Revenue impact ⁽²⁾	\$ 61	\$ 54	\$ (27)	\$ (8)	\$ 394	\$ 474
U.S. - Other:						
In-place rents	\$ 16.59	\$ 14.45	\$ 9.65	\$ 14.77	\$ 8.95	\$ 10.05
Market rents	15.95	14.27	9.39	14.15	9.08	10.03
Change	(3.9)%	(1.2)%	(2.7)%	(4.2)%	1.5 %	(0.2)%
Revenue impact ⁽²⁾	\$ (61)	\$ (14)	\$ (49)	\$ (99)	\$ 183	\$ (40)
Total portfolio:						
In-place rents	\$ 13.69	\$ 12.63	\$ 10.80	\$ 14.41	\$ 12.38	\$ 12.64
Market rents	14.22	12.31	11.27	15.10	12.46	12.83
Change	3.9 %	(2.5)%	4.4 %	4.8 %	0.6 %	1.5 %
Revenue impact ⁽²⁾	\$ 1,672	\$ (1,075)	\$ 1,207	\$ 1,616	\$ 906	\$ 4,326

(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. For the three months ended December 31, 2019, the five largest segments of the REIT's portfolio (by Proportionate Share Property NOI) were Twin Cities Area office, Madison office, Twin Cities Area industrial, Greater Toronto Area industrial and Greater Phoenix Area office.

Twin Cities Area Office Segment

The Twin Cities Area office segment represents 10.7% of the Q4-19 Proportionate Share Property NOI and 7.5% of the overall portfolio by GLA. Direct vacancy in the Twin Cities Area office market, as reported by CBRE, was 18.5% at December 31, 2019, compared to 18.0% at September 30, 2019. At December 31, 2019, the Twin Cities Area office segment of Artis' portfolio was 91.3% occupied, increased from 90.9% at September 30, 2019. In 2020, 317,060 square feet comes up for renewal, which represents 1.3% of the total portfolio GLA; 31.1% was renewed or committed to new leases at December 31, 2019. Of the total Twin Cities Area office GLA, 47.3% expires in 2024 or later.

Madison Office Segment

The Madison office segment represents 9.5% of the Q4-19 Proportionate Share Property NOI and 7.0% of the overall portfolio by GLA. At December 31, 2019, the Madison office segment of Artis' portfolio was 90.7% occupied, increased from 90.5% at September 30, 2019. In 2020, 244,198 square feet comes up for renewal, which represents 1.0% of the total portfolio GLA; 14.6% was renewed or committed to new leases at December 31, 2019. Of the total Madison office GLA, 60.6% expires in 2024 or later.

Twin Cities Area Industrial Segment

The Twin Cities Area industrial segment represents 9.2% of the Q4-19 Proportionate Share Property NOI and 15.9% of the overall portfolio by GLA. Direct vacancy in the Twin Cities Area industrial market, as reported by CBRE, was 4.4% at December 31, 2019, unchanged from September 30, 2019. The average asking market lease rate was \$6.46 per square foot at December 31, 2019, compared to \$6.55 per square foot at September 30, 2019. Occupancy in this segment of the portfolio was 96.8% at December 31, 2019, compared to 99.1% reported at September 30, 2019. In 2020, 354,027 square feet comes up for renewal, which represents 1.4% of the total portfolio GLA; 28.0% was renewed or committed to new leases at December 31, 2019. Of Artis' total Twin Cities Area industrial GLA, 38.8% expires in 2024 or later.

Greater Toronto Area Industrial Segment

The Greater Toronto Area industrial segment represents 6.5% of the Q4-19 Proportionate Share Property NOI and 10.2% of the overall portfolio by GLA. Overall direct vacancy in the Greater Toronto Area industrial market, as reported by CBRE, was 0.8% at December 31, 2019. At December 31, 2019, the Greater Toronto Area industrial segment of Artis' portfolio was 99.9% occupied, compared to 100.0% at September 30, 2019. In 2020, 604,387 square feet comes up for renewal, which represents 2.4% of the total portfolio GLA; 55.9% was renewed or committed to new leases at December 31, 2019. Of Artis' Greater Toronto Area industrial GLA, 35.3% expires in 2024 or later.

Greater Phoenix Area Office Segment

The Greater Phoenix Area office segment represents 6.1% of the Q4-19 Proportionate Share Property NOI and 3.9% of the overall portfolio by GLA. Overall direct vacancy in the Greater Phoenix Area office market, as reported by CBRE, was 14.1% at December 31, 2019, compared to 14.4% at September 30, 2019. At December 31, 2019, the Greater Phoenix Area office segment of Artis' portfolio was 93.6% occupied, increased from 92.4% at September 30, 2019. In 2020, 318,354 square feet comes up for renewal, which represents 1.3% of the total portfolio GLA; 65.5% was renewed or committed to new leases at December 31, 2019. Of Artis' Greater Phoenix Area office GLA, 24.7% expires in 2024 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.

	December 31, 2019			December 31, 2018		
	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share
ASSETS						
Non-current assets:						
Investment properties	\$ 4,618,719	\$ 306,051	\$ 4,924,770	\$ 4,941,825	\$ 255,661	\$ 5,197,486
Investment properties under development	102,590	—	102,590	119,604	40,635	160,239
Investments in joint ventures	186,610	(186,610)	—	176,501	(176,501)	—
Property and equipment	7,786	—	7,786	6,533	—	6,533
Notes receivable	93,832	—	93,832	16,216	—	16,216
	5,009,537	119,441	5,128,978	5,260,679	119,795	5,380,474
Current assets:						
Investment properties held for sale	221,915	—	221,915	320,465	—	320,465
Inventory properties	14,632	—	14,632	11,227	—	11,227
Deposits on investment properties	—	—	—	2,237	—	2,237
Prepaid expenses and other assets	10,533	86	10,619	20,582	244	20,826
Notes receivable	3,996	—	3,996	4,543	—	4,543
Accounts receivable and other receivables	21,013	1,281	22,294	21,101	822	21,923
Cash held in trust	5,938	—	5,938	10,200	—	10,200
Cash	42,455	9,207	51,662	66,143	3,808	69,951
	320,482	10,574	331,056	456,498	4,874	461,372
Total assets	\$ 5,330,019	\$ 130,015	\$ 5,460,034	\$ 5,717,177	\$ 124,669	\$ 5,841,846
LIABILITIES AND UNITHOLDERS' EQUITY						
Non-current liabilities:						
Mortgages and loans payable	\$ 1,005,196	\$ 93,977	\$ 1,099,173	\$ 1,272,452	\$ 44,017	\$ 1,316,469
Senior unsecured debentures	249,372	—	249,372	199,565	—	199,565
Credit facilities	886,522	—	886,522	772,538	—	772,538
Other long-term liabilities	1,000	—	1,000	8,319	—	8,319
	2,142,090	93,977	2,236,067	2,252,874	44,017	2,296,891
Current liabilities:						
Mortgages and loans payable	396,152	27,598	423,750	412,558	59,068	471,626
Senior unsecured debentures	199,959	—	199,959	199,971	—	199,971
Security deposits and prepaid rent	32,834	3,483	36,317	35,842	3,264	39,106
Accounts payable and other liabilities	88,231	4,957	93,188	77,887	18,320	96,207
	717,176	36,038	753,214	726,258	80,652	806,910
Total liabilities	2,859,266	130,015	2,989,281	2,979,132	124,669	3,103,801
Unitholders' equity	2,470,753	—	2,470,753	2,738,045	—	2,738,045
Total liabilities and unitholders' equity	\$ 5,330,019	\$ 130,015	\$ 5,460,034	\$ 5,717,177	\$ 124,669	\$ 5,841,846

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

BALANCE SHEET METRICS**NAV per Unit**

000's, except unit and per unit amounts	December 31, 2019		December 31, 2018		Change
Unitholders' equity	\$	2,470,753	\$	2,738,045	\$ (267,292)
Less value of preferred equity ⁽¹⁾		(305,530)		(390,945)	85,415
NAV attributable to common unitholders	\$	2,165,223	\$	2,347,100	\$ (181,877)
Total number of dilutive units outstanding:					
Common units		137,956,523		150,282,829	(12,326,306)
Restricted units		694,034		546,573	147,461
Deferred units		472,451		92,673	379,778
		139,123,008		150,922,075	(11,799,067)
NAV per unit	\$	15.56	\$	15.55	\$ 0.01

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

Unitholders' equity decreased year-over-year due to units purchased through the NCIB, distributions made to unitholders, the redemption of the Series G preferred units, and other comprehensive loss, partially offset by net income. Preferred equity decreased year-over-year primarily due to the redemption of the Series G preferred units. The total number of dilutive units outstanding has decreased year-over-year primarily due to units purchased through the NCIB.

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

	IFRS		Proportionate Share	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
GBV	\$ 5,336,529	\$ 5,722,580	\$ 5,466,544	\$ 5,847,249
Secured mortgages and loans	1,401,348	1,685,010	1,522,923	1,788,095
Secured mortgages and loans to GBV	26.3 %	29.4 %	27.9 %	30.6 %
Preferred shares liability	\$ 622	\$ 653	\$ 622	\$ 653
Carrying value of debentures	449,331	399,536	449,331	399,536
Credit facilities	886,522	772,538	886,522	772,538
Total long-term debt and credit facilities	\$ 2,737,823	\$ 2,857,737	\$ 2,859,398	\$ 2,960,822
Total long-term debt and credit facilities to GBV	51.3 %	49.9 %	52.3 %	50.6 %

Under the terms of the REIT's Declaration of Trust, the total indebtedness of the REIT is limited to 70% of GBV.

Unencumbered Assets to Unsecured Debt Ratios

	IFRS		Proportionate Share	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Unencumbered assets	\$ 1,926,661	\$ 1,805,382	\$ 1,968,369	\$ 1,847,443
Senior unsecured debentures	449,331	399,536	449,331	399,536
Unsecured credit facilities	886,522	772,538	886,522	772,538
Total unsecured debt	\$ 1,335,853	\$ 1,172,074	\$ 1,335,853	\$ 1,172,074
Unencumbered assets to unsecured debt	1.4	1.5	1.5	1.6

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 ⁽¹⁾	Total Proportionate Share
Balance, December 31, 2018	\$ 5,381,894	\$ 296,296	\$ 5,678,190
Additions:			
Acquisitions	71,635	—	71,635
Reclassifications from investments in joint ventures ⁽²⁾	66,765	(66,765)	—
Capital expenditures			
Investment properties	45,766	193	45,959
Investment properties under development	82,994	43,796	126,790
Capitalized interest ⁽³⁾	3,740	1,972	5,712
Leasing commissions	16,741	3,638	20,379
Straight-line rent adjustments	6,077	932	7,009
Tenant inducement additions, net of amortization	20,427	4,596	25,023
Dispositions	(547,764)	—	(547,764)
Foreign currency translation loss	(110,324)	(10,308)	(120,632)
Fair value (loss) gain	(94,727)	31,701	(63,026)
Balance, December 31, 2019	\$ 4,943,224	\$ 306,051	\$ 5,249,275

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

(2) On May 16, 2019, the REIT increased its ownership interest in Park 8Ninety I to 100%.

(3) During 2019, interest was capitalized to investment properties under development at a weighted-average effective interest rate of 3.81%.

Acquisitions ⁽¹⁾:

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

	Three months ended				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
2019	2018	2019			2018			
Issuance of units	\$ —	\$ —	\$ —		\$ —	\$ 43,651	\$ (43,651)	
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	32,783	45,415	(12,632)		34,109	83,803	(49,694)	
Cash consideration	27,409	42,333	(14,924)		36,349	122,506	(86,157)	
Bargain purchase gains	—	—	—		1,106	5,384	(4,278)	
Foreign currency translation gain	—	—	—		—	968	(968)	
Other net liabilities	—	92	(92)		71	92	(21)	
Total acquisitions	\$ 60,192	\$ 87,840	\$ (27,648)	(31.5)%	\$ 71,635	\$ 256,404	\$ (184,769)	(72.1)%

Capital expenditures ⁽¹⁾:

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				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
2019	2018	2019			2018			
New and (re)development expenditures	\$ 15,441	\$ 50,577	\$ (35,136)		\$ 126,790	\$ 82,606	\$ 44,184	
Building improvements expenditures:								
Recoverable from tenants	3,434	3,362	72		8,504	7,406	1,098	
Non-recoverable	5,396	2,607	2,789		19,329	18,257	1,072	
Property maintenance expenditures:								
Recoverable from tenants	6,023	3,548	2,475		13,550	8,597	4,953	
Non-recoverable	803	960	(157)		4,576	4,578	(2)	
Total capital expenditures	\$ 31,097	\$ 61,054	\$ (29,957)	(49.1)%	\$ 172,749	\$ 121,444	\$ 51,305	42.2%

(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 2019, new and (re)development expenditures included \$53,820 for 300 Main and 330 Main, \$25,329 for Park 8Ninety II, \$13,752 for Tower Business Center, and \$13,570 for Cedar Port I.

In 2018, new and (re)development expenditures included \$20,135 for 300 Main and 330 Main, \$19,546 for Cedar Port I, \$12,005 for Tower Business Center and \$11,691 for Park 8Ninety II.

Leasing costs ⁽¹⁾:

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				Year ended			
	December 31,		Change	% Change	December 31,		Change	% Change
2019	2018	2019			2018			
Investment property leasing costs:								
Tenant inducements	\$ 9,606	\$ 8,283	\$ 1,323		\$ 38,412	\$ 44,054	\$ (5,642)	
Leasing commissions	3,949	4,124	(175)		15,415	11,021	4,394	
Investment property (re)development related leasing costs:								
Tenant inducements	2,676	6,206	(3,530)		10,747	9,746	1,001	
Leasing commissions	2,979	1,986	993		4,964	4,960	4	
Total leasing costs	\$ 19,210	\$ 20,599	\$ (1,389)	(6.7)%	\$ 69,538	\$ 69,781	\$ (243)	(0.3)%

(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 2019, tenant inducements related to new and (re)developments included \$2,839 for Tower Business Center, \$1,732 for Park 8Ninety II, \$1,555 for Cedar Port I and \$1,142 for Park 8Ninety III.

Dispositions:

During 2019, Artis sold five office and six retail properties in Canada and three office and six retail properties and two parcel of development land in the U.S., for an aggregate sale price of \$575,871. The aggregate sale proceeds, net of a note receivable of \$79,000, costs of \$24,391 and related debt of \$224,661, were \$247,819. The note receivable is secured by the disposed office property.

Foreign currency translation loss on investment properties:

In 2019, the Proportionate Share foreign currency translation loss on investment properties was \$120,632 (Q4-19 - loss of \$45,467) due to the change in the period end US dollar to Canadian dollar exchange rate from 1.3642 at December 31, 2018 to 1.2988 at December 31, 2019.

Investment properties held for sale:

At December 31, 2019, the REIT had seven office properties, one retail property and one parcel of development land located in Canada, with an aggregate Proportionate Share fair value of \$221,915 classified as held for sale. These properties were listed for sale with external brokers or under unconditional sale agreements at December 31, 2019.

Completed new development properties:

In 2019, Artis completed the development of Cedar Port I, Park Lucero IV, Park 8Ninety III, Park 8Ninety II and Tower Business Center, as discussed in the Portfolio Summary section of this MD&A.

Fair value loss on investment properties:

During 2019, the REIT recorded a loss on the Proportionate Share fair value of investment properties of \$63,026 (Q4-19 - loss of \$20,115, compared to a loss of \$35,671 (Q4-18 - loss of \$26,777) in 2018. The fair value loss in 2019 was primarily due to a decline in the value of Alberta office properties and select U.S. properties, partially offset by capitalization rate compression and higher expected market rents in the industrial portfolio.

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 3.75% to 9.00%. 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 following table.

	December 31, 2019			December 31, 2018		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
Alberta	9.00%	6.50%	8.38%	8.50%	6.50%	7.82%
British Columbia	5.50%	4.75%	4.94%	5.75%	4.75%	5.06%
Manitoba	7.75%	5.00%	6.12%	7.50%	5.50%	6.10%
Ontario	7.00%	5.50%	6.47%	7.00%	4.75%	6.01%
Saskatchewan	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Total Canadian office portfolio	9.00%	4.75%	6.58%	8.50%	4.75%	6.43%
Arizona	8.00%	6.00%	6.67%	8.00%	5.75%	6.41%
Minnesota	7.75%	6.00%	6.92%	7.50%	6.00%	7.03%
Wisconsin	8.00%	7.00%	7.57%	7.75%	7.00%	7.56%
U.S. - Other	7.75%	6.00%	6.27%	7.25%	5.75%	6.23%
Total U.S. office portfolio	8.00%	6.00%	6.96%	8.00%	5.75%	6.83%
Total office portfolio	9.00%	4.75%	6.77%	8.50%	4.75%	6.62%
Retail:						
Alberta	8.75%	5.50%	6.64%	8.75%	5.75%	6.60%
British Columbia	5.25%	5.25%	5.25%	6.50%	5.25%	5.69%
Manitoba	6.25%	5.50%	6.13%	6.25%	5.75%	6.06%
Saskatchewan	8.25%	6.00%	6.85%	8.25%	6.00%	6.49%
Total Canadian retail portfolio	8.75%	5.25%	6.53%	8.75%	5.25%	6.41%
Minnesota	—	—	—	8.50%	5.75%	6.98%
Total U.S. retail portfolio	—	—	—	8.50%	5.75%	6.98%
Total retail portfolio	8.75%	5.25%	6.53%	8.75%	5.25%	6.44%
Industrial:						
Alberta	7.50%	5.50%	6.46%	7.50%	5.75%	6.42%
British Columbia	4.00%	3.75%	3.84%	4.00%	3.75%	3.84%
Manitoba	7.50%	6.00%	6.58%	7.75%	6.25%	6.82%
Ontario	5.25%	3.75%	4.61%	6.00%	4.25%	5.35%
Saskatchewan	7.50%	6.25%	6.82%	7.50%	6.25%	6.82%
Total Canadian industrial portfolio	7.50%	3.75%	5.52%	7.75%	3.75%	5.96%
Arizona	6.25%	5.75%	6.01%	6.50%	6.00%	6.21%
Minnesota	7.75%	5.50%	6.53%	8.00%	6.00%	6.81%
U.S. - Other	7.00%	4.75%	5.46%	7.00%	5.25%	5.64%
Total U.S. industrial portfolio	7.75%	4.75%	6.09%	8.00%	5.25%	6.47%
Total industrial portfolio	7.75%	3.75%	5.76%	8.00%	3.75%	6.17%
Total:						
Canadian portfolio	9.00%	3.75%	6.23%	8.75%	3.75%	6.30%
U.S. portfolio	8.00%	4.75%	6.63%	8.50%	5.25%	6.72%
Total portfolio	9.00%	3.75%	6.38%	8.75%	3.75%	6.46%

Inventory Properties

At December 31, 2019, inventory properties included one industrial property. The REIT is undergoing the conversion of this property into commercial condominium units.

Notes Receivable

On September 27, 2019, the REIT disposed of 415 Yonge Street and received as partial consideration a note receivable in the amount of \$79,000. The REIT will receive monthly interest-only payments at a rate of 5.05% per annum. The note receivable is secured by the office property and matures in July 2022.

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 December 31, 2019 was \$8,554 (December 31, 2018, \$10,814). 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. Subsequent to the end of the year, Artis sold TransAlta Place, inclusive of the outstanding note receivable.

The balance outstanding on all notes receivable at December 31, 2019 was \$97,828, compared to \$20,759 at December 31, 2018.

Cash

At December 31, 2019, the REIT had \$42,455 of cash on hand, compared to \$66,143 at December 31, 2018. The balance is anticipated to be invested in investment properties in subsequent periods, used for working capital purposes, for debt repayment or for unit purchases under the NCIB. 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 December 31, 2019 was 2.4 years, compared to 3.3 years at December 31, 2018.

At December 31, 2019, Artis had mortgages and loans payable outstanding, as follows:

Canadian Portfolio:

	IFRS		Proportionate Share	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Fixed rate mortgages	\$ 376,010	\$ 466,539	\$ 408,718	\$ 500,301
Variable rate mortgages:				
Hedged	108,927	138,171	108,927	138,171
Unhedged	72,300	49,312	72,300	49,312
Net above- and below-market mortgage adjustments	(43)	(59)	(43)	(59)
Financing costs	(1,491)	(1,671)	(1,563)	(1,757)
	\$ 555,703	\$ 652,292	\$ 588,339	\$ 685,968

U.S. Portfolio:

	IFRS		Proportionate Share	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Fixed rate mortgages	\$ 73,855	\$ 209,048	\$ 85,269	\$ 221,335
Variable rate mortgages:				
Hedged	271,802	396,070	271,802	396,070
Unhedged	500,507	431,531	578,660	489,315
Net above- and below-market mortgage adjustments	3,213	1,234	3,213	1,234
Financing costs	(3,732)	(5,165)	(4,360)	(5,827)
	\$ 845,645	\$ 1,032,718	\$ 934,584	\$ 1,102,127

Total Canadian and U.S. Portfolio:

	IFRS		Proportionate Share	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Fixed rate mortgages	\$ 449,865	\$ 675,587	\$ 493,987	\$ 721,636
Variable rate mortgages:				
Hedged	380,729	534,241	380,729	534,241
Unhedged	572,807	480,843	650,960	538,627
Net above- and below-market mortgage adjustments	3,170	1,175	3,170	1,175
Financing costs	(5,223)	(6,836)	(5,923)	(7,584)
	\$ 1,401,348	\$ 1,685,010	\$ 1,522,923	\$ 1,788,095
% of unhedged variable rate mortgage debt of total debt, including credit facilities and debentures	20.9 %	16.8 %	22.7 %	18.1 %

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 ⁽¹⁾	Total Proportionate Share
Balance, December 31, 2018	\$ 1,690,671	\$ 103,833	\$ 1,794,504
Add (deduct):			
New variable rate mortgage on acquisition of investment property	33,231	—	33,231
Assumed variable rate mortgage on acquisition of investment property	33,278	(31,614)	1,664
Uplift upon renewal of maturing mortgages	15,754	—	15,754
Draws on variable rate construction loans	71	55,069	55,140
Repayment of variable rate mortgage related to sale of investment property	(18,821)	—	(18,821)
Repayment of hedged mortgages related to the sale of investment properties	(51,361)	—	(51,361)
Repayment of fixed rate mortgages related to sale of investment properties	(154,479)	—	(154,479)
Repayment of maturing fixed rate mortgages	(43,014)	—	(43,014)
Repayment of maturing variable rate mortgage	(10,949)	—	(10,949)
Principal repayments	(44,288)	(1,344)	(45,632)
Foreign currency translation gain	(46,692)	(3,669)	(50,361)
Balance, December 31, 2019	\$ 1,403,401	\$ 122,275	\$ 1,525,676

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

Additionally, during 2019, the REIT renewed a maturing fixed rate mortgage in the amount of \$40,874, renewed a previously hedged mortgage at a variable rate in the amount of \$48,010 and renewed a variable rate mortgage in the amount of \$26,688 for a property held under a joint venture arrangement.

Senior Unsecured Debentures

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

Issued	Maturity	Interest rate ⁽¹⁾	December 31, 2019		December 31, 2018		
			Carrying value	Face value	Carrying value	Face value	
Series A	March 27, 2014, September 10, 2014	March 27, 2019	3.753 %	\$ —	\$ —	\$ 199,971	\$ 200,000
Series B	February 7, 2018	February 7, 2020	3.354 %	199,959	200,000	199,565	200,000
Series C	February 22, 2019	February 22, 2021	3.674 %	249,372	250,000	—	—
				\$ 449,331	\$ 450,000	\$ 399,536	\$ 400,000

(1) The REIT has entered into an interest swap agreement on the Series B senior unsecured debentures.

At December 31, 2019, the carrying value of the senior unsecured debentures increased \$49,795 compared to December 31, 2018. The change is primarily due to the issuance of the Series C senior unsecured debentures on February 22, 2019, partially offset by the repayment of the Series A senior unsecured debentures on March 27, 2019.

Credit Facilities

The REIT has unsecured revolving credit facilities in the aggregate amount of \$700,000. The first tranche of the revolving credit facilities in the amount of \$400,000 matures on December 14, 2021. The second tranche of the revolving credit facilities in the amount of \$300,000 matures on April 29, 2023. The REIT can draw on the revolving credit facilities in Canadian or US dollars. Amounts drawn on the revolving credit facilities in Canadian dollars bear interest at the bankers' acceptance rate plus 1.70% or at prime plus 0.70%. Amounts drawn on the revolving credit facilities in US dollars bear interest at LIBOR plus 1.70% or at the U.S. base rate plus 0.70%. At December 31, 2019, there was \$588,111 drawn on these facilities (December 31, 2018, \$474,707).

The REIT has two unsecured non-revolving credit facilities in the aggregate amount of \$300,000. The first non-revolving credit facility of \$150,000 matures on July 6, 2022 and the second non-revolving credit facility of \$150,000 matures on July 18, 2022. Amounts drawn on the non-revolving credit facilities bear interest at 3.57% and 3.50%, respectively. At December 31, 2019, there was \$300,000 drawn on these facilities (December 31, 2018, \$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 \$7,458, which was paid subsequent to the end of the year.

UNITHOLDERS' EQUITY

Unitholders' equity decreased overall by \$267,292 between December 31, 2018 and December 31, 2019. The decrease was primarily due to common units of \$161,976 and preferred units of \$6,687 purchased through the NCIB, partially offset by the related contributed surplus of \$24,394. Also contributing to the decrease was the redemption of preferred units of \$75,710 and related contributed surplus of \$2,753, distributions made to unitholders of \$96,705 and other comprehensive loss of \$71,668, partially offset by net income of \$122,737 and the issuance of common units for \$1,076.

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 period, 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 December 31, 2019	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Cash flow from operations	\$ 46,471	\$ 203,850	\$ 213,727	\$ 214,005
Net income	32,877	122,737	158,636	234,435
Distributions declared	23,006	96,332	173,408	181,052
Excess of cash flow from operations over distributions declared	23,465	107,518	40,319	32,953
Excess (shortfall) of net income over distributions declared	9,871	26,405	(14,772)	53,383

Artis' primary objective is to provide tax-efficient monthly cash distributions. The shortfall of net income over distributions declared during 2018 was primarily due to the non-cash impact of the fair value losses on investment properties.

CAPITAL RESOURCES

At December 31, 2019, Artis had \$42,455 of cash on hand. Management anticipates that the cash on hand may be invested in the REIT's portfolio of investment properties in subsequent periods, used for working capital purposes and for debt repayment or for unit purchases under the NCIB.

The REIT has two unsecured revolving term credit facilities in the aggregate amount of \$700,000, 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 December 31, 2019, the REIT had \$111,889 available on its revolving term credit facilities.

At December 31, 2019, the REIT had 102 unencumbered properties and six unencumbered parcels of development land, inclusive of properties held in joint venture arrangements, representing a Proportionate Share fair value of \$1,968,369.

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 December 31, 2019.

The REIT's management expects to meet all of its short-term obligations and capital commitments with respect to investment properties and new developments in process through funds generated from operations, from the proceeds of mortgage financing, drawing on unsecured credit facilities, from the issuance of new debentures or units and from cash on hand.

DEBT METRICS**EBITDA Interest Coverage Ratio ⁽¹⁾**

	Three months ended		Year ended	
	December 31,		December 31,	
	2019	2018	2019	2018
Net income	\$ 32,877	\$ 7,220	\$ 122,737	\$ 158,636
Add (deduct):				
Tenant inducements amortized to revenue	6,254	5,152	23,385	19,761
Straight-line rent adjustments	(1,579)	(1,090)	(6,077)	(5,491)
Interest expense	26,299	26,853	108,809	101,164
Adjustment for investments in joint ventures ⁽²⁾	(10,748)	4,462	(27,510)	1,848
Fair value loss on investment properties	31,863	23,576	94,727	37,099
Foreign currency translation (gain) loss	(4,804)	12,119	(10,668)	8,113
Transaction costs	84	488	301	6,418
Fair value (gain) loss on derivative instruments and other transactions	(105)	3,357	16,379	(11,342)
Depreciation of property and equipment	301	249	1,130	1,049
Income tax expense	605	64	1,816	527
EBITDA	81,047	82,450	325,029	317,782
Interest expense	26,299	26,853	108,809	101,164
Add (deduct):				
Amortization of financing costs	(960)	(977)	(3,857)	(3,602)
Amortization of above- and below-market mortgages, net	185	29	434	271
Accretion on liability component of debentures	—	56	51	216
Adjustment for investments in joint ventures ⁽²⁾	1,017	1,204	4,158	5,218
Adjusted interest expense	\$ 26,541	\$ 27,165	\$ 109,595	\$ 103,267
EBITDA interest coverage ratio	3.05	3.04	2.97	3.08
Normalized EBITDA ⁽³⁾	\$ 81,047	\$ 82,450	\$ 325,029	\$ 321,174
Normalized EBITDA interest coverage ratio ⁽³⁾	3.05	3.04	2.97	3.11

Debt to EBITDA Ratio ⁽¹⁾

	December 31, 2019	December 31, 2018
Secured mortgages and loans	\$ 1,522,923	\$ 1,788,095
Preferred shares liability	622	653
Carrying value of debentures	449,331	399,536
Credit facilities	886,522	772,538
Total long-term debt and credit facilities	2,859,398	2,960,822
EBITDA ⁽⁴⁾	324,188	329,800
Total long-term debt and credit facilities to EBITDA	8.8	9.0

(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) These adjustments reflect non-cash items and interest expense that are included in net income from investments in joint ventures.

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

(4) EBITDA, as calculated for the quarter under EBITDA Interest Coverage Ratio, has been annualized for purposes of the Debt to EBITDA ratio calculation.

CONTRACTUAL OBLIGATIONS ⁽¹⁾

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and other liabilities	\$ 93,188	93,188	\$ —	\$ —	\$ —
Credit facilities	888,111	—	641,117	246,994	—
Senior unsecured debentures ⁽²⁾	450,000	200,000	250,000	—	—
Mortgages and loans payable	1,525,676	399,223	595,262	488,314	42,877
Total contractual obligations	\$ 2,956,975	\$ 692,411	\$ 1,486,379	\$ 735,308	\$ 42,877

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
2020	\$ 363,942	25.6 %	\$ 35,281	\$ 399,223	3.85 %
2021	385,056	27.0 %	24,064	409,120	3.70 %
2022	168,334	11.8 %	17,808	186,142	3.76 %
2023	388,938	27.3 %	9,703	398,641	3.91 %
2024	86,338	6.1 %	3,335	89,673	3.31 %
2025 & later	31,925	2.2 %	10,952	42,877	3.64 %
Total	\$ 1,424,533	100.0 %	\$ 101,143	\$ 1,525,676	3.78 %

(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.

SUMMARIZED QUARTERLY INFORMATION

\$000's, except per unit amounts	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18
Revenue	\$ 127,180	\$ 127,005	\$ 133,928	\$ 133,547	\$ 132,864	\$ 128,097	\$ 126,140	\$ 125,769
Property NOI ⁽¹⁾	75,121	75,724	80,533	78,478	77,259	76,211	75,888	74,965
Net income	32,877	44,632	19,872	25,356	7,220	25,719	74,975	50,722
Total comprehensive income (loss)	4,097	62,238	(10,758)	(4,508)	83,904	2,017	103,235	85,232
Basic income per common unit	\$ 0.21	\$ 0.28	\$ 0.10	\$ 0.13	\$ 0.01	\$ 0.13	\$ 0.45	\$ 0.30
Diluted income per common unit	0.20	0.28	0.10	0.13	0.01	0.13	0.45	0.29
FFO ⁽¹⁾⁽²⁾	\$ 51,602	\$ 48,603	\$ 51,909	\$ 50,284	\$ 50,107	\$ 50,461	\$ 48,807	\$ 50,764
FFO per unit ⁽¹⁾⁽²⁾	0.37	0.34	0.36	0.34	0.33	0.33	0.32	0.33
FFO payout ratio ⁽¹⁾⁽²⁾	37.8 %	41.2 %	38.9 %	41.2 %	54.5 %	81.8 %	84.4 %	81.8 %
AFFO ⁽¹⁾⁽²⁾	\$ 37,772	\$ 35,769	\$ 39,370	\$ 37,607	\$ 37,544	\$ 37,583	\$ 36,304	\$ 37,997
AFFO per unit ⁽¹⁾⁽²⁾	0.27	0.25	0.27	0.25	0.24	0.24	0.24	0.25
AFFO payout ratio ⁽¹⁾⁽²⁾	51.9 %	56.0 %	51.9 %	56.0 %	75.0 %	112.5 %	112.5 %	108.0 %
Same Property NOI change ⁽¹⁾⁽³⁾	3.3 %	2.0 %	4.6 %	5.1 %	2.7 %	3.9 %	(0.4)%	(1.6)%
Stabilized Same Property NOI change ⁽¹⁾⁽³⁾	4.4 %	3.8 %	6.3 %	5.7 %	4.4 %	5.1 %	1.3 %	1.0 %
EBITDA interest coverage ratio ⁽¹⁾⁽²⁾⁽³⁾	3.05	2.85	3.00	2.96	3.04	3.14	3.02	3.26
Leasable area renewed (in square feet) ⁽⁴⁾	558,544	362,669	353,870	332,258	537,165	249,051	349,313	522,283
Increase in weighted-average rental rate ⁽⁴⁾	8.1 %	8.7 %	4.0 %	(1.9)%	0.0 %	5.9 %	5.0 %	1.1 %

	2019				2018			
	Dec 31	Sept 30	June 30	March 31	Dec 31	Sept 30	June 30	March 31
Number of properties ⁽³⁾	220	228	229	235	235	234	233	236
GLA (000's of square feet) ⁽³⁾	24,841	25,034	24,892	25,100	25,082	24,803	24,528	25,032
Occupancy ⁽⁴⁾	91.5 %	93.3 %	92.7 %	92.0 %	92.1 %	91.2 %	91.4 %	90.6 %
NAV per Unit ⁽¹⁾	\$ 15.56	\$ 15.72	\$ 15.37	\$ 15.55	\$ 15.55	\$ 15.11	\$ 15.39	\$ 15.03
Total long-term debt and credit facilities to EBITDA ⁽¹⁾⁽²⁾⁽³⁾	8.8	9.3	8.8	9.2	9.0	8.4	8.8	8.5
Secured mortgages and loans to GBV ⁽¹⁾	26.3 %	26.9 %	28.3 %	28.8 %	29.4 %	29.4 %	30.2 %	30.2 %
Total long-term debt and credit facilities to GBV ⁽¹⁾	51.3 %	51.8 %	51.2 %	50.9 %	49.9 %	47.5 %	47.9 %	47.8 %
Fair value unencumbered assets	\$1,926,661	\$1,877,339	\$1,829,594	\$1,867,277	\$1,805,382	\$1,714,863	\$1,591,976	\$1,689,925
Total assets	\$5,330,019	\$5,431,426	\$5,540,373	\$5,676,308	\$5,717,177	\$5,435,895	\$5,528,722	\$5,427,394
Total non-current financial liabilities	2,142,090	2,127,476	2,177,391	2,244,999	2,252,874	2,145,517	2,158,444	1,791,677

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

(2) FFO, AFFO and EBITDA have been normalized to exclude certain non-recurring adjustments in Q1-18. Please refer to the FFO and AFFO section and the Debt Metrics section of this MD&A.

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

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

The quarterly financial results have been impacted by acquisition, disposition and (re)development activity, the impact of foreign exchange, lease termination income, transaction costs, and the fair value gains and losses on investment properties and derivative instruments and other transactions. Per unit results are also impacted by units purchased under the NCIB.

OUTSTANDING UNIT DATA

As of February 27, 2020, the balance of common units outstanding is as follows:

	Total
Units outstanding at December 31, 2019	137,956,523
Units issued on redemption of restricted units	9,587
Units issued on redemption of deferred units	9,011
<hr/>	
Units outstanding at February 27, 2020	137,975,121

As of February 27, 2020, the balance of Series A, Series E and Series I preferred units outstanding are 3,387,300, 3,833,900 and 5,000,000, respectively.

The balance of restricted units outstanding as of February 27, 2020 is 744,453 and none have vested.

The balance of deferred units outstanding as of February 27, 2020 is 482,221. All of these deferred units have vested, of which 12,025 are redeemable.

OUTLOOK

Scotiabank's Global Outlook dated January 13, 2020, predicts that real GDP growth in Canada will be 1.5% in 2020. The report further predicts that GDP growth in British Columbia, Saskatchewan, Manitoba and Ontario will be 2.1%, 1.2%, 1.1% and 1.5%, respectively, in 2020, which are healthy growth rates. Scotiabank is forecasting that Alberta GDP growth will be 1.6% in 2020, and that unemployment rates for the province will remain stable. We continue to monitor the Alberta market 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 U.S. GDP growth will be 1.7% in 2020. According to the United States Bureau of Labor Statistics, U.S. unemployment decreased nationally from 4.0% to 3.6% year-over-year in January. 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 an ongoing basis. Given the health of the U.S. economy, strength of the US dollar, positive GDP growth expectations and decline in unemployment rates, we continue to anticipate that there is further growth potential to be realized in 2020 and beyond. We anticipate that the majority of our near- to mid-term investments will be in high-yield development projects in our target U.S. markets.

On November 1, 2018, we announced several new capital allocation initiatives to improve our growth profile, our NAV and strengthen our balance sheet. From the date of the announcement to December 31, 2019, we have purchased 15,959,760 common units for a weighted-average price of \$10.84, and 290,300 preferred units for a weighted-average price of \$21.04. Also in accordance with these new initiatives, at December 31, 2019, we have sold or entered into unconditional agreements to sell 26 properties totalling 2,997,191 square feet of leasable area for \$743,447. At December 31, 2019, we had seven office properties, one retail property and one parcel of development land classified as held for sale, for a total fair value of \$221,915.

Subsequent to December 31, 2019, we completed the disposition of four properties that were under unconditional sale agreements at the end of the year. In January 2020, we sold the Centre 15 Building, the Calgary Office Portfolio and 800 5th Avenue, office properties located in Calgary, Alberta for an aggregate sale price of \$117,826, which represents a weighted-average capitalization rate of 8.44%.

One of our objectives as part of the new initiatives is to sell Calgary office properties to decrease our Calgary office Property NOI weighting. Since November 2018, we have sold or entered into unconditional agreements to sell six Calgary office properties totalling 1,100,291 square feet of leasable area. In Q4-19, the Calgary office segment represented 6.0% of Q4-19 Proportionate Share Property NOI. Factoring in the impact of unconditional sales, we anticipate that our Calgary office segment weighting of Proportionate Share Property NOI will decrease to approximately 2.0%.

We also anticipate that our retail Property NOI weighting will decrease from 17.9% (reported for the quarter ended December 31, 2019) to approximately 15%. While retail real estate remains part of our portfolio diversification strategy, we will continue to pursue opportunities to dispose of non-core retail assets. Our core retail properties are those focused on the consumer's everyday shopping needs, including food and beverage, and personal service providers.

We look forward to providing further updates on our progress with our new initiatives in subsequent quarters.

In the meantime, we continue to maintain our Investment Grade Credit Rating, BBB(low) from DBRS Limited. Additionally, DBRS Limited has assigned a rating of Pfd-3(low) to Artis' preferred units. We anticipate that with this Investment Grade Credit Rating, the debt and equity markets will continue to be receptive to new financing in 2020. We further anticipate that interest rates will continue to increase at a methodical pace and will be well-communicated by the central banks. While borrowing costs remain low when compared to historical levels, we may look to reduce our variable rate debt in the near term.

Overall, we anticipate that real estate fundamentals in Canada and the U.S. will remain stable in 2020, 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 December 31, 2019, Artis had \$42,455 of cash on hand and \$111,889 available on its revolving term credit facilities. Subsequent to December 31, 2019, the following transactions took place:

- The REIT disposed of four office properties and a parcel of development land located in Calgary, Alberta, for an aggregate sale price of \$117,826. The REIT received a note receivable of \$10,000 as partial consideration for one of the disposed investment properties. In addition, the REIT sold a note receivable from a tenant in one of the disposed investment properties in the amount of \$8,359. A portion of the proceeds was used to repay the outstanding mortgage financing in the amount of \$30,475.
- The REIT entered into an unconditional purchase agreement for a parcel of development land adjacent to existing industrial properties located in the Greater Phoenix Area, Arizona for a purchase price of US\$9,700. The acquisition is expected to close in January 2021.
- The REIT made an interest payment of \$1,533 and repaid the outstanding face value of \$200,000 for the Series B senior unsecured debentures.
- The REIT made an interest payment for the Series C senior unsecured debentures in the amount of \$4,593 for the six months ended February 22, 2020.
- The REIT entered into a two-year senior unsecured non-revolving term credit facility agreement in the amount of \$200,000, bearing interest at prime plus 0.60% or the bankers' acceptance rate plus 1.60%. The REIT drew \$200,000 on this credit facility.
- The REIT repaid a net balance of \$55,500 and US\$5,900 on its revolving term credit facilities.
- The REIT declared a monthly cash distribution of \$0.045 per common unit for the months of January and February 2020.
- The REIT declared a quarterly cash distribution of \$0.3750 per Series I preferred unit for the three months ended January 31, 2020.

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 the largest geographical segments, measured by Proportionate Share Property NOI, located in the province of Alberta and in the state of Minnesota. As a result, our investment 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 December 31, 2019, 32.1% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 27.1% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At December 31, 2019, the REIT is a party to \$2,041,647 of variable rate debt, including credit facilities and debentures (December 31, 2018, \$1,989,356). At December 31, 2019, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$880,729 of variable rate debt, including credit facilities and debentures, (December 31, 2018, \$834,241). 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 December 31, 2019, the REIT's ratio of secured mortgages and loans to GBV was 26.3%, compared to 29.4% at December 31, 2018. At December 31, 2019, the REIT's ratio of total long-term debt and credit facilities to GBV was 51.3%, compared to 49.9% at December 31, 2018. Approximately 25.7% of Artis' maturing mortgage debt comes up for renewal during 2020, and 25.5% in 2021. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2020 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 1,756 tenant leases with a weighted-average term to maturity of 5.5 years. Approximately 52.2% 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 Inc., 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 ⁽¹⁾

Tenant	% of total gross revenue ⁽²⁾	Owned share of GLA (000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Bell MTS Inc.	2.3 %	322	1.3 %	3.2
Graham Group Ltd.	1.9 %	243	1.0 %	14.6
AT&T	1.7 %	257	1.1 %	5.5
WorleyParsons Canada Services Ltd.	1.6 %	170	0.7 %	1.7
Home Depot	1.4 %	158	0.6 %	9.3
Bell Canada	1.3 %	115	0.5 %	9.8
TransAlta Corporation	1.2 %	336	1.4 %	3.4
The Toronto Dominion Bank	1.1 %	133	0.5 %	6.5
TDS Telecommunications Corporation	1.1 %	195	0.8 %	5.0
Shoppers Drug Mart Inc.	1.1 %	136	0.6 %	6.2
CB Richard Ellis, Inc.	1.0 %	108	0.4 %	7.0
Fairview Health Services	0.9 %	179	0.7 %	3.7
Cara Operations Ltd.	0.9 %	100	0.4 %	9.0
Prime Therapeutics LLC	0.8 %	388	1.6 %	14.8
3M Canada Company	0.8 %	319	1.3 %	5.3
Catalent Pharma Solutions, LLC	0.8 %	198	0.8 %	16.6
Bellatrix Exploration Ltd.	0.8 %	94	0.4 %	10.2
UCare Minnesota	0.7 %	124	0.5 %	2.4
Silent Aire USA, Inc.	0.6 %	289	1.2 %	7.2
Civeo Corporation	0.6 %	72	0.3 %	8.5
Total	22.6 %	3,936	16.1 %	7.5

(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 ⁽¹⁾

Tenant	% of total gross revenue ⁽²⁾	Owned share of GLA (000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Federal Government	1.2 %	189	0.8 %	1.7
Provincial Government	0.7 %	92	0.4 %	6.8
Civic or Municipal Government	0.4 %	95	0.4 %	12.4
Total	2.3 %	376	1.6 %	5.7
Weighted-average term to maturity (entire portfolio)				5.5

(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	AZ	MN	WI	Other	
2020	0.9 %	0.1 %	2.8 %	0.3 %	1.5 %	1.5 %	2.7 %	1.0 %	0.4 %	11.2 %
2021	2.2 %	0.2 %	2.5 %	0.5 %	1.3 %	1.0 %	5.1 %	0.4 %	0.3 %	13.5 %
2022	0.9 %	0.1 %	1.2 %	1.3 %	2.4 %	0.5 %	2.8 %	0.4 %	0.8 %	10.4 %
2023	2.7 %	0.3 %	1.4 %	0.4 %	1.7 %	0.5 %	1.9 %	0.2 %	0.6 %	9.7 %
2024	0.8 %	0.1 %	1.5 %	0.3 %	1.3 %	0.5 %	2.6 %	1.8 %	0.4 %	9.3 %
2025	0.4 %	0.1 %	0.6 %	0.5 %	0.8 %	0.8 %	0.5 %	0.3 %	1.3 %	5.3 %
2026 & later	4.0 %	0.7 %	3.7 %	1.7 %	4.6 %	2.4 %	6.6 %	2.2 %	4.2 %	30.1 %
Month-to-month	0.1 %	— %	— %	— %	— %	— %	— %	0.1 %	— %	0.2 %
Vacant	2.2 %	0.1 %	1.3 %	0.2 %	1.0 %	0.4 %	1.2 %	0.6 %	1.3 %	8.3 %
New development/ redevelopment	0.4 %	— %	— %	— %	0.2 %	— %	— %	— %	1.4 %	2.0 %
Total	14.6 %	1.7 %	15.0 %	5.2 %	14.8 %	7.6 %	23.4 %	7.0 %	10.7 %	100.0 %

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the office, retail and industrial asset classes. By city and asset class, the five largest segments of the REIT's portfolio (by Q4-19 Proportionate Share Property NOI) are Twin Cities Area office, Madison office, Twin Cities Area industrial, Greater Toronto Area industrial and Greater Phoenix Area office.

TAX RISK

The Income Tax Act (Canada) contains legislations affecting the tax treatment of a specified investment flow-through ("SIFT") trust or partnership ("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 year ended December 31, 2019 and the year ended December 31, 2018. 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 December 31, 2019, investment properties under development account for 2.1% of Artis' total investment properties (December 31, 2018, 2.2%).

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 associated with the implementation of Artis' New Initiatives, illiquidity of real property investments, reliance on key personnel, future property transactions, general uninsured losses, environmental matters, land and air rights leases, public market risk, availability of cash flow, fluctuations in cash distributions, potential dilution, unitholder liability, potential conflicts of interest and changes in legislation.

A summary of additional risks applicable to the REIT are set forth in Artis' most recent Annual Information Form.

CRITICAL ACCOUNTING ESTIMATES

Artis REIT's management believes that the policies below are those most subject to estimation and judgment by management.

VALUATION OF INVESTMENT PROPERTIES

Investment properties include properties held to earn rental income and properties that are being constructed or developed for future use as investment properties. Investment properties are measured at fair value with any changes therein recognized in net income or loss for the year. Artis determines the fair value of investment properties, including those held under joint venture arrangements, based upon either the discounted cash flow method or the overall capitalization method. Under the discounted cash flow method, expected future cash flows for each investment property were discounted, generally over a term of approximately 10 years, using weighted-average rates of approximately 7.55% at December 31, 2019 and 7.62% at December 31, 2018. Expected future cash flows for each investment property have been based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. Under the overall capitalization method, year one income was stabilized and capped at weighted-average capitalization rates of approximately 6.41% at December 31, 2019 and 6.47% at December 31, 2018.

Investment properties under development include initial acquisition costs, other direct costs and borrowing costs during the period of development. The REIT considers practical completion to have occurred when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

VALUATION OF DEFERRED TAX ASSETS AND LIABILITIES

The REIT has reviewed the SIFT Rules (see discussion under the Tax Risk section of this MD&A) and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes it has met the REIT Exception throughout the years ended December 31, 2018 and 2019.

CHANGES IN ACCOUNTING STANDARDS

New or Revised Accounting Standards Adopted During the Year

The REIT adopted IFRS 16 – *Leases* ("IFRS 16") on its effective date of January 1, 2019. IFRS 16 replaces IAS 17 – *Leases* ("IAS 17") and IFRIC 4 – *Determining whether an Arrangement Contains a Lease* ("IFRIC 4"). The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17 and the REIT will continue to classify leases with its tenants as operating leases. For leases in which the REIT is a lessee, at the commencement date of the lease, the REIT recognizes right-of-use assets and lease liabilities measured at the present value of lease payments to be made over the lease term. After the commencement date, the lease liabilities are increased to reflect the accretion of interest and reduced for the lease payments made. The recognized right-of-use assets are depreciated on a straight-line basis over the lease term. The REIT applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less and leases of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The REIT adopted IFRS 16 using the modified retrospective method. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The REIT elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The REIT also elected to use the recognition exemptions for lease contracts for which the lease term ends within 12 months as of the date of initial application and leases for which the underlying asset is of low value. The REIT has reviewed all lease contracts in which it is a lessee. The REIT has one land lease and the fair value has been included in investment properties prior to initial application. No adjustment is required on initial application for the land lease. The REIT also has lease contracts for vehicles and office equipment. The REIT recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets, resulting in an increase of property and equipment of \$133 and increase in other long-term liabilities of \$133 as at January 1, 2019.

In June 2017, the IASB issued IFRIC 23 – *Uncertainty over Income Tax Treatments* ("IFRIC 23"). IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The adoption of this interpretation did not result in a material impact to the consolidated financial statements.

In October 2017, the IASB amended IFRS 9 – *Financial Instruments* ("IFRS 9"). The amendments clarify that for the purpose of assessing whether a prepayment feature meets the condition to be classified as measured at amortized cost, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. The amendment is effective for annual periods beginning on or after January 1, 2019. This amendment did not result in a material impact to the consolidated financial statements.

In October 2017, the IASB amended IAS 28 – *Long-term Interests in Associates and Joint Ventures* ("IAS 28"). The amendments clarify that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28. The amendments apply retrospectively to annual periods beginning on or after January 1, 2019. This amendment did not result in a material impact to the consolidated financial statements.

In December 2017, the IASB amended IFRS 3 – *Business Combinations* ("IFRS 3"). The amendments clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The amendments apply to business combinations for which the acquisition date is on or after January 1, 2019. The REIT applies the amendments to acquisitions completed on or after January 1, 2019.

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 December 31, 2019, 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 year ended December 31, 2019, 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 December 31, 2019, 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 year ended December 31, 2019.