



**FOR IMMEDIATE RELEASE**

**February 26, 2015**

**ARTIS RELEASES 2014 ANNUAL RESULTS:  
GBV INCREASES TO \$5.5 BILLION  
AFFO PAYOUT RATIO IMPROVES TO 87.8%**

Today Artis Real Estate Investment Trust ("Artis" or "the REIT") issued its financial results and achievements for the three and twelve months ended December 31, 2014. All amounts are in thousands of Canadian dollars, unless otherwise noted.

"We are pleased to report that 2014 was another successful year for Artis, as we continued to demonstrate our strong commitment to improving the quality of our portfolio and our balance sheet," said Armin Martens, CEO of Artis. "In addition to nine accretive acquisitions in our target markets, we also completed over 300,000 square feet of new development projects that are fully leased. Our AFFO payout ratio improved to 87.8%, our secured mortgages and loans to GBV decreased to 41.3%, and we achieved a healthy increase in Same Property NOI of 3.0%. We made pivotal improvements to key financial metrics in 2014 and look forward to demonstrating our commitment to continuous improvement in 2015."

**2014 ANNUAL HIGHLIGHTS**

- ◆ Acquired a total of nine commercial properties in Canada and the United States for \$62.4 million and US\$123.5 million, respectively, and increased our portfolio from 24.8 million to 25.8 million square feet of leasable area at December 31, 2014.
- ◆ Raised \$200.9 million in two public offerings of Series A senior unsecured debentures.
- ◆ Raised \$115.1 million of equity pursuant to a prospectus offering of new units at a price of \$16.10.
- ◆ Entered into two unsecured revolving term credit facilities in the aggregate amount of \$125.0 million.
- ◆ Decreased secured mortgages and loans to GBV to 41.3% from 45.4% at December 31, 2013.
- ◆ Decreased total debt to GBV to 48.4% from 49.0% at December 31, 2013.
- ◆ Maintained a healthy interest rate coverage ratio of 2.80 times for the year ended December 31, 2014 and decreased weighted-average effective mortgage interest rate to 4.18% at December 31, 2014.
- ◆ Decreased unhedged floating rate debt as a percentage of total debt to 9.1%, compared to 10.2% at December 31, 2013.
- ◆ Increased Property NOI, excluding lease termination income, by 7.7% and Same Property NOI by 3.0% year-over-year.
- ◆ Maintained solid occupancy at 94.6% (95.6% including commitments) at December 31, 2014.
- ◆ FFO, excluding lease termination income, increased by 9.2% to \$193.3 million for the year.
- ◆ AFFO, excluding lease termination income, increased by 9.5% to \$164.6 million for the year, with significant liquidity maintained on the balance sheet.
- ◆ Improved year-over-year AFFO payout ratio to 87.8% at December 31, 2014, compared to 89.3% at December 31, 2013.

**2014 FOURTH QUARTER HIGHLIGHTS**

- ◆ FFO per unit after adjustments up 2.9% to \$0.36 per unit compared to the same period of last year.
- ◆ AFFO per unit up 3.3% to \$0.31 per unit compared to the same period last year.
- ◆ Reported Same Property NOI growth of 3.5% compared to the same period of last year.

## SELECTED FINANCIAL INFORMATION

\$000's, except per unit amounts	Year ended December 31,		
	2014	2013	% Change
Revenue <sup>(1)</sup>	\$ 500,382	\$ 456,934	9.5 %
Property NOI <sup>(1)</sup>	\$ 312,672	\$ 290,398	7.7 %
Distributions per common unit	\$ 1.08	\$ 1.08	- %
FFO <sup>(1)</sup>	\$ 193,285	\$ 176,983	9.2 %
Diluted FFO per unit <sup>(1)</sup>	\$ 1.42	\$ 1.41	0.7%
FFO payout ratio <sup>(1)</sup>	76.1 %	76.6 %	(0.5)%
AFFO <sup>(1)</sup>	\$ 164,585	\$ 150,277	9.5%
Diluted AFFO per unit <sup>(1)</sup>	\$ 1.23	\$ 1.21	1.7%
AFFO payout ratio <sup>(1)</sup>	87.8 %	89.3 %	(1.5)%

(1) Excluding lease termination income.

\$000's, except per unit amounts	Three month period ended December 31,		
	2014	2013	% Change
Revenue <sup>(1)</sup>	\$ 131,511	\$ 122,651	7.2 %
Property NOI <sup>(1)</sup>	\$ 79,722	\$ 74,801	6.6 %
Distributions per common unit	\$ 0.27	\$ 0.27	- %
FFO <sup>(1)</sup>	\$ 49,542	\$ 45,185	9.6 %
Diluted FFO per unit <sup>(1)</sup>	\$ 0.36	\$ 0.35	2.9%
FFO payout ratio <sup>(1)</sup>	75.0 %	77.1 %	(2.1)%
AFFO <sup>(1)</sup>	\$ 41,971	\$ 38,240	9.8 %
Diluted AFFO per unit <sup>(1)</sup>	\$ 0.31	\$ 0.30	3.3%
AFFO payout ratio <sup>(1)</sup>	87.1 %	90.0 %	(2.9)%

(1) Excluding lease termination income.

## NET INCOME (LOSS) FOR THE PERIOD

Net income for the year ended December 31, 2014 was \$197,886, compared to \$191,155 in 2013. Net income for the three month period ended December 31, 2014 was \$56,611 compared to a net loss of \$6,702 for the same period of last year. Artis recorded a fair value gain on investment properties of \$38,831 in the year ended December 31, 2014, (compared to a gain of \$4,385 in 2013) and a gain of \$19,248 in the three month period ended December 31, 2014 (compared to a loss of \$56,588 in the same period of last year).

## LIQUIDITY AND LEVERAGE

\$000's	December 31, 2014	December 31, 2013
Fair value of investment properties	\$ 5,283,171	\$ 4,899,158
Cash and cash equivalents	\$ 49,807	\$ 48,222
Available on revolving term credit facilities	\$ 125,000	\$ 80,000
Fair value of unencumbered properties	\$ 664,792	\$ 227,668
Secured mortgage and loans to GBV <sup>(1)</sup>	41.3 %	45.4 %
Total long-term debt and bank indebtedness to GBV <sup>(1)</sup>	48.4 %	49.0 %
Unencumbered assets to senior unsecured debentures	3.3 times	-
Interest coverage ratio	2.80 times	2.82 times
Weighted-average effective interest rate on mortgages and other loans	4.18 %	4.27 %
Weighted-average term to maturity on mortgages and other loans	3.9 years	4.3 years
Unhedged floating rate debt as a percentage of total debt	9.1 %	10.2 %

(1) Gross Book Value ("GBV") is calculated as the consolidated net book value of the consolidated assets of the REIT, adding back the amount of accumulated depreciation of property and equipment.

## PORTFOLIO ACQUISITION ACTIVITY

During 2014, Artis acquired the following properties:

Property	Property Count	Acquisition Date	Location	Property Type	Owned Share of GLA
Hudson's Bay Centre <sup>(1)</sup>	1	April 15, 2014	Denver, CO	Office	86,456
Estevan Shoppers Mall	1	May 1, 2014	Estevan, SK	Retail	129,732
601 Tower at Carlson	1	June 11, 2014	Twin Cities Area, MN	Office	288,458
Crosstown North Business Center II & VI	2	June 16, 2014	Twin Cities Area, MN	Industrial	140,856
Shoppes of St. Vital	1	September 9, 2014	Winnipeg, MB	Retail	24,266
Crowfoot Village	1	November 17, 2014	Calgary, AB	Retail	63,295
Cargill R&D	1	December 16, 2014	Twin Cities Area, MN	Industrial	106,519
Union Crossings II	1	December 31, 2014	Twin Cities Area, MN	Retail	23,040

(1) Artis acquired a 50% interest in this joint venture.

Artis acquired the above properties for aggregate purchase prices of \$62.4 million and US\$123.5 million. This represents a weighted-average capitalization rate of 6.92%. During the year, Artis acquired industrial development land located in Houston, Texas, office and retail development land in the Twin Cities Area, Minnesota and office development land in Calgary, Alberta. Artis also acquired development land located in the Phoenix Metropolitan Area, Arizona and in Houston, Texas as part of joint venture arrangements.

During 2014, Artis sold an industrial property in the Greater Toronto Area, Ontario, an industrial property in the Twin Cities Area, Minnesota and a retail property located in the Greater Vancouver Regional District, British Columbia. The proceeds from the sale of these properties, net of costs, were \$18.1 million.

## DEVELOPMENTS

Artis' development pipeline totaled 2,124,000 square feet at the end of the year with 1,925,100 square feet at Artis' interest, to be developed over the next several years. A total of 307,165 square feet of development projects are underway with 237,983 square feet at Artis' interest. In 2014, Artis completed and transferred three properties totaling 307,964 square feet to its income producing portfolio.

## PORTFOLIO OPERATIONAL AND LEASING RESULTS

Occupancy at December 31, 2014 was 94.6% (95.6% including commitments on vacant space) compared to 95.5% at December 31, 2013.

Artis maintained stable results in several key operating metrics during Q4-14. The Same Property NOI growth trend continued to be very healthy throughout the quarter.

\$000's	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13
Property NOI <sup>(1)</sup>	\$ 79,722	\$ 78,628	\$ 76,987	\$ 77,335	\$ 74,801
Property NOI growth <sup>(1)</sup>	1.4 %	2.1 %	(0.4)%	3.4 %	0.2 %
Same Property NOI growth reported in the period <sup>(2)</sup>	3.5 %	2.4 %	3.3 %	2.8 %	3.7 %
Weighted-average rental rate increase on renewals reported in the period	7.2 %	2.7 %	2.6 %	2.4 %	7.5 %

(1) Property NOI, net of lease termination income recorded in the period.

(2) Excluding GAAP adjustments for straight-line rent, amortization of tenant inducements and lease termination income.

Artis' portfolio has a stable lease expiry profile and significant progress on leasing has been made, with 38.1% of 2015 expiries already renewed or committed at December 31, 2014. Weighted-average in-place rents for the entire portfolio are \$13.33 per square foot and are estimated to be 5.5% below market rents. Information about Artis' lease expiry profile follows:

	2015	2016	2017	2018	2019 & later
Expiring square footage	14.6 %	14.7 %	12.5 %	9.4 %	41.2 %
Committed percentage	38.1 %	4.0 %	7.9 %	0.9 %	1.4 %
In-place rent	\$ 11.31	\$ 11.49	\$ 11.60	\$ 14.75	\$ 14.90
Comparison of in-place to market rents	4.0 %	5.5 %	6.7 %	5.1 %	5.8 %

## UPCOMING WEBCAST AND CONFERENCE CALL

Interested parties are invited to participate in a conference call with management on Friday, February 27, 2015 at 12:00 p.m. CT (1:00 p.m. ET). In order to participate, please dial 1-416-340-2216 or 1-800-355-4959. You will be required to identify yourself and the organization on whose behalf you are participating.

Alternatively, you may access the simultaneous webcast by following the link from our website at <http://www.artisreit.com/investor-link/conference-callspresentations/>. Prior to the webcast, you may follow the link to confirm you have the right software and system requirements.

If you cannot participate on February 27, 2015, a replay of the conference call will be available by dialing 1-905-694-9451 or 1-800-408-3053 and entering passcode #2784563. The replay will be available until March 29, 2015. The webcast will be archived 24 hours after the end of the conference call and will be accessible for 90 days.

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Artis is a diversified Canadian real estate investment trust investing in office, industrial and retail properties. Since 2004, Artis has executed an aggressive but disciplined growth strategy, building a portfolio of commercial properties in Canada and the United States, with a major focus on Western Canada. As of today's date, Artis' commercial property comprises approximately 25.8 million square feet of leasable area.

At December 31, 2014, actual year-to-date Property Net Operating Income ("Property NOI") by asset class was approximately 24.5% retail, 51.9% office and 23.6% industrial. Property NOI by geographical region was approximately 8.1% in British Columbia, 39.0% in Alberta, 5.6% in Saskatchewan, 12.3% in Manitoba, 12.1% in Ontario and 22.9% in the U.S.

## Non-GAAP Performance Measures

Property Net Operating Income ("Property NOI"), Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO") are non-GAAP measures commonly used by Canadian real estate investment trusts as an indicator of financial performance. "GAAP" means the generally accepted accounting principles described by the Canadian Institute of Chartered Accountants ("CICA") Handbook - Accounting, which are applicable as at the date on which any calculation using GAAP is to be made. As a publicly accountable enterprise, Artis applies the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Artis calculates Property NOI as revenues, measured in accordance with IFRS, less property operating expenses such as taxes, utilities, repairs and maintenance. Property NOI does not include charges for interest and amortization. Management considers Property NOI to be a valuable measure for evaluating the operating performance of the REIT's properties.

Artis calculates FFO substantially in accordance with the guidelines set out by the Real Property Association of Canada ("REALpac"), as issued in April 2014. These guidelines include certain additional adjustments to FFO under IFRS from the previous definition of FFO. Management considers FFO to be a valuable measure for evaluating the REIT's operating performance in achieving its objectives.

Artis calculates AFFO based on FFO for the period, net of allowances for normalized capital expenditures and leasing costs and excluding straight-line rent adjustments and unit-based compensation expense.

Property NOI, FFO and AFFO are not measures defined under IFRS. Property NOI, FFO and AFFO 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 operating activities or other measures of financial performance calculated in accordance with IFRS. Readers should be further cautioned that Property NOI, FFO and AFFO as calculated by Artis may not be comparable to similar measures presented by other issuers.

## Cautionary Statements

This Press Release contains forward-looking statements. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Particularly, statements regarding the REIT's future operating results, performance and achievements are forward-looking statements. Without limiting the foregoing, the words "expects", "anticipates", "intends", "estimates", "projects", and similar expressions are intended to identify forward-looking statements."

Artis is subject to significant risks and uncertainties which may cause the actual results, performance or achievements of the REIT to be materially different from any future results, performance or achievements expressed or implied in these forward-looking statements. Such risk factors include, but are not limited to, risks associated with real property ownership, availability of cash flow, general uninsured losses, future property acquisitions and dispositions, environmental matters, tax related matters, debt financing, unitholder liability, potential conflicts of interest, potential dilution, reliance on key personnel, changes in legislation and changes in the tax treatment of trusts. Artis cannot assure investors that actual results will be consistent with any forward-looking statements and Artis assumes no obligation to update or revise such forward-looking statements to reflect actual events or new circumstances. All forward-looking statements contained in this Press Release are qualified by this cautionary statement.

*The Toronto Stock Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.*

For further information please contact Mr. Armin Martens, President and Chief Executive Officer, Mr. Jim Green, Chief Financial Officer or Ms. Heather Nikkel, Director - Investor Relations of the REIT at (204) 947-1250.

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