601 TOWER AT CARLSON, MINNEAPOLIS

ARTIS
REIT

2015 FINANCIAL REPORT
PROPERTIES OF SUCCESS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED FINANCIAL STATEMENTS

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Artis Real Estate Investment Trust ("Artis" or the "REIT") should be read in conjunction with the REIT's audited annual consolidated financial statements for the years ended December 31, 2015 and 2014, and the notes thereto. This MD&A has been prepared taking into account material transactions and events up to and including February 29, 2016. Additional information about Artis, including the REIT's most recent Annual Information Form, has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com or on our website at www.artisreit.com.

The REIT has properties included in its investment in joint ventures accounted for using the equity method. This MD&A is prepared including Artis' ownership of all its properties on a proportionate share basis ("Proportionate Share"). Management is of the view that presentation on a proportionate share basis is representative of Artis' performance, financial position and other operating metrics. Artis provides a reconciliation to its consolidated financial statements in the Analysis of Operating Results and Analysis of Financial Position sections of this MD&A. All figures presented are on a proportionate share basis except where otherwise noted. Refer to the Proportionate Share commentary under the Notice with Respect to Non-GAAP Measures below.

FORWARD-LOOKING DISCLAIMER

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

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

NOTICE WITH RESPECT TO NON-GAAP MEASURES

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

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 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.

Artis accounts for its joint ventures using the equity method in its consolidated financial statements in accordance with IFRS. Proportionate Share includes Artis' interest in joint ventures based on its percentage of ownership in addition to the amounts per its consolidated financial statements.

Property NOI, FFO, AFFO and Proportionate Share are not measures defined under IFRS. Property NOI, FFO and AFFO and Proportionate Share 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, AFFO and Proportionate Share as calculated by Artis may not be comparable to similar measures presented by other issuers.

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 August 2, 2012 (the "Declaration of Trust").

Certain of the REIT's securities are listed on the Toronto Stock Exchange (the "TSX"). The REIT's trust units ("units") trade under the symbol AX.UN, the REIT's preferred units trade under the symbols AX.PR.A, AX.PR.U, AX.PR.E, AX.PR.G and the REIT's Series F and Series G convertible debentures trade under the symbols AX.DB.F and AX.DB.U, respectively. As at February 29, 2016, there were 139,314,614 units, 2,316,000 options, 13,650,000 preferred units, 372,068 restricted units, and 19,519 deferred units of Artis outstanding (refer to the Outstanding Unit Data section for further details).

PRIMARY OBJECTIVE

Artis' primary objective is to provide a stable, reliable and tax efficient monthly cash distribution as well as long-term appreciation in the value of Artis' units through the accumulation and effective management of a quality portfolio of commercial real estate.

Since its inception, Artis has provided a steady stream of monthly cash distributions to its unitholders. The amount distributed annually is currently $1.08 per unit and is set by the Trustees in accordance with the Declaration of Trust.

Artis' management utilizes several key strategies to meet this primary objective, which are executed with consideration given to current economic and market factors:

- **Strategic Asset Ownership.** Artis' portfolio of office, retail and industrial real estate is strategically and diversely located in select primary and secondary markets in Canada and the United States (U.S.). Artis' management conducts ongoing 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.

- **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 ongoing operations, which includes re-investing in the portfolio, making accretive acquisitions and funding development projects.

- **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.

2015 OVERVIEW

The economic environment over the last year has been challenging due to volatility in emerging markets and various global factors impacting the price of oil and other commodities. These challenges have impacted the cost of raising capital through the issuance of new trust units. Additionally, acquisition prices for commercial real estate in many of Artis' Canadian target markets have been competitive, resulting in fewer opportunities to acquire quality real estate in Canada. These factors have provided an opportunity for management to recycle capital by disposing of non-core assets and redeploying the funds into new accretive opportunities. This has been a successful initiative for the REIT in 2015. During the year, Artis sold two non-core Canadian retail assets to owner-occupiers, and disposed of four office properties (two in Canada and two in the U.S.) at attractive capitalization rates. The proceeds from these dispositions were effectively redeployed to the acquisition of two high quality office buildings in the U.S., and to capitalize on a unique opportunity to acquire a 75% interest in a long-term leased portfolio of properties in Western Canada. Management is pleased with the results of this capital recycling program in 2015, and feels that these changes have improved the growth potential and overall quality of Artis' portfolio.

Given the impact that oil prices have had on the Alberta economy, Artis is anticipating challenges for its assets located in Alberta, particularly its Calgary office portfolio, for the foreseeable future. Management expects that in time, if oil prices continue to remain soft, the challenging environment will begin to impact other Alberta asset classes as well. In the meantime, management continues to monitor the Calgary office portfolio closely, as these assets face the most challenging operating environment of any of Artis' segments. Management is proactive in new leasing and tenant retention initiatives, and is focused on minimizing risk wherever possible.

Conversely, due to the historically strong correlation between oil prices and the exchange rate relationship between the Canadian and US dollar, as oil prices have declined the US dollar has strengthened. This has proved beneficial for Artis, as 29.7% of Artis' Property NOI in the fourth quarter of 2015 was generated from its U.S. assets. Due to the strength of these markets and the success of these assets, the Board of Trustees has decided to increase Artis' U.S. target weighting to 35.0% of total Property NOI, to be met over time through disciplined expansion that will include both property acquisitions and new developments.

During 2015, Artis increased its unsecured revolving credit facilities to an aggregate amount of $300,000. The credit facilities provide Artis access to a flexible source of capital at a low interest rate.

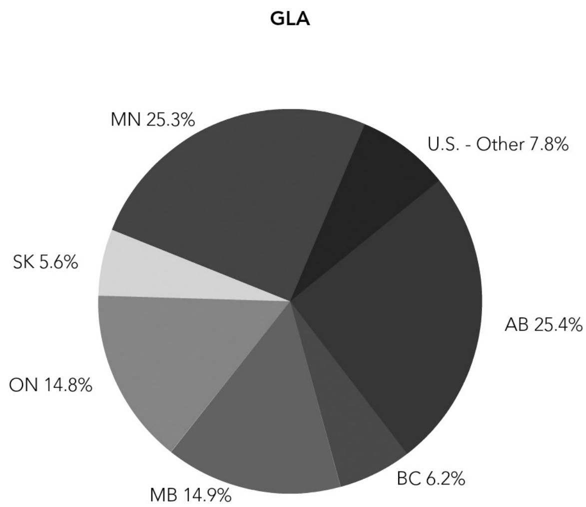
Corporate Sustainability Progress

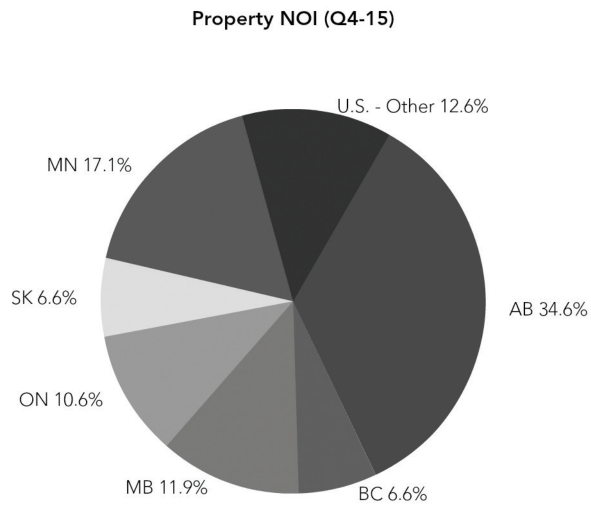
Artis is committed to improving the energy efficiency of its properties and reducing its environmental footprint. Artis has made significant advances in corporate sustainability and now has 20 properties with a LEED certification, 51 properties with a Building Owners and Managers Association (BOMA) Building Environmental Standards (BEST) certification, and 22 properties with an Energy Star certification. Corporate sustainability will continue to be a high priority for Artis in the future.

PORTFOLIO SUMMARY

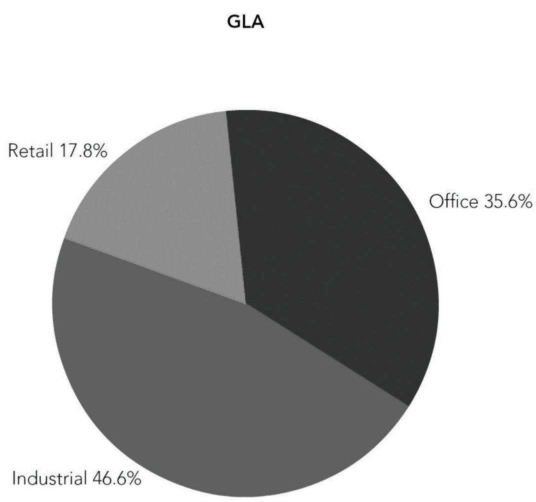
At December 31, 2015, the REIT's portfolio was comprised of 252 commercial properties totaling approximately 26.2 million square feet (S.F.) of gross leasable area ("GLA").

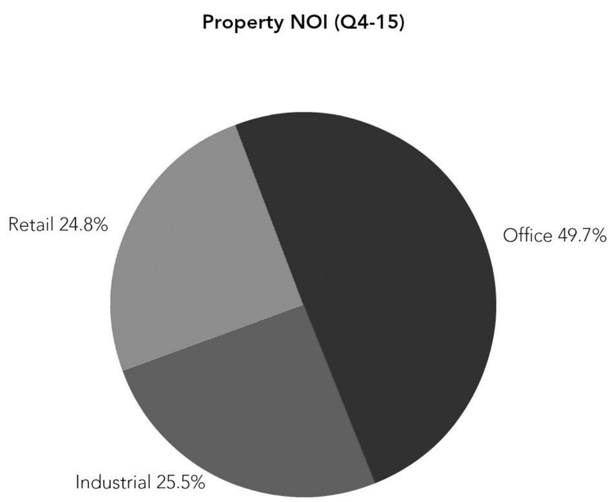
Diversification by Geographical Region





Diversification by Asset Class





(In thousands of Canadian dollars, unless otherwise noted)

Portfolio by Asset Class as at December 31, 2015 (in 000's of S.F.)[(1)]

Asset Class	City	Province / State	Number of Properties	Owned Share of GLA	% of Portfolio GLA	% Occupied	% Committed [(2)]
Canadian Portfolio:							
Industrial	Airdrie	AB	1	28	0.1%	63.4%	63.4%
	Calgary	AB	9	670	2.6%	96.2%	96.2%
	Greater Edmonton Area	AB	11	1,281	4.9%	94.9%	94.9%
	Greater Toronto Area	ON	30	2,499	9.5%	93.1%	95.5%
	Greater Vancouver Area	BC	2	98	0.4%	100.0%	100.0%
	Red Deer	AB	1	126	0.5%	100.0%	100.0%
	Regina	SK	2	143	0.5%	100.0%	100.0%
	Saskatoon	SK	5	326	1.2%	100.0%	100.0%
	Winnipeg	MB	29	1,742	6.7%	86.0%	91.8%
Industrial total			90	6,913	26.4%	92.5%	94.8%
Office	Calgary	AB	20	2,538	9.7%	83.0%	91.7%
	Greater Edmonton Area	AB	1	48	0.2%	91.7%	91.7%
	Greater Toronto Area	ON	7	1,085	4.1%	87.1%	88.5%
	Greater Vancouver Area	BC	3	462	1.8%	91.4%	92.8%
	Nanaimo	BC	2	68	0.3%	100.0%	100.0%
	Ottawa	ON	2	287	1.1%	100.0%	100.0%
	Red Deer	AB	1	148	0.6%	74.5%	76.1%
	Saskatoon	SK	1	64	0.2%	100.0%	100.0%
	Winnipeg	MB	10	1,517	5.8%	88.9%	89.2%
Office total			47	6,217	23.8%	86.8%	90.8%
Retail	Calgary	AB	7	531	2.0%	96.0%	96.3%
	Cranbrook	BC	1	288	1.1%	97.4%	97.4%
	Edson	AB	1	20	0.1%	100.0%	100.0%
	Estevan	SK	2	174	0.7%	93.5%	93.5%
	Fort McMurray	AB	8	194	0.7%	96.7%	97.4%
	Grande Prairie	AB	5	361	1.4%	96.6%	96.6%
	Greater Edmonton Area	AB	6	504	1.9%	92.2%	98.4%
	Greater Vancouver Area	BC	1	165	0.6%	94.8%	94.8%
	Lethbridge	AB	1	53	0.2%	97.9%	100.0%
	Medicine Hat	AB	1	162	0.6%	100.0%	100.0%
	Nanaimo	BC	3	74	0.3%	50.8%	52.4%
	Regina	SK	8	533	2.0%	97.6%	97.6%
	Saskatoon	SK	3	219	0.8%	99.1%	100.0%
	Westbank / West Kelowna	BC	3	433	1.7%	99.6%	99.6%
	Whistler	BC	1	30	0.1%	97.1%	97.1%
	Winnipeg	MB	6	651	2.5%	98.1%	98.1%
Retail total			57	4,392	16.7%	96.0%	96.9%
Total Canadian portfolio			194	17,522	66.9%	91.4%	93.9%
U.S. Portfolio:							
Industrial	Greater Phoenix Area	AZ	1	99	0.4%	100.0%	100.0%
	Twin Cities Area	MN	31	4,664	17.8%	95.5%	96.0%
Industrial total			32	4,763	18.2%	95.6%	96.0%
Office	Greater Denver Area	CO	4	634	2.4%	95.4%	96.9%
	Greater Phoenix Area	AZ	6	1002	3.8%	99.6%	99.6%
	New Hartford	NY	1	123	0.5%	100.0%	100.0%
	Twin Cities Area	MN	5	1,337	5.1%	92.2%	93.6%
Office total			16	3,096	11.8%	95.6%	96.5%
Retail	Twin Cities Area	MN	7	298	1.1%	97.7%	97.7%
Total U.S. portfolio			55	8,157	31.1%	95.7%	96.3%
Total Canadian and U.S. portfolio			249	25,679	98.0%	92.7%	94.7%

[(1)] Excluding properties held for redevelopment.

[(2)] Percentage committed is based on occupancy at December 31, 2015 plus commitments on vacant space.

(In thousands of Canadian dollars, unless otherwise noted)

Properties Held for Redevelopment (in 000's of S.F.)

Asset Class	City	Province / State	Number of Properties	Owned Share of GLA	% of Portfolio GLA	Property	% Occupied [(1)]
Industrial	Twin Cities Area	MN	1	120	0.5%	Crosstown North	0.0%
Industrial	Twin Cities Area	MN	1	208	0.8%	Northpoint Industrial Building	37.8%
Total properties held for redevelopment			2	328	1.3%		24.0%

(1) Percentage committed is based on occupancy at December 31, 2015 plus commitments on vacant space.

Crosstown North, an industrial building in the Twin Cities Area, Minnesota, is a cross-dock distribution facility originally designed to accommodate a single tenant. Artis anticipates that significant redevelopment work will be required to retrofit this property into a multi-use building. Artis continues to review development plans for this property, which is currently being marketed for lease.

Northpoint Industrial Building, an industrial property in the Twin Cities Area, Minnesota, was vacated by a large tenant, providing Artis with an opportunity to redevelop and reconfigure this older generation property to accommodate a single tenant or multiple tenants. Architectural plans and preliminary work to prepare the building for redevelopment is underway.

New Developments in Process (in 000's of S.F.)

Asset Class	City	Province / State	Number of Properties	Owned Share of GLA [(1)]	% of Portfolio GLA	Property	% Completed	% Committed [(2)]
Industrial	Greater Phoenix Area	AZ	1	187	0.7%	Park Lucero Phase I	100.0%	23.5%
Industrial	Houston	TX	—	—	—	Park 8Ninety Phase I	15.0%	—%
Total new developments in process			1	187	0.7%			

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

(2) Percentage committed is based on occupancy at December 31, 2015 plus commitments on vacant space.

Artis has a 90% ownership interest (in the form of a joint venture arrangement) in Park Lucero, an industrial development on a 48 acre parcel of land in the Greater Phoenix Area, Arizona. This development will be completed in multiple phases. The first phase is complete and consists of three industrial buildings totaling 208,000 square feet. Planning is underway for phases two and three of this development, which are expected to comprise approximately 200,000 square feet each. The entire project is expected to total 608,000 square feet when complete.

Artis owns a 127 acre parcel of development land called Park 8Ninety located in the Southwest industrial submarket in Houston, Texas, which is expected to be developed in several phases into 1,800,000 square feet of new generation industrial buildings. Artis has a 95% ownership interest in Phase I of this project, which is expected to comprise three buildings totaling approximately 330,000 square feet when complete. Construction of Phase I commenced in Q4-15.

New Development Initiatives

Artis owns a 12 acre parcel of land in Winnipeg, Manitoba called Linden Ridge Shopping Centre II, which is located adjacent to Linden Ridge Shopping Centre, a retail property also owned by Artis. A land lease has been negotiated with a national tenant for nine acres at the site. Artis has the potential to develop an additional 35,000 square feet on the remaining three acres at the property.

Artis owns a 10 acre parcel of land for future development in the Greater Denver Area, Colorado. The first phase of this multi-phase project is expected to include the development of a 120,000 square foot Class A office building. The site, which can accommodate a total development of 320,000 square feet, is located on the I-25 with immediate connectivity to the light rail transit system and is adjacent to the DirecTV Building, an office asset owned by Artis.

Artis has a 90% ownership interest (in the form of a joint venture arrangement) in an office development project located along the I-10 on the west side of Houston, Texas. This project is expected to be developed in several phases, totaling approximately 1,600,000 square feet, with the first phase anticipated to comprise approximately 300,000 square feet. The commencement date for the construction of this project has not been determined at this time.

Completed Redevelopments

During Q2-15, Artis completed an extensive redevelopment of 1595 Buffalo Place, an industrial building in Winnipeg, Manitoba. This redevelopment included demolition of approximately 38,000 square feet of older generation space, and construction of new generation warehouse space in its place with higher ceilings and improved loading. Extensive renovation of the exterior of the entire building was also completed.

During Q2-15, Artis completed an extensive redevelopment of Pleasant Valley Landing, a retail building in Nanaimo, British Columbia. Pleasant Valley Landing was an older generation building that was originally leased to two tenants. After the tenants vacated, Artis demolished the building and constructed a state-of-the-art new generation multi-tenant retail property with improved parking in its place.

During Q2-15, Artis completed the redevelopment of 201 Westcreek Boulevard, an industrial property in the Greater Toronto Area, Ontario. The property, which was designed to accommodate a single tenant, was extensively redeveloped and was reconfigured to accommodate multiple tenants. 201 Westcreek Boulevard was 100% leased prior to commencement of this redevelopment project.

During Q4-15, Artis completed the redevelopment of Inkster Business Centre, an industrial property in Winnipeg, Manitoba. This building, which was an older generation industrial property, was extensively redeveloped and was reconfigured from a single tenant to a multi-tenant property.

Completed New Developments

Construction of Centrepoint, an approximately 104,000 square foot office building with an ancillary 400 stall parkade in Winnipeg, Manitoba was completed in Q2-15. This property is in a prime location in downtown Winnipeg, adjacent to the MTS Centre. Artis owns a 50% interest in this joint venture arrangement.

Construction of a 5,700 square foot retail building at 2190 McGillivray Boulevard in Winnipeg, Manitoba was completed in Q4-15. The building is 100% leased to a local restaurant, The Original Pancake House, pursuant to a long-term lease which commenced in Q4-15.

(In thousands of Canadian dollars, unless otherwise noted)

2015 ANNUAL HIGHLIGHTS

PORTFOLIO GROWTH

Artis acquired 10 commercial properties, completed two development projects and disposed of six commercial properties during 2015.

	Office		Retail		Industrial		Total	
	Number of Properties	S.F. (000's) (1)	Number of Properties	S.F. (000's) (1)	Number of Properties	S.F. (000's) (1)	Number of Properties	S.F. (000's) (1)
Portfolio properties at December 31, 2014	64	9,233	66	4,739	116	11,761	246	25,733
Acquisitions	2	488	—	—	8	243	10	731
New developments	1	52	—	6	1	187	2	245
Dispositions	(4)	(460)	(2)	(55)	—	—	(6)	(515)
Portfolio properties at December 31, 2015	63	9,313	64	4,690	125	12,191	252	26,194

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

Property Acquisitions

Property	Property Count	Acquisition Date	Location	Asset Class	Owned Share of GLA	Purchase Price	Capitalization Rate
The Point at Inverness (1)	1	March 26, 2015	Greater Denver Area, CO	Office	93,592	US$ 19,500	6.30%
Graham Portfolio (2)	8	July 23, 2015	Various cities in BC, AB & SK	Industrial	243,105	74,034	6.40%
Canadian Pacific Plaza	1	November 3, 2015	Twin Cities Area, MN	Office	393,902	US68,550	7.50%

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

(2) Artis acquired a 75% interest in this joint venture.

The above properties were acquired at a weighted-average capitalization rate of 6.85%. Artis' interest in these properties includes mortgage debt in the amount of $37,017 and US$49,500, with a weighted-average interest rate of 3.58% and 4.83%, respectively.

In 2015, Artis acquired office development land in the Greater Denver Area, Colorado for US$7,577. The purchase price for this land was settled with cash on hand.

Property Dispositions

Property	Disposition Date	Location	Asset Class	Sale Price	Capitalization Rate
Moose Jaw Sobeys (1)	June 18, 2015	Moose Jaw, SK	Retail	$ 5,300	n/a (2)
1045 Howe Street	June 24, 2015	Greater Vancouver Area, BC	Office	47,500	2.95%
605 Waterford Park	October 9, 2015	Twin Cities Area, MN	Office	US31,500	6.79%
Willingdon Green	November 2, 2015	Greater Vancouver Area, BC	Office	16,685	5.53%
Gateway II	November 30, 2015	Grande Prairie, AB	Retail	2,700	n/a (2)
Mosaic Office Building	December 30, 2015	Tampa, FL	Office	US25,263	6.00%

(1) Artis received a lease termination payment prior to the sale of this property.

(2) This property was vacant at the time of disposition, and was sold to an owner-occupier.

During 2015, Artis repaid $17,164 and US$11,442 of mortgage debt related to the disposition of the above properties.

FINANCING ACTIVITIES

Short Form Base Shelf Prospectus

On July 17, 2014, the REIT issued a new short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of $2,000,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. As at December 31, 2015, the REIT has issued senior unsecured debentures under one offering in the amount of $75,000 under this short form base shelf prospectus.

Unsecured Revolving Term Credit Facilities

During 2015, Artis increased the unsecured revolving term credit facilities to an aggregate amount of $300,000 and extended their maturity date to December 15, 2018. In 2015, Artis drew on these credit facilities in the amount of $225,000.

Debt Financing and Repayments

In 2015, Artis repaid 19 maturing mortgages in the amount of $170,490. Artis refinanced 10 maturing mortgages, and obtained new mortgage financing on one previously unencumbered property, net of financing costs, for a total of $20,536. In 2015, Artis drew on development loans in the amount of $12,077.

(In thousands of Canadian dollars, unless otherwise noted)

DISTRIBUTIONS

Artis declared distributions of $167,144 to unitholders in 2015, of which $31,916 was paid by way of distribution reinvestment, pursuant to Artis' Distribution Reinvestment and Unit Purchase Plan ("DRIP").

SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	2015	Year ended December 31, 2014	Change	% Change	Year ended December 31, 2013
Revenue	$ 552,502	$ 508,639	$ 43,863	8.6 %	$ 467,035
Property NOI	341,952	317,382	24,570	7.7 %	298,939
Net (loss) income	(175,699)	197,886	(373,585)	(188.8)%	191,155
Basic (loss) income per common unit	(1.41)	1.36	(2.77)	(203.7)%	1.45
Diluted (loss) income per common unit	(1.41)	1.33	(2.74)	(206.0)%	1.41
Distributions to common unitholders	$ 148,709	$ 143,668	$ 5,041	3.5 %	$ 132,454
Distributions per common unit	1.08	1.08	—	— %	1.08
FFO	$ 215,881	$ 193,461	$ 22,420	11.6 %	$ 183,467
FFO per unit	1.53	1.42	0.11	7.7 %	1.46
FFO after adjustments [(1)]	210,564	193,285	17,279	8.9 %	176,983
FFO per unit after adjustments [(1)]	1.49	1.42	0.07	4.9 %	1.41
FFO payout ratio after adjustments [(1)]	72.5%	76.1%		(3.6)%	76.6%
AFFO	$ 186,450	$ 164,761	$ 21,689	13.2 %	$ 156,761
AFFO per unit	1.34	1.23	0.11	8.9 %	1.26
AFFO after adjustments [(1)]	180,321	164,585	15,736	9.6 %	150,277
AFFO per unit after adjustments [(1)]	1.30	1.23	0.07	5.7 %	1.21
AFFO payout ratio after adjustments [(1)]	83.1%	87.8%		(4.7)%	89.3%

[(1)] Calculated after adjustments for lease terminations and non-recurring other income.

Acquisitions during 2014 and 2015, lease termination income and the impact of foreign exchange have contributed to the increase in revenues, Property NOI, FFO and AFFO in 2015.

	December 31, 2015	December 31, 2014	% Change	December 31, 2013
Consolidated financial statements debt to GBV:				
Secured mortgages and loans to GBV	39.9%	41.3%	(1.4)%	45.4%
Total long-term debt and bank indebtedness to GBV	51.4%	48.4%	3.0 %	49.0%
Proportionate Share debt to GBV:				
Secured mortgages and loans to GBV	41.2%	41.9%	(0.7)%	45.7%
Total long-term debt and bank indebtedness to GBV	52.4%	48.9%	3.5 %	49.3%
Total assets	$ 5,651,280	$ 5,546,000	1.9 %	$ 5,076,474
Total non-current financial liabilities	2,227,769	2,305,588	(3.4)%	2,218,683

Artis' total long-term debt and bank indebtedness to GBV ratio at December 31, 2015 increased 3.5% from December 31, 2014 primarily due to the fair value loss on investment properties recorded in 2015, of which a substantial portion relates to the Calgary office market.

(In thousands of Canadian dollars, unless otherwise noted)

ANALYSIS OF OPERATING RESULTS

The following tables provide 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,					
	2015			2014		
	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share
Revenue	$ 136,829	$ 6,044	$ 142,873	$ 131,584	$ 2,295	$ 133,879
Expenses:						
Property operating	33,456	1,702	35,158	32,515	794	33,309
Realty taxes	21,180	1,202	22,382	19,274	206	19,480
	54,636	2,904	57,540	51,789	1,000	52,789
Net operating income	82,193	3,140	85,333	79,795	1,295	81,090
Other income (expenses):						
Corporate expenses	(3,089)	—	(3,089)	(2,682)	—	(2,682)
Interest expense	(27,591)	(1,093)	(28,684)	(27,668)	(331)	(27,999)
Interest income	286	2	288	442	—	442
Net loss from investments in joint ventures	(4,987)	4,987	—	(4,104)	4,104	—
Fair value (loss) gain on investment properties	(245,022)	(7,036)	(252,058)	19,248	(5,068)	14,180
Foreign currency translation gain (loss)	410	—	410	(4,295)	—	(4,295)
Transaction costs	(521)	—	(521)	(844)	—	(844)
Gain (loss) on financial instruments	2,426	—	2,426	(3,281)	—	(3,281)
Net (loss) income	(195,895)	—	(195,895)	56,611	—	56,611
Other comprehensive income that may be reclassified to net (loss) income in subsequent periods:						
Unrealized foreign currency translation gain	27,422	—	27,422	25,466	—	25,466
Other comprehensive income that will not be reclassified to net (loss) income in subsequent periods:						
Unrealized gain from remeasurements of net pension obligation	1	—	1	—	—	—
	27,423	—	27,423	25,466	—	25,466
Total comprehensive (loss) income	$ (168,472)	$ —	$ (168,472)	$ 82,077	$ —	$ 82,077

[1] Adjustment to reflect investments in joint ventures on a proportionate share basis.

(In thousands of Canadian dollars, unless otherwise noted)

	Year ended December 31,					
	2015			2014		
	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share
Revenue	$ 535,574	$ 16,928	$ 552,502	$ 500,558	$ 8,081	$ 508,639
Expenses:						
Property operating	120,188	4,916	125,104	112,997	2,715	115,712
Realty taxes	82,990	2,456	85,446	74,713	832	75,545
	203,178	7,372	210,550	187,710	3,547	191,257
Net operating income	332,396	9,556	341,952	312,848	4,534	317,382
Other income (expenses):						
Corporate expenses	(11,510)	—	(11,510)	(10,261)		(10,261)
Interest expense	(110,482)	(2,982)	(113,464)	(108,546)	(1,166)	(109,712)
Interest income	1,319	2	1,321	1,818	—	1,818
Net income (loss) from investments in joint ventures	297	(297)	—	(3,987)	3,987	—
Fair value (loss) gain on investment properties	(365,626)	(6,279)	(371,905)	38,831	(7,355)	31,476
Foreign currency translation loss	(16,413)	—	(16,413)	(21,890)	—	(21,890)
Transaction costs	(2,136)	—	(2,136)	(2,490)	—	(2,490)
Loss on financial instruments	(3,544)	—	(3,544)	(8,437)	—	(8,437)
Net (loss) income	(175,699)	—	(175,699)	197,886	—	197,886
Other comprehensive income that may be reclassified to net (loss) income in subsequent periods:						
Unrealized foreign currency translation gain	147,727	—	147,727	66,844	—	66,844
Other comprehensive income that will not be reclassified to net (loss) income in subsequent periods:						
Unrealized gain from remeasurements of net pension obligation	2	—	2	—	—	—
	147,729	—	147,729	66,844	—	66,844
Total comprehensive (loss) income	$ (27,970)	$ —	$ (27,970)	$ 264,730	$ —	$ 264,730

[1] Adjustment to reflect investments in joint ventures on a proportionate share basis.

REVENUE AND PROPERTY NOI

	Three months ended December 31,				Year ended December 31,			
	2015	2014	Change	% Change	2015	2014	Change	% Change
Revenue:								
Basic rent, parking and other revenue	$ 94,258	$ 88,853	$ 5,405		$ 375,590	$ 344,799	$ 30,791	
Operating cost and realty tax recoveries	50,909	46,474	4,435		182,928	169,419	13,509	
Amortization of tenant inducements	(3,694)	(2,753)	(941)		(14,008)	(10,572)	(3,436)	
Straight-line rent adjustments	1,227	1,232	(5)		3,499	4,817	(1,318)	
Lease termination income	173	73	100		4,493	176	4,317	
	142,873	133,879	8,994	6.7%	552,502	508,639	43,863	8.6%
Expenses:								
Property operating	35,158	33,309	1,849		125,104	115,712	9,392	
Realty taxes	22,382	19,480	2,902		85,446	75,545	9,901	
	57,540	52,789	4,751	9.0%	210,550	191,257	19,293	10.1%
Property NOI	$ 85,333	$ 81,090	$ 4,243	5.2%	$ 341,952	$ 317,382	$ 24,570	7.7%

Basic rent, parking, other revenue, operating cost and realty tax recoveries are revenues earned from tenants primarily related to lease agreements.

Artis accounts for tenant inducements by amortizing the cost over the term of the tenant's lease.

Artis accounts for rent step-ups by straight-lining the incremental increases over the entire non-cancelable lease term.

Lease termination income relates to payments received from tenants where the REIT and the tenant agreed to terminate a lease prior to the contractual expiry date. Lease termination income is common in the real estate industry, however, it is unpredictable and period-over-period changes are not indicative of trends.

(In thousands of Canadian dollars, unless otherwise noted)

Property operating expenses include costs related to interior and exterior maintenance, HVAC, insurance, utilities and property management expenses.

In 2015, Artis received non-recurring income from a settlement relating to an access restriction at a previously disposed retail property in British Columbia.

SAME PROPERTY NOI ANALYSIS

Same property comparison includes only stabilized investment properties owned on January 1, 2014, and excludes properties disposed of subsequent to January 1, 2014 and those held for redevelopment.

	Three months ended December 31, 2015	Three months ended December 31, 2014	Change	% Change	Year ended December 31, 2015	Year ended December 31, 2014	Change	% Change
Revenue	$ 130,568	$ 125,654			$ 510,651	$ 491,511		
Property operating expenses	53,050	50,138			199,154	188,832		
Property NOI	77,518	75,516	$ 2,002	2.7%	311,497	302,679	$ 8,818	2.9%
Add (deduct) non-cash revenue adjustments:								
Amortization of tenant inducements	3,482	2,617			13,494	10,300		
Straight-line rent adjustment	(856)	(1,096)			(2,542)	(4,541)		
Property NOI less non-cash revenue adjustments	$ 80,144	$ 77,037	$ 3,107	4.0%	$ 322,449	$ 308,438	$ 14,011	4.5%

Lease termination income related to significant tenants of $1,478 (Q4-15 - $62) in 2015, compared to $nil (Q4-14 - $nil) in 2014, has been excluded from revenue for purposes of the same property income calculation. The portion that covers lost revenue due to vacancy has been added back to income for the purposes of the same property income calculation.

Same Property NOI by Asset Class

	Three months ended December 31, 2015	Three months ended December 31, 2014	Change	% Change	Year ended December 31, 2015	Year ended December 31, 2014	Change	% Change
Retail	$ 20,052	$ 18,891	$ 1,161	6.1 %	$ 77,582	$ 74,595	$ 2,987	4.0%
Office	39,576	40,009	(433)	(1.1)%	166,943	162,916	4,027	2.5%
Industrial	20,516	18,137	2,379	13.1 %	77,924	70,927	6,997	9.9%
Total	$ 80,144	$ 77,037	$ 3,107	4.0 %	$ 322,449	$ 308,438	$ 14,011	4.5%

Same Property NOI by Geographical Region

	Three months ended December 31, 2015	Three months ended December 31, 2014	Change	% Change	Year ended December 31, 2015	Year ended December 31, 2014	Change	% Change
Alberta	$ 28,284	$ 29,697	$ (1,413)	(4.8)%	$ 117,962	$ 119,080	$ (1,118)	(0.9)%
British Columbia	5,828	5,704	124	2.2 %	24,451	23,863	588	2.5 %
Manitoba	10,305	10,067	238	2.4 %	41,000	40,454	546	1.3 %
Ontario	9,041	8,908	133	1.5 %	35,708	36,797	(1,089)	(3.0)%
Saskatchewan	4,963	4,469	494	11.1 %	18,512	17,603	909	5.2 %
Minnesota	12,245	10,088	2,157	21.4 %	46,719	38,841	7,878	20.3 %
U.S. - Other	9,478	8,104	1,374	17.0 %	38,097	31,800	6,297	19.8 %
Total	$ 80,144	$ 77,037	$ 3,107	4.0 %	$ 322,449	$ 308,438	$ 14,011	4.5 %

Artis' Calgary office portfolio decreased $2,491 (Q4-15 - $1,556), or 4.2% (Q4-15 - 10.7%) in 2015. Approximately $2,395 (Q4-15 - $1,912) of this decrease can be attributed to the vacating of AMEC Americas Ltd. Their space has been leased to a new tenant commencing in 2016.

Same Property NOI by Country

	Three months ended December 31, 2015	Three months ended December 31, 2014	Change	% Change	Year ended December 31, 2015	Year ended December 31, 2014	Change	% Change
Canada	$ 58,421	$ 58,845	$ (424)	(0.7)%	$ 237,633	$ 237,797	$ (164)	(0.1)%
U.S.	21,723	18,192	3,531	19.4 %	84,816	70,641	14,175	20.1 %
Total	$ 80,144	$ 77,037	$ 3,107	4.0 %	$ 322,449	$ 308,438	$ 14,011	4.5 %

Artis' U.S. portfolio achieved an increase in 2015 of US$2,392 (Q4-15 - US$251), or 3.7% (Q4-15 - 1.6%) before the impact of foreign exchange.

(In thousands of Canadian dollars, unless otherwise noted)

Same Property Occupancy Comparisons

Geographical Region	As at December 31, 2015	2014
Alberta	89.9%	95.9%
British Columbia	94.0%	93.8%
Manitoba	89.2%	87.8%
Ontario	91.9%	92.3%
Saskatchewan	98.8%	92.6%
Minnesota	95.8%	95.9%
U.S. - Other	99.0%	96.4%
Total	92.8%	93.7%

Asset Class	As at December 31, 2015	2014
Retail	96.2%	95.0%
Office	89.9%	94.6%
Industrial	93.7%	92.6%
Total	92.8%	93.7%

PROPERTY NOI BY ASSET CLASS

In 2015, revenues and Property NOI increased for all segments in comparison to 2014. The growth is primarily attributable to acquisitions during 2014 and 2015 and the impact of foreign exchange. In Q4-15, Property NOI decreased for the office segment primarily due to the bankruptcy of a large tenant at Concorde Corporate Centre, an expiring lease at Heritage Square and the dispositions of 1045 Howe Street, Willingdon Green and 605 Waterford Park. All of the vacated space at Heritage Square has been leased to a new tenant commencing in 2016.

	Three months ended December 31, 2015			2014		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	$ 32,003	$ 77,034	$ 33,793	$ 30,658	$ 74,623	$ 28,565
Property operating expenses and realty taxes	10,841	34,657	12,042	10,490	31,998	10,301
Property NOI	$ 21,162	$ 42,377	$ 21,751	$ 20,168	$ 42,625	$ 18,264
Share of Property NOI	*24.8%*	*49.7%*	*25.5%*	*24.9%*	*52.6%*	*22.5%*

	Year ended December 31, 2015			2014		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	$ 128,302	$ 299,996	$ 124,028	$ 113,534	$ 282,687	$ 112,164
Property operating expenses and realty taxes	41,144	125,714	43,692	36,864	115,977	38,416
Property NOI	$ 87,158	$ 174,282	$ 80,336	$ 76,670	$ 166,710	$ 73,748
Share of Property NOI	*25.5%*	*51.0%*	*23.5%*	*24.2%*	*52.5%*	*23.3%*

PROPERTY NOI BY GEOGRAPHICAL REGION

In 2015, revenues and Property NOI increased in Alberta, British Columbia, Manitoba, Saskatchewan, Minnesota and U.S. - Other in comparison to 2014. The growth is primarily attributable to acquisitions during 2014 and 2015 and the impact of foreign exchange. In 2015, Property NOI decreased in Ontario primarily due to the bankruptcy of a large tenant at Concorde Corporate Centre. In Q4-15, Property NOI decreased in Alberta primarily due to an expiring lease at Heritage Square and in British Columbia primarily due to the dispositions of 1045 Howe Street and Willingdon Green in 2015. All of the vacated space at Heritage Square has been leased to a new tenant commencing in 2016.

	Three months ended December 31, 2015						
	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	$ 46,648	$ 9,135	$ 20,301	$ 15,515	$ 8,403	$ 26,044	$ 16,784
Property operating expenses and realty taxes	17,155	3,488	10,121	6,507	2,741	11,467	6,061
Property NOI	$ 29,493	$ 5,647	$ 10,180	$ 9,008	$ 5,662	$ 14,577	$ 10,723
Share of Property NOI	*34.6%*	*6.6%*	*11.9%*	*10.6%*	*6.6%*	*17.1%*	*12.6%*

(In thousands of Canadian dollars, unless otherwise noted)

	Three months ended December 31, 2014						
	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	$ 46,988	$ 10,301	$ 19,363	$ 16,089	$ 7,010	$ 21,021	$ 13,074
Property operating expenses and realty taxes	15,743	4,301	9,457	7,114	2,458	9,381	4,335
Property NOI	$ 31,245	$ 6,000	$ 9,906	$ 8,975	$ 4,552	$ 11,640	$ 8,739
Share of Property NOI	*38.5%*	*7.4%*	*12.2%*	*11.1%*	*5.6%*	*14.4%*	*10.8%*

	Year ended December 31, 2015						
	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	$ 186,093	$ 41,020	$ 74,186	$ 60,977	$ 32,677	$ 94,963	$ 62,410
Property operating expenses and realty taxes	63,701	14,960	33,556	25,835	9,690	41,484	21,324
Property NOI	$ 122,392	$ 26,060	$ 40,630	$ 35,142	$ 22,987	$ 53,479	$ 41,086
Share of Property NOI	*35.9%*	*7.6%*	*11.9%*	*10.3%*	*6.7%*	*15.6%*	*12.0%*

	Year ended December 31, 2014						
	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	$ 180,163	$ 40,573	$ 71,232	$ 62,657	$ 26,559	$ 76,469	$ 50,732
Property operating expenses and realty taxes	58,459	15,218	32,853	24,754	8,912	33,588	17,473
Property NOI	$ 121,704	$ 25,355	$ 38,379	$ 37,903	$ 17,647	$ 42,881	$ 33,259
Share of Property NOI	*38.3%*	*8.0%*	*12.1%*	*12.0%*	*5.6%*	*13.5%*	*10.5%*

PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at December 31, 2015 (excluding properties held for redevelopment and new developments in process), and the previous four periods, are as follows:

Occupancy Report by Asset Class

	Q4-15 % Committed [(1)]	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14
Retail	97.0%	96.1%	94.5%	94.5%	95.1%	95.9%
Office	92.7%	89.7%	90.9%	93.0%	93.7%	93.9%
Industrial	95.3%	93.8%	94.2%	94.2%	95.5%	94.7%
Total portfolio	94.7%	92.7%	93.1%	93.8%	94.7%	94.6%

[(1)] Percentage committed is based on occupancy at December 31, 2015 plus commitments on vacant space.

Occupancy Report by Geographical Region

	Q4-15 % Committed [(1)]	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14
Canada:						
Alberta	94.1%	90.2%	90.6%	94.0%	94.6%	95.7%
British Columbia	94.6%	94.1%	95.0%	94.5%	96.8%	97.1%
Manitoba	91.9%	89.1%	90.2%	90.2%	93.1%	93.5%
Ontario	93.8%	91.9%	93.6%	92.7%	95.1%	95.7%
Saskatchewan	98.4%	98.2%	94.8%	94.3%	94.0%	93.1%
U.S.:						
Minnesota	95.5%	94.9%	94.5%	94.7%	94.6%	92.7%
Other	98.7%	98.2%	98.3%	98.3%	96.5%	96.5%
Total portfolio	94.7%	92.7%	93.1%	93.8%	94.7%	94.6%

[(1)] Percentage committed is based on occupancy at December 31, 2015 plus commitments on vacant space.

(In thousands of Canadian dollars, unless otherwise noted)

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary

	Three months ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
Leasable area renewed	675,856	507,277	2,301,433	1,554,819
Increase in weighted-average rental rate	(0.1)%	7.2%	3.7%	4.2%

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

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

	Current Vacancy	Monthly Tenants[2]	2016	2017	2018	2019	2020 & later	Total
Office - uncommitted	680,269	69,836	695,796	988,195	971,852	1,134,148	4,303,164	8,843,260
Office - committed	276,377	—	148,137	10,117	19,564	7,454	8,037	469,686
Total office	956,646	69,836	843,933	998,312	991,416	1,141,602	4,311,201	9,312,946
Retail - uncommitted	141,586	35,446	304,250	383,771	557,233	424,635	2,397,287	4,244,208
Retail - committed	40,009	—	256,534	115,188	5,800	6,259	22,124	445,914
Total retail	181,595	35,446	560,784	498,959	563,033	430,894	2,419,411	4,690,122
Industrial - uncommitted	938,495	109,567	1,884,427	1,790,349	1,156,918	975,802	4,289,595	11,145,153
Industrial - committed	197,632	—	614,558	172,320	—	—	60,984	1,045,494
Total industrial	1,136,127	109,567	2,498,985	1,962,669	1,156,918	975,802	4,350,579	12,190,647
Total - uncommitted	1,760,350	214,849	2,884,473	3,162,315	2,686,003	2,534,585	10,990,046	24,232,621
Total - committed	514,018	—	1,019,229	297,625	25,364	13,713	91,145	1,961,094
Total portfolio	2,274,368	214,849	3,903,702	3,459,940	2,711,367	2,548,298	11,081,191	26,193,715

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

(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, 2015 for the leasable area expiring in the year indicated. In-place rents do not reflect either the average rate over the term of the lease or the rate in place in the year of expiry.

Market Rents

Market rents are estimates and are shown as a net annual rate per square foot. Artis reviews market rents across the portfolio on an on-going basis. Market rent estimates are based on management's best estimate for each leasable space and may take into consideration the property manager's revenue budget, recent leasing activity, current prospects, future commitments or publicly available market information. Rates applied in future expiry years (with the exception of certain segments of the Alberta market) do not allow for the impact of inflation, nor do they attempt to factor in anticipated higher (or lower) than normal periods of demand or market rent inflation due to specific market conditions.

(In thousands of Canadian dollars, unless otherwise noted)

Market Rents by Asset Class (in S.F.)[(1)]

Canadian Portfolio:

	2016	2017	2018	2019	2020 & later	Total
Office						
In-place rents	$ 17.86	$ 20.57	$ 19.09	$ 16.65	$ 18.27	$ 18.28
Market rents	15.26	16.84	18.12	15.81	19.69	18.02
Change	(14.6)%	(18.1)%	(5.1)%	(5.0)%	7.7%	(1.4)%
Revenue impact [(2)]	$ (1,884)	$ (1,922)	$ (611)	$ (696)	$ 3,728	$ (1,385)
Retail						
In-place rents	$ 20.61	$ 15.96	$ 23.38	$ 24.18	$ 17.48	$ 19.11
Market rents	24.28	16.70	24.31	24.04	18.43	20.24
Change	17.8 %	4.6 %	4.0 %	(0.6)%	5.4%	5.9 %
Revenue impact [(2)]	$ 1,768	$ 330	$ 502	$ (60)	$ 2,170	$ 4,710
Industrial						
In-place rents	$ 8.70	$ 6.92	$ 6.07	$ 8.84	$ 9.89	$ 8.54
Market rents	8.94	7.02	6.37	8.77	10.06	8.71
Change	2.7 %	1.5 %	4.9 %	(0.8)%	1.8%	2.0 %
Revenue impact [(2)]	$ 334	$ 130	$ 203	$ (34)	$ 446	$ 1,079
Total Canadian portfolio						
In-place rents	$ 13.43	$ 11.89	$ 15.56	$ 16.39	$ 15.20	$ 14.61
Market rents	13.51	11.23	15.61	15.93	16.06	14.89
Change	0.6 %	(5.5)%	0.3 %	(2.8)%	5.6%	1.9 %
Revenue impact [(2)]	$ 218	$ (1,462)	$ 94	$ (790)	$ 6,344	$ 4,404

U.S. Portfolio:

	2016	2017	2018	2019	2020 & later	Total
Office						
In-place rents	$ 17.64	$ 17.19	$ 18.81	$ 23.54	$ 19.33	$ 19.29
Market rents	18.79	18.96	18.58	25.83	20.30	20.39
Change	6.5%	10.3 %	(1.3)%	9.8 %	5.0%	5.7%
Revenue impact [(2)]	$ 136	$ 855	$ (85)	$ 717	$ 1,628	$ 3,251
Retail						
In-place rents	$ 15.35	$ 15.79	$ 16.81	$ 18.35	$ 14.88	$ 15.48
Market rents	15.46	15.48	16.75	19.78	15.26	15.67
Change	0.7%	(1.9)%	(0.4)%	7.8 %	2.6%	1.2%
Revenue impact [(2)]	$ 8	$ (16)	$ (2)	$ 17	$ 47	$ 54
Industrial						
In-place rents	$ 4.96	$ 4.54	$ 4.69	$ 5.51	$ 6.19	$ 5.42
Market rents	5.04	4.98	5.06	5.39	6.27	5.56
Change	1.7%	9.8 %	7.8 %	(2.2)%	1.4%	2.7%
Revenue impact [(2)]	$ 94	$ 309	$ 176	$ (63)	$ 157	$ 673
Total U.S. portfolio						
In-place rents	$ 6.76	$ 9.97	$ 10.94	$ 12.40	$ 12.52	$ 10.99
Market rents	6.95	10.90	11.04	13.20	13.02	11.50
Change	2.7%	9.3 %	0.9 %	6.4 %	4.0%	4.6%
Revenue impact [(2)]	$ 238	$ 1,148	$ 89	$ 671	$ 1,832	$ 3,978

(In thousands of Canadian dollars, unless otherwise noted)

Total Canadian and U.S. Portfolio:

	2016	2017	2018	2019	2020 & later	Total
Office						
In-place rents	$ 17.83	$ 18.93	$ 18.99	$ 18.53	$ 18.68	$ 18.64
Market rents	15.75	17.86	18.29	18.55	19.92	18.87
Change	(11.6)%	(5.6)%	(3.7)%	0.1 %	6.6%	1.2%
Revenue impact [(2)]	$ (1,748)	$ (1,067)	$ (696)	$ 21	$ 5,356	$ 1,866
Retail						
In-place rents	$ 19.87	$ 15.94	$ 23.08	$ 24.02	$ 17.35	$ 18.87
Market rents	23.04	16.57	23.97	23.92	18.27	19.94
Change	15.9 %	3.9 %	3.9 %	(0.4)%	5.3%	5.6%
Revenue impact [(2)]	$ 1,776	$ 314	$ 500	$ (43)	$ 2,217	$ 4,764
Industrial						
In-place rents	$ 7.07	$ 6.07	$ 5.50	$ 7.08	$ 8.32	$ 7.22
Market rents	7.24	6.30	5.83	6.98	8.45	7.38
Change	2.4 %	3.7 %	6.0 %	(1.4)%	1.7%	2.2%
Revenue impact [(2)]	$ 428	$ 439	$ 379	$ (97)	$ 603	$ 1,752
Total Canadian and U.S. portfolio						
In-place rents	$ 11.23	$ 11.21	$ 14.08	$ 15.08	$ 14.32	$ 13.41
Market rents	11.35	11.11	14.15	15.03	15.06	13.77
Change	1.0 %	(0.8)%	0.5 %	(0.3)%	5.2%	2.6%
Revenue impact [(2)]	$ 456	$ (314)	$ 183	$ (119)	$ 8,176	$ 8,382

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

(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, 2015 are estimated to be 2.6% above in-place rents across the portfolio compared to 3.7% at September 30, 2015 and 5.5% at December 31, 2014. Today's market rents for the 2016 and 2017 lease expiries are estimated to be 1.0% above and 0.8% below in-place rents, respectively. Market rents for the office portfolio in certain years are estimated to be below in-place rents due to the impact of the Calgary office segment. The retail portfolio is expected to be the strongest contributor to incremental rental revenue over the long-term.

(In thousands of Canadian dollars, unless otherwise noted)

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

	Current Vacancy	Monthly Tenants [(2)]	2016	2017	2018	2019	2020 & later	Total
AB - uncommitted	396,138	65,753	878,987	532,160	733,838	768,834	2,817,630	6,193,340
AB - committed	258,436	—	196,966	13,764	—	—	2,218	471,384
Total Alberta	654,574	65,753	1,075,953	545,924	733,838	768,834	2,819,848	6,664,724
BC - uncommitted	87,703	12,903	101,580	89,517	118,066	236,824	814,474	1,461,067
BC - committed	7,340	—	28,082	106,393	1,533	6,259	8,037	157,644
Total British Columbia	95,043	12,903	129,662	195,910	119,599	243,083	822,511	1,618,711
MB - uncommitted	318,096	44,082	442,064	476,159	595,813	184,016	1,566,438	3,626,668
MB - committed	106,942	—	102,471	1,800	2,095	7,454	62,052	282,814
Total Manitoba	425,038	44,082	544,535	477,959	597,908	191,470	1,628,490	3,909,482
ON - uncommitted	238,078	44,507	361,944	648,757	202,399	426,846	1,443,609	3,366,140
ON - committed	73,999	—	408,970	8,424	12,633	—	—	504,026
Total Ontario	312,077	44,507	770,914	657,181	215,032	426,846	1,443,609	3,870,166
SK - uncommitted	24,029	10,274	55,949	343,071	174,119	78,481	702,633	1,388,556
SK - committed	2,025	—	39,944	5,275	4,267	—	18,838	70,349
Total Saskatchewan	26,054	10,274	95,893	348,346	178,386	78,481	721,471	1,458,905
MN - uncommitted	529,801	35,372	997,198	747,599	691,082	594,439	2,590,037	6,185,528
MN - committed	39,826	—	235,154	161,969	4,836	—	—	441,785
Total Minnesota	569,627	35,372	1,232,352	909,568	695,918	594,439	2,590,037	6,627,313
U.S. - Other - uncommitted	166,505	1,958	46,751	325,052	170,686	245,145	1,055,225	2,011,322
U.S. - Other - committed	25,450	—	7,642	—	—	—	—	33,092
Total U.S. - Other	191,955	1,958	54,393	325,052	170,686	245,145	1,055,225	2,044,414
Total - uncommitted	1,760,350	214,849	2,884,473	3,162,315	2,686,003	2,534,585	10,990,046	24,232,621
Total - committed	514,018	—	1,019,229	297,625	25,364	13,713	91,145	1,961,094
Total portfolio	2,274,368	214,849	3,903,702	3,459,940	2,711,367	2,548,298	11,081,191	26,193,715

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

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

(In thousands of Canadian dollars, unless otherwise noted)

Market Rents by Geographical Region (in S.F.) [(1)]

	2016	2017	2018	2019	2020 & later	Total
Alberta						
In-place rents	$ 17.84	$ 20.37	$ 20.41	$ 19.87	$ 17.59	$ 18.54
Market rents	17.33	16.74	19.77	18.56	19.39	18.71
Change	(2.8)%	(17.8)%	(3.2)%	(6.6)%	10.2 %	0.9 %
Revenue impact [(2)]	$ (542)	$ (1,985)	$ (476)	$ (1,012)	$ 5,059	$ 1,044
British Columbia						
In-place rents	$ 19.33	$ 11.71	$ 25.68	$ 18.45	$ 12.79	$ 15.14
Market rents	20.13	11.81	25.60	19.01	13.33	15.60
Change	4.1 %	0.9 %	(0.3)%	3.0 %	4.2 %	3.0 %
Revenue impact [(2)]	$ 103	$ 20	$ (10)	$ 136	$ 445	$ 694
Manitoba						
In-place rents	$ 10.26	$ 11.04	$ 8.12	$ 10.36	$ 15.19	$ 12.33
Market rents	11.23	11.66	8.98	10.61	15.67	12.97
Change	9.5 %	5.7 %	10.6 %	2.4 %	3.2 %	5.1 %
Revenue impact [(2)]	$ 528	$ 298	$ 513	$ 48	$ 785	$ 2,172
Ontario						
In-place rents	$ 7.84	$ 6.75	$ 10.40	$ 11.00	$ 11.87	$ 9.83
Market rents	7.74	6.79	10.73	11.06	11.60	9.73
Change	(1.4)%	0.6 %	3.2 %	0.5 %	(2.3)%	(1.0)%
Revenue impact [(2)]	$ (83)	$ 27	$ 71	$ 25	$ (397)	$ (357)
Saskatchewan						
In-place rents	$ 18.93	$ 9.57	$ 19.96	$ 19.97	$ 15.31	$ 14.99
Market rents	21.14	10.09	19.94	20.13	15.94	15.59
Change	11.7 %	5.3 %	(0.1)%	0.8 %	4.1 %	4.0 %
Revenue impact [(2)]	$ 212	$ 178	$ (4)	$ 13	$ 452	$ 851
Minnesota						
In-place rents	$ 6.11	$ 6.51	$ 9.35	$ 7.00	$ 8.69	$ 7.74
Market rents	6.18	7.19	9.35	6.94	8.81	7.91
Change	1.1 %	10.5 %	— %	(0.8)%	1.4 %	2.1 %
Revenue impact [(2)]	$ 86	$ 620	$ 3	$ (35)	$ 314	$ 988
U.S. - Other						
In-place rents	$ 21.61	$ 19.66	$ 17.41	$ 25.47	$ 21.92	$ 21.57
Market rents	24.40	21.29	17.92	28.36	23.36	23.19
Change	12.9 %	8.3 %	2.9 %	11.3 %	6.6 %	7.5 %
Revenue impact [(2)]	$ 152	$ 528	$ 86	$ 706	$ 1,518	$ 2,990
Total portfolio						
In-place rents	$ 11.23	$ 11.21	$ 14.08	$ 15.08	$ 14.32	$ 13.41
Market rents	11.35	11.11	14.15	15.03	15.06	13.77
Change	1.0 %	(0.8)%	0.5 %	(0.3)%	5.2 %	2.6 %
Revenue impact [(2)]	$ 456	$ (314)	$ 183	$ (119)	$ 8,176	$ 8,382

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

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

Artis' real estate is diversified across five Canadian provinces and five U.S. states, and across the office, retail and industrial asset classes. At December 31, 2015, the five largest segments of the REIT's portfolio (by Property NOI) are Calgary office, Twin Cities Area industrial, Greater Phoenix Area office, Twin Cities Area office and Winnipeg office.
The Calgary office segment represents 14.7% of the Q4-15 Property NOI and 9.7% of the overall portfolio by GLA. 41.3% of the Calgary office GLA is located downtown, 22.6% is beltline and 36.1% is suburban. Overall direct vacancy in the Calgary office market, as reported by CBRE, was 10.9% at December 31, 2015, compared to 9.1% at September 30, 2015. At December 31, 2015, the Calgary office segment of Artis' portfolio was 83.0% occupied, compared to 86.1% at September 30, 2015. Approximately 8% of this vacancy can be attributed to the vacating of AMEC Americas Ltd.; however, all of the space vacated by AMEC Americas Ltd. has been leased to a new tenant pursuant to a lease commencing in 2016. During 2016, 313,270 square feet comes up for renewal, which represents 1.2% of the total portfolio GLA; 12.2% had been renewed or committed to new leases at December 31, 2015. Approximately 39.5% of the Calgary office GLA expires in 2020 or later. Artis' largest 10 Calgary office tenants by GLA (including a new tenant at Heritage Square with a lease scheduled to commence in 2016) lease nearly half of Artis' Calgary office space with a weighted-average lease term of 5.8 years. The average size of Artis' Calgary office tenants is approximately 9,400 square feet.

(In thousands of Canadian dollars, unless otherwise noted)

Lease Expiries for Calgary Office Segment (in S.F.)[1]:

	Current Vacancy	Monthly Tenants [2]	2016	2017	2018	2019	2020 & later	Total
Downtown - uncommitted	144,362	12,420	194,386	205,283	128,691	133,958	189,868	1,008,968
Downtown - committed	2,921	—	36,735	—	—	—	—	39,656
Total downtown	147,283	12,420	231,121	205,283	128,691	133,958	189,868	1,048,624
Beltline - uncommitted	23,539	102	43,185	5,613	109,555	41,930	347,799	571,723
Beltline - committed	2,800	—	—	—	—	—	—	2,800
Total beltline	26,339	102	43,185	5,613	109,555	41,930	347,799	574,523
Suburban - uncommitted	43,073	8,337	37,408	55,090	43,525	47,568	464,204	699,205
Suburban - committed	214,106	—	1,556	—	—	—	—	215,662
Total suburban	257,179	8,337	38,964	55,090	43,525	47,568	464,204	914,867
Total - uncommitted	210,974	20,859	274,979	265,986	281,771	223,456	1,001,871	2,279,896
Total - committed	219,827	—	38,291	—	—	—	—	258,118
Total Calgary office	430,801	20,859	313,270	265,986	281,771	223,456	1,001,871	2,538,014

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

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

Lease Expiries for the Office Segment excluding Calgary (in S.F.)[1]:

	Current Vacancy	Monthly Tenants [2]	2016	2017	2018	2019	2020 & later	Total
Other - uncommitted	469,295	48,977	420,817	722,209	690,081	910,692	3,301,293	6,563,364
Other - committed	56,550	—	109,846	10,117	19,564	7,454	8,037	211,568
Total other office	525,845	48,977	530,663	732,326	709,645	918,146	3,309,330	6,774,932

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

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

(In thousands of Canadian dollars, unless otherwise noted)

Market Rents for Calgary Office Segment (in S.F.)[1]:

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

	2016	2017	2018	2019	2020 & later	Total
Downtown						
In-place rents	$ 24.17	$ 26.13	$ 21.13	$ 23.26	$ 22.98	$ 23.79
Market rents	15.31	15.95	18.58	19.95	23.92	18.47
Change	(36.7)%	(39.0)%	(12.1)%	(14.2)%	4.1%	(22.4)%
Revenue impact [2]	$ (2,047)	$ (2,091)	$ (329)	$ (443)	$ 179	$ (4,731)
Beltline						
In-place rents	$ 27.12	$ 25.50	$ 27.79	$ 33.67	$ 14.89	$ 19.97
Market rents	20.67	22.00	22.68	25.65	22.80	22.82
Change	(23.8)%	(13.7)%	(18.4)%	(23.8)%	53.2%	14.2 %
Revenue impact [2]	$ (279)	$ (20)	$ (559)	$ (336)	$ 2,752	$ 1,558
Suburban						
In-place rents	$ 16.27	$ 16.21	$ 17.66	$ 18.60	$ 23.18	$ 21.47
Market rents	14.65	15.70	17.25	19.20	23.92	21.87
Change	(10.0)%	(3.2)%	(2.3)%	3.2 %	3.2%	1.9 %
Revenue impact [2]	$ (63)	$ (28)	$ (18)	$ 28	$ 342	$ 261
Total Calgary Office						
In-place rents	$ 23.60	$ 24.07	$ 23.18	$ 24.22	$ 20.26	$ 22.07
Market rents	15.97	16.02	19.97	20.86	23.53	20.67
Change	(32.3)%	(33.4)%	(13.9)%	(13.9)%	16.1%	(6.3)%
Revenue impact [2]	$ (2,389)	$ (2,139)	$ (906)	$ (751)	$ 3,273	$ (2,912)

[1] Based on owned share of total leasable area.

[2] This impact is based on the difference between the in-place rents and the market rents for the period. This excludes the impact of any straight-line rent adjustments on revenues.

Market Rents for the Office Segment excluding Calgary (in S.F.)[1]:

	2016	2017	2018	2019	2020 & later	Total
Other office						
In-place rents	$ 14.42	$ 17.07	$ 17.32	$ 17.15	$ 18.20	$ 17.49
Market rents	15.63	18.53	17.62	17.99	18.83	18.26
Change	8.4%	8.6%	1.7%	4.9%	3.5%	4.4%
Revenue impact [2]	$ 641	$ 1,072	$ 210	$ 772	$ 2,083	$ 4,778

[1] Based on owned share of total leasable area.

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

The Twin Cities Area industrial segment represents 8.7% of the Q4-15 Property NOI and 19.1% of the overall portfolio by GLA. Direct vacancy in this industrial market, as reported by CBRE, changed from 5.5% at September 30, 2015 to 5.6% at December 31, 2015, with 1,036,124 square feet of positive absorption reported for the quarter. As per CBRE, this was the 22nd consecutive quarter of positive absorption for this market. The average asking market lease rate was $5.52 per square foot, increased from $5.19 per square foot at September 30, 2015. Occupancy in this segment of the portfolio, excluding properties held for redevelopment, was 95.5% at December 31, 2015, compared to 95.6% at September 30, 2015. During 2016, 1,089,102 square feet comes up for renewal, which represents 4.2% of the total portfolio GLA; commitments were in place for 13.4% of the expiring space at December 31, 2015.

The Greater Phoenix Area office segment represents 6.9% of the Q4-15 Property NOI and 3.8% of the overall portfolio by GLA. The average asking market lease rate was $22.90 per square foot at December 31, 2015, increased from $22.48 per square foot at September 30, 2015. Overall direct vacancy in the Greater Phoenix Area office market, as reported by CBRE, was 19.3% at December 31, 2015, down from 20.0% at September 30, 2015. Occupancy in this segment of the portfolio was 99.6% at December 31, 2015, unchanged from 99.6% at September 30, 2015. There are no leases expiring in Artis' Greater Phoenix Area office portfolio in 2016.

The Twin Cities Area office segment represents 6.8% of the Q4-15 Property NOI and 5.1% of the overall portfolio by GLA. Overall direct vacancy in this office market, as reported by CBRE, was 15.5% at December 31, 2015, up slightly from 15.0% at September 30, 2015. At December 31, 2015, the Twin Cities Area office segment of Artis' portfolio was 92.2% occupied, increased from 88.8% at September 30, 2015. During the remainder of 2016, 64,749 square feet comes up for renewal, which represents 0.2% of the total portfolio GLA; 17.1% had been renewed or committed to new leases at December 31, 2015. Approximately 55.9% of the Twin Cities Area office GLA expires in 2020 or later.

(In thousands of Canadian dollars, unless otherwise noted)

The Winnipeg office segment represents 6.5% of the Q4-15 Property NOI and 5.8% of the overall portfolio by GLA. Artis' office properties are located in the downtown Winnipeg area, with several buildings at or adjacent to the intersection of Portage and Main. Overall direct vacancy in the Winnipeg office market, as reported by CBRE, was 11.1% at December 31, 2015, compared to Capital Commercial Real Estate's report of 10.5% vacancy at September 30, 2015. At December 31, 2015, the Winnipeg office segment of Artis' portfolio was 88.9% occupied, compared to 91.2% at September 30, 2015. During 2016, 164,269 square feet comes up for renewal, which represents 0.6% of the total portfolio GLA; 12.1% had been renewed or committed to new leases at December 31, 2015. Approximately 57.2% of the Winnipeg office GLA expires in 2020 or later.

CORPORATE EXPENSES

	Three months ended December 31,				Year ended December 31,			
	2015	2014	Change	% Change	2015	2014	Change	% Change
Accounting, legal and consulting	$ 488	$ 589	$ (101)	(17.1)%	$ 2,120	$ 1,669	$ 451	27.0 %
Public company costs	404	391	13	3.3 %	1,444	1,537	(93)	(6.1)%
Unit-based compensation	618	378	240	63.5 %	1,760	1,640	120	7.3 %
Salaries and benefits	986	784	202	25.8 %	3,629	3,125	504	16.1 %
Depreciation	196	146	50	34.2 %	755	575	180	31.3 %
General and administrative	397	394	3	0.8 %	1,802	1,715	87	5.1 %
Total corporate expenses	$ 3,089	$ 2,682	$ 407	15.2 %	$ 11,510	$ 10,261	$ 1,249	12.2 %

Corporate expenses in 2015 were $11,510 (Q4-15 - $3,089), or 2.1% (Q4-15 - 2.2%) of total revenues compared to $10,261 (Q4-14 - $2,682), or 2.0% (Q4-14 - 2.0%) of total revenues in 2014.

INTEREST EXPENSE

	Three months ended December 31,				Year ended December 31,			
	2015	2014	Change	% Change	2015	2014	Change	% Change
Mortgages and other loans [(1)]	$ 20,739	$ 22,701	$ (1,962)		$ 85,151	$ 92,163	$ (7,012)	
Debentures [(1)]	4,386	4,413	(27)		17,453	14,491	2,962	
Other [(1)]	1,447	61	1,386		4,076	534	3,542	
	26,572	27,175	(603)	(2.2)%	106,680	107,188	(508)	(0.5)%
Foreign exchange	2,112	824	1,288		6,784	2,524	4,260	
Total interest expense	$ 28,684	$ 27,999	$ 685	2.4 %	$ 113,464	$ 109,712	$ 3,752	3.4 %

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

Interest expense on mortgages and other loans has decreased primarily due to the repayment of maturing mortgages in 2014 and 2015. Interest expense on debentures has increased due to the Series A senior unsecured debentures issued in 2014. The majority of other interest expense relates to the unsecured revolving term credit facilities. Financing costs on mortgages, other loans and debentures are netted against the related debt, and amortized on an effective interest basis over the expected term of the debt.

The REIT's weighted-average effective rate at December 31, 2015 on mortgages and other loans secured by properties was 3.93%, decreased from 4.16% at December 31, 2014. The weighted-average nominal interest rate on mortgages and other loans secured by properties at December 31, 2015 decreased to 3.86% from 4.02% at December 31, 2014.

The REIT's interest coverage ratio, defined as total revenues less property operating expenses, realty taxes and corporate expenses divided by interest expense, is 2.92 times for the year ended December 31, 2015 (Q4-15 - 2.88 times) compared to 2.82 times for the year ended December 31, 2014 (Q4-14 - 2.82 times).

FAIR VALUE (LOSS) GAIN ON INVESTMENT PROPERTIES

The changes in fair value of investment properties, year-over-year, are recognized as fair value gains and losses in the statement of operations. Fair values of the investment properties are determined through either the discounted cash flow method or the overall capitalization method which are generally accepted appraisal methodologies. External valuations are performed quarterly on a rotational basis over a four year cycle. In 2015, the fair value loss on investment properties was $371,905 (Q4-15 - loss of $252,058) compared to a gain of $31,476 (Q4-14 - gain of $14,180) in 2014. Fair value changes in individual properties result from changes in the projected income and cash flow projections of those properties, as well as from changes in capitalization rates and discount rates applied. The fair value loss in 2015 was largely the result of the economic downturn in Alberta and continued downward pressure on market rents, most notably in the Calgary office segment. As reported by CBRE, capitalization rates for Class A and B Calgary office assets increased by an average of 50 basis points from December 31, 2014 to December 31, 2015, and net asking rents in the Calgary downtown office segment decreased by almost $7 per square foot from December 31, 2014 to December 31, 2015.

FOREIGN CURRENCY TRANSLATION LOSS

In 2015, Artis held cash, deposits and the Series G debentures in US dollars. These assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. This resulted in a foreign currency translation loss of $16,413 (Q4-15 - gain of $410) in 2015, compared to a loss of $21,890 (Q4-14 - loss of $4,295) in 2014. The foreign currency translation loss in 2015 is primarily due to the strengthening of the US dollar and its effect on the net liability position of the REIT's assets and liabilities denominated in US dollars.

LOSS ON FINANCIAL INSTRUMENTS

Artis holds a number of interest rate swaps to effectively lock the interest rate on a portion of floating rate debt. The REIT recorded an unrealized loss on the fair value adjustment of the interest rate swaps outstanding of $3,544 (Q4-15 - gain of $2,426) in 2015, compared to an unrealized loss of $8,558 (Q4-14 - loss of $3,330) in 2014. The REIT anticipates holding the mortgages and interest rate swap contracts until maturity.

(In thousands of Canadian dollars, unless otherwise noted)

OTHER COMPREHENSIVE INCOME

Other comprehensive income includes the unrealized foreign currency translation gain in 2015 of $147,727 (Q4-15 - gain of $27,422) compared to a gain of $66,844 (Q4-14 - gain of $25,466) in 2014. Foreign currency translation gains and losses relate to the REIT's net investment in foreign operations in the U.S.

INCOME TAX

The REIT currently qualifies as a mutual fund trust and a real estate investment trust ("REIT") 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. subsidiaries are REITs for U.S. income tax purposes. The 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 U.S. income taxes. The U.S. subsidiaries are subject to a 30% to 35% withholding tax on distributions to Canada. Any withholding taxes paid are recorded with the related distributions.

FUNDS FROM OPERATIONS ("FFO")

Consistent with the application of National Policy 41-201 *Income Trusts and Other Indirect Offerings*, Artis reconciles FFO to cash flows from operating activities, in addition to net (loss) income.

Reconciliation of Cash Flows from Operations to FFO

The following table reconciles cash flow from operations as found in the REIT's consolidated financial statements to FFO:

	Three months ended December 31,			Year ended December 31,		
000's, except per unit amounts	2015	2014	% Change	2015	2014	% Change
Cash flow from operations	$ 47,556	$ 54,008		$ 220,601	$ 204,705	
Add (deduct):						
Depreciation of property and equipment	(196)	(146)		(755)	(575)	
Amortization of above-and below-market mortgages, net	474	419		1,603	1,787	
Straight-line rent adjustment	1,011	1,199		2,970	4,677	
Adjustment for investments in joint ventures	822	894		4,564	3,132	
Realized foreign currency translation (gain) loss	(579)	(289)		3,569	13,825	
Unrealized foreign currency gain (loss) from U.S. operations	2,827	(2,815)		1,019	(11,963)	
Unit-based compensation expense	(618)	(378)		(1,760)	(1,640)	
Accretion on liability component of debentures	191	166		720	475	
Amortization of financing costs included in interest	(762)	(770)		(3,077)	(3,018)	
Other long-term employee benefits	(498)	(844)		(1,702)	(844)	
Transaction costs on acquisitions	521	844		2,136	2,490	
Changes in non-cash operating items	6,793	1,316		2,419	(3,252)	
Incremental leasing costs	579	472		2,009	1,324	
Preferred unit distributions	(4,682)	(4,461)		(18,435)	(17,662)	
FFO	$ 53,439	$ 49,615	7.7%	$ 215,881	$ 193,461	11.6%
Add (deduct):						
Lease termination income received from tenants	(173)	(73)		(4,493)	(176)	
Non-recurring other income [(1)]	—	—		(1,636)	—	
Straight-line rent reversals due to lease terminations	—	—		812	—	
FFO after adjustments	$ 53,266	$ 49,542	7.5%	$ 210,564	$ 193,285	8.9%
FFO per unit:						
Basic	$ 0.39	$ 0.36	8.3%	$ 1.57	$ 1.46	7.5%
Diluted	0.38	0.36	5.6%	1.53	1.42	7.7%
FFO per unit after adjustments:						
Basic	$ 0.38	$ 0.36	5.6%	$ 1.53	$ 1.46	4.8%
Diluted	0.38	0.36	5.6%	1.49	1.42	4.9%
Weighted-average number of common units outstanding:						
Basic	138,566	136,055		137,601	132,554	
Diluted [(2)]	149,089	146,600		148,082	143,116	

(1) Income received from a settlement relating to an access restriction at a previously disposed property.

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

In 2015, FFO after adjustments has increased due to acquisitions during 2014 and 2015, and the impact of foreign exchange.

(In thousands of Canadian dollars, unless otherwise noted)

The following is a reconciliation of the weighted-average number of basic common units to diluted common units and FFO to diluted FFO:

Diluted Common Units Reconciliation

	Three months ended December 31, 2015	2014
Basic units	138,566	136,055
Add:		
Options [(1)]	—	110
Debentures [(1)]	10,200	10,200
Restricted units [(1)]	310	233
Deferred units [(1)]	13	2
Diluted units	149,089	146,600

Diluted FFO Reconciliation

	Three months ended December 31, 2015	2014
FFO	$ 53,439	$ 49,615
Add:		
Options [(1)]	—	—
Debentures [(1)]	2,861	2,640
Restricted units [(1)]	(73)	(55)
Deferred units [(1)]	5	(2)
Diluted FFO	$ 56,232	$ 52,198

[(1)] All convertible debenture series, restricted units and deferred units are dilutive in Q4-15. All in-the-money options, convertible debenture series, restricted units and deferred units are dilutive in Q4-14.

Diluted Common Units Reconciliation

	Year ended December 31, 2015	2014
Basic units	137,601	132,554
Add:		
Options [(1)]	—	145
Debentures [(1)]	10,200	10,200
Restricted units [(1)]	274	217
Deferred units [(1)]	7	—
Diluted units	148,082	143,116

Diluted FFO Reconciliation

	Year ended December 31, 2015	2014
FFO	$ 215,881	$ 193,461
Add:		
Options [(1)]	—	—
Debentures [(1)]	11,098	10,333
Restricted units [(1)]	(350)	(51)
Deferred units [(1)]	(2)	(2)
Diluted FFO	$ 226,627	$ 203,741

[(1)] All convertible debenture series, restricted units and deferred units are dilutive in 2015. All in-the-money options, convertible debenture series, restricted units and deferred units are dilutive in 2014.

Reconciliation of Net (Loss) Income to FFO

	Three months ended December 31, 2015	2014	% Change	Year ended December 31, 2015	2014	% Change
Net (loss) income	$ (195,895)	$ 56,611		$ (175,699)	$ 197,886	
Add (deduct):						
Tenant inducements amortized to revenue	3,694	2,753		14,008	10,572	
Fair value loss (gain) on investment properties	252,058	(14,180)		371,905	(31,476)	
Foreign currency translation (gain) loss	(410)	4,295		16,413	21,890	
Transaction costs on acquisitions	521	844		2,136	2,490	
Unrealized (gain) loss on financial instruments	(2,426)	3,281		3,544	8,437	
Incremental leasing costs	579	472		2,009	1,324	
Preferred unit distributions	(4,682)	(4,461)		(18,435)	(17,662)	
FFO	$ 53,439	$ 49,615	7.7%	$ 215,881	$ 193,461	11.6%
Add (deduct):						
Lease termination income received from tenants	(173)	(73)		(4,493)	(176)	
Non-recurring other income [(1)]	—	—		(1,636)	—	
Straight-line rent reversals due to lease terminations	—	—		812	—	
FFO after adjustments	$ 53,266	$ 49,542	7.5%	$ 210,564	$ 193,285	8.9%

[(1)] Income received from a settlement relating to an access restriction at a previously disposed property.

(In thousands of Canadian dollars, unless otherwise noted)

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

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.

Actual capital expenditures, which are neither revenue enhancing nor recoverable from tenants in future periods, are by nature variable and unpredictable. The allowance applied in the calculation of AFFO reflects management's best estimate of a reasonable annual capital expenditure on a long-term basis, based on the asset class mix and age and quality of the Artis portfolio properties.

Actual leasing costs, which include tenant improvements that are not capital in nature, tenant allowances and commissions, are also variable in nature. Leasing costs will fluctuate depending on the square footage of leases rolling over, in-place rates at expiry, tenant retention and local market conditions in a given year. The allowance applied in the calculation of AFFO reflects management's estimate of normalized leasing costs over the long-term, based on the asset class mix, tenant mix and conditions in Artis' target markets.

Reconciliation of FFO to AFFO

000's, except per unit amounts	Three months ended December 31, 2015	Three months ended December 31, 2014	% Change	Year ended December 31, 2015	Year ended December 31, 2014	% Change
FFO	$ 53,439	$ 49,615		$ 215,881	$ 193,461	
Add (deduct):						
Capital expenditures reserve	(1,432)	(1,344)		(5,539)	(5,105)	
Leasing costs reserve	(5,727)	(5,373)		(22,153)	(20,418)	
Straight-line rent adjustments	(1,227)	(1,232)		(3,499)	(4,817)	
Unit-based compensation	618	378		1,760	1,640	
AFFO	$ 45,671	$ 42,044	8.6%	$ 186,450	$ 164,761	13.2%
Deduct:						
Lease termination income received from tenants	(173)	(73)		(4,493)	(176)	
Non-recurring other income [1]	—	—		(1,636)	—	
AFFO after adjustments	$ 45,498	$ 41,971	8.4%	$ 180,321	$ 164,585	9.6%
AFFO per unit:						
Basic	$ 0.33	$ 0.31	6.5%	$ 1.36	$ 1.24	9.7%
Diluted	0.33	0.31	6.5%	1.34	1.23	8.9%
AFFO per unit after adjustments:						
Basic	$ 0.33	$ 0.31	6.5%	$ 1.31	$ 1.24	5.6%
Diluted	0.33	0.31	6.5%	1.30	1.23	5.7%
Weighted-average number of common units outstanding:						
Basic	138,566	136,055		137,601	132,554	
Diluted [2]	148,766	146,255		147,801	142,754	

(1) Income received from a settlement relating to an access restriction at a previously disposed property.

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

In 2015, AFFO has increased due to acquisitions during 2014 and 2015 and the impact of foreign exchange.

(In thousands of Canadian dollars, unless otherwise noted)

ANALYSIS OF FINANCIAL POSITION

The following tables provide 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, 2015			December 31, 2014		
	Per consolidated financial statements	Adjustment [(1)]	Total Proportionate Share	Per consolidated financial statements	Adjustment [(1)]	Total Proportionate Share
ASSETS						
Non-current assets:						
Investment properties	$ 5,078,021	$ 246,144	$ 5,324,165	$ 5,201,489	$ 87,746	$ 5,289,235
Investment properties under development	26,892	61,465	88,357	81,682	72,262	153,944
Investments in joint ventures	173,066	(173,066)	—	98,072	(98,072)	—
Property and equipment	3,586	—	3,586	3,405	—	3,405
Notes receivable	15,776	—	15,776	18,239	—	18,239
	5,297,341	134,543	5,431,884	5,402,887	61,936	5,464,823
Current assets:						
Investment properties held for sale	115,504	—	115,504	—	—	—
Deposits on investment properties	50	—	50	50	—	50
Prepaid expenses and other assets	7,872	351	8,223	6,671	230	6,901
Notes receivable	2,744	—	2,744	2,509	—	2,509
Accounts receivable and other receivables	11,757	1,069	12,826	10,955	620	11,575
Cash held in trust	8,605	—	8,605	5,973	1,337	7,310
Cash and cash equivalents	66,449	4,995	71,444	49,807	3,025	52,832
	212,981	6,415	219,396	75,965	5,212	81,177
	$ 5,510,322	$ 140,958	$ 5,651,280	$ 5,478,852	$ 67,148	$ 5,546,000
LIABILITIES AND UNITHOLDERS' EQUITY						
Non-current liabilities:						
Mortgages and loans payable	$ 1,703,553	$ 112,535	$ 1,816,088	$ 1,868,857	$ 46,487	$ 1,915,344
Senior unsecured debentures	199,631	—	199,631	199,527	—	199,527
Convertible debentures	209,140	—	209,140	189,573	—	189,573
Other long-term liabilities	2,910	—	2,910	1,144	—	1,144
	2,115,234	112,535	2,227,769	2,259,101	46,487	2,305,588
Current liabilities:						
Mortgages and loans payable	494,766	19,663	514,429	393,197	15,116	408,313
Security deposits and prepaid rent	32,049	1,424	33,473	30,546	497	31,043
Accounts payable and other liabilities	75,512	7,336	82,848	66,703	5,048	71,751
Bank indebtedness	225,000	—	225,000	300	—	300
	827,327	28,423	855,750	490,746	20,661	511,407
	2,942,561	140,958	3,083,519	2,749,847	67,148	2,816,995
Unitholders' equity	2,567,761	—	2,567,761	2,729,005	—	2,729,005
	$ 5,510,322	$ 140,958	$ 5,651,280	$ 5,478,852	$ 67,148	$ 5,546,000

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

(In thousands of Canadian dollars, unless otherwise noted)

ASSETS

	December 31, 2015	December 31, 2014	Change
Non-current assets:			
Investment properties and investment properties under development	$ 5,412,522	$ 5,443,179	$ (30,657)
Other non-current assets	19,362	21,644	(2,282)
Current assets:			
Investment properties held for sale	115,504	—	115,504
Other current assets	23,843	21,035	2,808
Cash, cash equivalents and cash held in trust	80,049	60,142	19,907
	$ 5,651,280	$ 5,546,000	$ 105,280

Investment Properties, Investment Properties Under Development and Investment Properties Held for Sale

The change in investment properties, investment properties under development and investment properties held for sale is a result of the following:

	Investment properties	Investment properties under development	Investment properties held for sale	Total
Balance, December 31, 2014	$ 5,289,235	$ 153,944	$ —	$ 5,443,179
Additions:				
Acquisitions	203,788	—	—	203,788
Capital expenditures	26,115	54,407	54	80,576
Leasing commissions	13,221	361	973	14,555
Dispositions	(52,977)	—	(86,310)	(139,287)
Reclassification of investment properties under development	130,504	(130,504)	—	—
Reclassification of investment properties held for sale	(193,327)	—	193,327	—
Foreign currency translation gain	257,073	12,595	4,987	274,655
Straight-line rent adjustment	3,359	30	110	3,499
Tenant inducement additions, net of amortization	13,915	(63)	5,114	18,966
Fair value loss	(366,741)	(2,413)	(2,751)	(371,905)
Balance, December 31, 2015	$ 5,324,165	$ 88,357	$ 115,504	$ 5,528,026

Acquisitions:

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

	Three months ended December 31, 2015	2014	Change	% Change	Year ended December 31, 2015	2014	Change	% Change
Cash consideration	$ 32,437	$ 54,932	$ (22,495)	(41.0)%	$ 92,146	$ 191,920	$ (99,774)	(52.0)%
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	62,436	20,159	42,277	209.7 %	111,642	71,655	39,987	55.8 %
Total	$ 94,873	$ 75,091	$ 19,782	26.3 %	$ 203,788	$ 263,575	$ (59,787)	(22.7)%

Capital expenditures:

Investment properties include certain capital expenditures related to sustaining building improvements not related to a specific lease or tenancy. Revenue enhancing capital expenditures include new and (re)development costs and building improvements that increase the revenue generating potential of the property. In 2015, non-revenue enhancing capital expenditures primarily relate to parking lot, elevator modernization, HVAC, interior and exterior upgrades. Recoverable capital expenditures are recoverable from tenants in future periods.

	Three months ended December 31, 2015	2014	Change	% Change	Year ended December 31, 2015	2014	Change	% Change
Revenue enhancing	$ 17,942	$ 14,021	$ 3,921	28.0 %	$ 56,951	$ 42,156	$ 14,795	35.1 %
Recoverable from tenants	3,843	5,296	(1,453)	(27.4)%	14,916	10,620	4,296	40.5 %
Non-recoverable	1,339	2,656	(1,317)	(49.6)%	8,709	9,589	(880)	(9.2)%
Total capital expenditures	$ 23,124	$ 21,973	$ 1,151	5.2 %	$ 80,576	$ 62,365	$ 18,211	29.2 %

(In thousands of Canadian dollars, unless otherwise noted)

Leasing costs:

Tenant inducements include 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. In 2015, leasing activity was higher resulting in increased tenant inducements and lease commissions. The REIT paid tenant inducements of $6,822 and leasing commissions of $1,200 related to the PMC Sierra, Inc. renewal that commenced October 1, 2015 for 12 years.

	Three months ended December 31,				Year ended December 31,			
	2015	2014	Change	% Change	2015	2014	Change	% Change
Tenant inducements	$ 11,558	$ 5,953	$ 5,605	94.2 %	$ 32,974	$ 20,846	$ 12,128	58.2%
Leasing commissions	2,945	3,379	(434)	(12.8)%	14,555	9,817	4,738	48.3%
Total	$ 14,503	$ 9,332	$ 5,171	55.4 %	$ 47,529	$ 30,663	$ 16,866	55.0%

Dispositions:

During 2015, Artis sold two retail and two office properties in Canada and two office properties in the U.S. for an aggregate sales price of $150,745. The sales proceeds, net of costs of $11,636 and related debt of $32,999, were $106,110.

Completed new and (re)development properties:

In 2015, Artis completed the (re)development of one office, two retail and four industrial properties as discussed in the Portfolio Summary section.

Investment properties held for sale:

At December 31, 2015, the REIT had one retail and one office property with an aggregate fair value of $115,504 classified as held for sale. These properties were listed for sale with an external broker.

Foreign currency translation gain:

In 2015, the foreign currency translation gain on investment properties was $274,655 (Q4-15 - $56,208) due to the change in the year end US dollar to Canadian dollar exchange rate from 1.1601 at December 31, 2014 to 1.3840 at December 31, 2015.

Fair value (loss) gain on investment properties:

In 2015, the REIT recorded a loss on the fair value of investment properties of $371,905 (Q4-15 - loss of $252,058), compared to a gain of $31,476 (Q4-14 - gain of $14,180) in 2014. From December 31, 2014 to December 31, 2015, the REIT reflected approximately 23 basis points of expansion in the weighted-average capitalization rates across the portfolio. In comparison, from December 31, 2013 to December 31, 2014, the REIT reflected approximately 6 basis points of compression in the weighted-average capitalization rates across the portfolio.

The fair value loss for 2015 is primarily attributed to capitalization rate expansion and lowered expected market rents in the Calgary office market driven by oil price volatility. The fair value gain for 2014 was primarily attributed to capitalization rate compression in the REIT's U.S. portfolio.

Artis determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method, which are generally accepted appraisal methodologies. Capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one income is stabilized and capitalized at a rate deemed appropriate for each investment property. Individual properties were valued using capitalization rates in the range of 4.50% to 8.75%. Additional information on the average capitalization rates and ranges used for the portfolio properties, assuming all properties were valued using an overall capitalization method, broken out by asset class and country are set out in the table below.

	December 31, 2015			December 31, 2014		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
U.S.	8.25%	5.75%	6.52%	8.50%	6.00%	6.80%
Canada	8.75%	5.25%	6.71%	8.00%	5.25%	6.18%
Total office	8.75%	5.25%	6.65%	8.50%	5.25%	6.34%
Industrial:						
U.S.	8.00%	6.00%	6.92%	8.00%	6.00%	6.88%
Canada	7.75%	4.50%	6.47%	7.75%	4.50%	6.33%
Total industrial	8.00%	4.50%	6.61%	8.00%	4.50%	6.50%
Retail:						
U.S.	8.75%	6.00%	6.81%	8.75%	6.00%	7.12%
Canada	8.50%	5.50%	6.43%	8.25%	5.50%	6.24%
Total retail	8.75%	5.50%	6.45%	8.75%	5.50%	6.29%
Total:						
U.S. portfolio	8.75%	5.75%	6.67%	8.75%	6.00%	6.84%
Canadian portfolio	8.75%	4.50%	6.56%	8.25%	4.50%	6.23%
Total portfolio	8.75%	4.50%	6.59%	8.75%	4.50%	6.36%

(In thousands of Canadian dollars, unless otherwise noted)

Notes Receivable

In conjunction with the 2007 acquisition of TransAlta Place, the REIT acquired a note receivable in the amount of $31,000. The note bears interest at 5.89% per annum and is repayable in varying blended monthly installments of principal and interest. The note is transferable at the option of the REIT and matures in May 2023. The balance outstanding on all notes receivable at December 31, 2015 is $18,520 compared to $20,748 at December 31, 2014.

Cash and Cash Equivalents

At December 31, 2015, the REIT had $71,444 of cash and cash equivalents on hand, compared to $52,832 at December 31, 2014. The balance is anticipated to be invested in investment properties in subsequent periods, used for working capital purposes or for debt repayment. All of the REIT's cash and cash equivalents are held in current accounts and/or bank guaranteed investment certificates.

LIABILITIES

	December 31, 2015	December 31, 2014	Change
Non-current liabilities:			
Mortgages and loans payable	$ 1,816,088	$ 1,915,344	$ (99,256)
Senior unsecured debentures	199,631	199,527	104
Convertible debentures	209,140	189,573	19,567
Other non-current liabilities	2,910	1,144	1,766
Current liabilities:			
Current portion of mortgages and loans payable	514,429	408,313	106,116
Other current liabilities	116,321	102,794	13,527
Bank indebtedness	225,000	300	224,700
	$ 3,083,519	$ 2,816,995	$ 266,524

Under the terms of the REIT's Declaration of Trust, the total indebtedness of the REIT (excluding indebtedness related to the convertible debentures) is limited to 70% of gross book value ("GBV"). 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 as disclosed in the balance sheet and notes thereto.

Artis' secured mortgages and loans to GBV ratio at December 31, 2015 was 41.2%, decreased from 41.9% at December 31, 2014.

	December 31, 2015	December 31, 2014	Change
GBV	$ 5,653,827	$ 5,547,792	$ 106,035
Secured mortgages and loans	2,330,517	2,323,657	6,860
Secured mortgages and loans to GBV	41.2%	41.9%	(0.7)%
Preferred shares liability	$ 365	$ 300	$ 65
Carrying value of debentures	408,771	389,100	19,671
Bank indebtedness	225,000	300	224,700
Total long-term debt and bank indebtedness	$ 2,964,653	$ 2,713,357	$ 251,296
Total long-term debt and bank indebtedness to GBV	52.4%	48.9%	3.5 %

Long-term debt is comprised of mortgages and other loans related to properties as well as the carrying value of senior unsecured debentures and convertible debentures issued by the REIT.

Artis' unencumbered assets to unsecured debt ratio was 2.5 times at December 31, 2015, compared to 3.3 at December 31, 2014.

	December 31, 2015	December 31, 2014	Change
Unencumbered assets	$ 1,059,792	$ 664,792	$ 395,000
Senior unsecured debentures	199,631	199,527	104
Unsecured credit facilities	225,000	—	225,000
Total unsecured debt	$ 424,631	$ 199,527	$ 225,104
Unencumbered assets to unsecured debt	2.5	3.3	(0.8)

Mortgages and Loans Payable

Mortgage financing:

Artis finances acquisitions in part through the arrangement or assumption of mortgage financing and consequently, the majority of the REIT's investment properties are pledged as security under mortgages and other loans. In 2015, $60,984 (Q4-15 - $15,394) of principal repayments were made compared to $59,292 (Q4-14 - $15,000) in 2014.

(In thousands of Canadian dollars, unless otherwise noted)

In 2015, Artis repaid 19 maturing mortgages in the amount of $170,490. Artis refinanced 10 maturing mortgages and obtained new mortgage financing on one previously unencumbered property, net of financing costs, for a total of $20,536. The weighted-average interest rate on these 11 mortgages was 2.67% and the weighted-average term to maturity was 3.7 years. In 2015, Artis drew on development loans in the amount of $12,077.

The weighted-average term to maturity on all mortgages and loans payable at December 31, 2015 was 3.8 years, compared to 3.9 years at December 31, 2014.

Unhedged variable rate mortgage debt:

Management believes that a percentage of variable rate debt is prudent in managing a portfolio of debt. At various times, management feels that 5% to 15% of the portfolio could be held in variable rate instruments and provide the benefit of lower interest rates, while keeping the overall risk at a moderate level. All of the REIT's variable rate mortgage debt is term debt and cannot be called on demand. The REIT has the ability to refinance, or use interest rate swaps, at any given point without incurring penalties.

At December 31, 2015, the REIT is a party to $342,758 of unhedged variable rate mortgage debt compared to $258,909 at December 31, 2014. This increase is primarily due to the renewal of a previously hedged mortgage and draws on two construction loans in the aggregate amount of $46,275 that now bears interest at a variable rate, the maturity of two swaps on previously hedged mortgages of $27,540 and the effect of foreign exchange of $46,810, which is partially offset by the repayment of two mortgages of $29,434 and principal repayments during the year of $7,342. The unhedged variable rate mortgage debt is 11.6% of total debt including bank indebtedness at December 31, 2015 compared to 9.5% at December 31, 2014.

Senior Unsecured Debentures

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

				December 31, 2015		December 31, 2014	
	Issued	Maturity	Interest rate	Carrying value	Face value	Carrying value	Face value
Series A	27-Mar-14 10-Sept-14	27-Mar-19	3.753%	$ 199,631	$ 200,000	$ 199,527	$ 200,000

Convertible Debentures

Artis has two series of convertible debentures outstanding, as follows:

				December 31, 2015		December 31, 2014	
	Issued	Maturity	Interest rate	Carrying value	Face value	Carrying value	Face value
Series F	22-Apr-10	30-June-20	6.00%	$ 85,336	$ 86,170	$ 85,180	$ 86,170
Series G	21-Apr-11	30-June-18	5.75%	123,804	121,792	104,393	102,089
				$ 209,140	$ 207,962	$ 189,573	$ 188,259

The carrying value of convertible debentures has increased by $19,567 from December 31, 2014. This increase is primarily due to foreign exchange on the Series G debentures.

Other Current Liabilities

Included in other current liabilities are accounts payable and accrued liabilities, security deposits and prepaid rent, as well as accrued distributions payable to unitholders of $13,161, of which $12,498 was subsequently paid on January 15, 2016 and the remainder was paid on February 1, 2016. At December 31, 2015, there was $225,000 drawn on the REIT's unsecured revolving term credit facilities. Amounts drawn on the facilities bear interest at prime plus 0.70% or at the bankers' acceptance rate plus 1.70%.

UNITHOLDERS' EQUITY

Unitholders' equity decreased overall by $161,244 between December 31, 2014 and December 31, 2015. The decrease was primarily due to a net loss for the period of $175,699 and distributions made to unitholders of $167,452. This decrease was partially offset by an unrealized foreign currency translation gain included in other comprehensive income of $147,727 and the issuance of units for $33,922.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations represents the primary source of funds for distributions to unitholders and principal repayments on mortgages and loans.

DISTRIBUTIONS

The Trustees determine the level of cash distributions based on the level of cash flow from operations before working capital changes, less actual and planned capital expenditures.

During the year, distributions are based on estimates of full year cash flow and capital spending; thus distributions may be adjusted as these estimates change. It is expected that normal seasonal fluctuations in working capital will be funded from cash resources. In addition, the distributions declared include a component funded by the DRIP.

(In thousands of Canadian dollars, unless otherwise noted)

The following amounts are presented consistent with Artis' consolidated financial statements:

	Three months ended December 31, 2015	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013
Cash flow from operations	$ 47,556	$ 220,601	$ 204,705	$ 194,507
Net (loss) income	(195,895)	(175,699)	197,886	191,155
Distributions declared	42,119	167,144	161,330	146,459
Excess of cash flow from operations over distributions declared	5,437	53,457	43,375	48,048
(Shortfall) excess of net (loss) income over distributions declared	(238,014)	(342,843)	36,556	44,696

Artis' primary objective is to provide stable, reliable and tax efficient monthly cash distributions. Cash flow from operations has exceeded distributions declared for the past 14 consecutive quarters. The shortfall in 2015 of $342,843 (Q4-15 - $238,014) is primarily due to the non-cash impact of fair value losses on investment properties, foreign currency translation and financial instruments.

Artis paid $31,916 (Q4-15 - $7,504) of the $167,144 (Q4-15 - $42,119) distributions declared to unitholders in 2015 through the issuance of units under the DRIP.

CAPITAL RESOURCES

At December 31, 2015, Artis had $71,444 of cash and cash equivalents on hand. Management anticipates that the cash on hand will be invested in investment properties in subsequent periods, used for working capital purposes or for debt repayment.

The REIT has two unsecured revolving term credit facilities in the aggregate amount of $300,000, 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, 2015, the REIT had $225,000 drawn on the facilities.

At December 31, 2015, the REIT has 58 unencumbered properties and 7 unencumbered parcels of development land, representing a fair value of $1,059,792.

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, 2015.

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

CONTRACTUAL OBLIGATIONS

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Bank indebtedness	$ 225,000	$ 225,000	$ —	$ —	$ —
Accounts payable and other liabilities	82,848	82,848	—	—	—
Convertible debentures [(1)]	207,962	—	121,792	86,170	—
Senior unsecured debentures [(1)]	200,000	—	—	200,000	—
Mortgages and loans payable	2,329,547	498,949	796,702	419,028	614,868
Total	$ 3,045,357	$ 806,797	$ 918,494	$ 705,198	$ 614,868

[(1)] It is assumed that none of the debentures are converted or redeemed prior to maturity and that they are paid out in cash on maturity.

The REIT's schedule of mortgage maturities is as follows:

Year ended December 31,	Debt maturities	% of total principal	Scheduled principal repayments on non-matured debt	Total annual principal repayments	Weighted-average nominal interest rate on balance due at maturity
2016	$ 442,023	21.8%	$ 56,926	$ 498,949	3.79%
2017	547,933	27.1%	45,325	593,258	4.21%
2018	169,133	8.4%	34,311	203,444	3.62%
2019	156,487	7.7%	32,573	189,060	3.37%
2020	203,215	10.0%	26,753	229,968	3.37%
2021 & later	505,784	25.0%	109,084	614,868	3.86%
Total	$ 2,024,575	100.0%	$ 304,972	$ 2,329,547	3.83%
Weighted-average term to maturity in years					3.8

SUMMARIZED QUARTERLY INFORMATION

$000's, except per unit amounts	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14	Q1-14
Revenue	$ 142,873	$ 140,254	$ 134,629	$ 134,746	$ 133,879	$ 127,583	$ 121,983	$ 125,194
Expenses:								
Property operating	35,158	32,160	28,336	29,450	33,309	28,457	25,507	28,439
Realty taxes	22,382	21,667	20,633	20,764	19,480	19,268	18,220	18,577
Property operating expenses	57,540	53,827	48,969	50,214	52,789	47,725	43,727	47,016
Net operating income	85,333	86,427	85,660	84,532	81,090	79,858	78,256	78,178
Other income (expenses):								
Corporate expenses	(3,089)	(2,728)	(2,831)	(2,862)	(2,682)	(2,467)	(2,582)	(2,530)
Interest expense	(28,684)	(28,365)	(28,148)	(28,267)	(27,999)	(27,265)	(27,645)	(26,803)
Interest income	288	335	335	363	442	464	521	391
Fair value (loss) gain on investment properties	(252,058)	(64,343)	(5,252)	(50,252)	14,180	10,363	17,516	(10,583)
Foreign currency translation gain (loss)	410	(9,913)	3,637	(10,547)	(4,295)	(4,834)	(8,406)	(4,355)
Transaction costs	(521)	(1,248)	68	(435)	(844)	(162)	(1,396)	(88)
Gain (loss) on financial instruments	2,426	(3,612)	3,271	(5,629)	(3,281)	860	(2,792)	(3,224)
Net (loss) income	(195,895)	(23,447)	56,740	(13,097)	56,611	56,817	53,472	30,986
Other comprehensive income (loss):								
Unrealized foreign currency translation gain (loss)	27,422	65,039	(14,853)	70,119	25,466	32,513	(9,637)	18,502
Unrealized gain (loss) from remeasurements of net pension obligation	1	—	43	(42)	—	—	—	—
	27,423	65,039	(14,810)	70,077	25,466	32,513	(9,637)	18,502
Total comprehensive (loss) income	$ (168,472)	$ 41,592	$ 41,930	$ 56,980	$ 82,077	$ 89,330	$ 43,835	$ 49,488
Net (loss) income per unit attributable to common unitholders:								
Basic	$ (1.45)	$ (0.20)	$ 0.38	$ (0.13)	$ 0.38	$ 0.39	$ 0.37	$ 0.21
Diluted	(1.45)	(0.20)	0.37	(0.13)	0.37	0.38	0.36	0.21
Secured mortgages and loans to GBV	41.2%	40.2%	39.9%	41.4%	41.9%	41.9%	43.3%	44.4%

The quarterly trend for revenues and Property NOI has been impacted by acquisition and disposition activity, the impact of foreign exchange and lease termination income. Net (loss) income and per unit amounts are also impacted by the fair value gains and losses on investment properties.

(In thousands of Canadian dollars, unless otherwise noted)

Reconciliation of Net (Loss) Income to FFO

000's, except per unit amounts	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14	Q1-14
Net (loss) income	$ (195,895)	$ (23,447)	$ 56,740	$ (13,097)	$ 56,611	$ 56,817	$ 53,472	$ 30,986
Add (deduct):								
Tenant inducements amortized into revenue	3,694	3,693	3,466	3,155	2,753	2,776	2,571	2,472
Fair value loss (gain) on investment properties	252,058	64,343	5,251	50,253	(14,180)	(10,363)	(17,516)	10,583
Foreign currency translation (gain) loss	(410)	9,913	(3,637)	10,547	4,295	4,834	8,406	4,355
Transaction costs on acquisitions	521	1,248	(68)	435	844	162	1,396	88
Unrealized (gain) loss on financial instruments	(2,426)	3,612	(3,271)	5,629	3,281	(860)	2,792	3,224
Incremental leasing costs	579	442	544	444	472	246	275	331
Preferred unit distributions	(4,682)	(4,638)	(4,547)	(4,568)	(4,461)	(4,423)	(4,370)	(4,408)
FFO	$ 53,439	$ 55,166	$ 54,478	$ 52,798	$ 49,615	$ 49,189	$ 47,026	$ 47,631
Add (deduct):								
Lease termination income received from tenants	(173)	(170)	(3,340)	(810)	(73)	(21)	(82)	—
Non-recurring other income [(1)]	—	(1,636)	—	—	—	—	—	—
Straight-line rent reversals due to lease terminations	—	—	812	—	—	—	—	—
FFO after adjustments	$ 53,266	$ 53,360	$ 51,950	$ 51,988	$ 49,542	$ 49,168	$ 46,944	$ 47,631
FFO per unit:								
Basic	$ 0.39	$ 0.40	$ 0.40	$ 0.39	$ 0.36	$ 0.36	$ 0.36	$ 0.37
Diluted	0.38	0.39	0.39	0.38	0.36	0.35	0.35	0.36
FFO per unit after adjustments:								
Basic	$ 0.38	$ 0.39	$ 0.38	$ 0.38	$ 0.36	$ 0.36	$ 0.36	$ 0.37
Diluted	0.38	0.38	0.37	0.37	0.36	0.35	0.35	0.36
Weighted-average number of common units outstanding:								
Basic	138,566	137,919	137,275	136,618	136,055	135,563	131,098	127,369
Diluted [(2)]	149,089	148,455	147,799	147,192	146,600	146,245	141,773	138,034

(1) Income received from a settlement relating to an access restriction at a previously disposed property.

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

FFO and per unit results are impacted by acquisition and disposition activity, foreign exchange and by lease termination income received from tenants during the period.

Reconciliation of FFO to AFFO

000's, except per unit amounts	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14	Q1-14
FFO after adjustments	$ 53,266	$ 53,360	$ 51,950	$ 51,988	$ 49,542	$ 49,168	$ 46,944	$ 47,631
Add (deduct):								
Capital expenditures reserve	(1,432)	(1,406)	(1,350)	(1,351)	(1,344)	(1,280)	(1,225)	(1,256)
Leasing costs reserve	(5,727)	(5,623)	(5,399)	(5,404)	(5,373)	(5,121)	(4,901)	(5,023)
Straight-line rent adjustments	(1,227)	(1,231)	(905)	(948)	(1,232)	(1,062)	(1,165)	(1,358)
Unit-based compensation	618	302	298	542	378	403	386	473
AFFO after adjustments	$ 45,498	$ 45,402	$ 44,594	$ 44,827	$ 41,971	$ 42,108	$ 40,039	$ 40,467
AFFO per unit after adjustments:								
Basic	$ 0.33	$ 0.33	$ 0.32	$ 0.33	$ 0.31	$ 0.31	$ 0.31	$ 0.32
Diluted	0.33	0.33	0.32	0.32	0.31	0.31	0.30	0.31
Weighted-average number of common units outstanding:								
Basic	138,566	137,919	137,275	136,618	136,055	135,563	131,098	127,369
Diluted [(1)]	148,766	148,119	147,475	146,819	146,255	145,848	141,383	137,654

(1) Convertible debentures are factored into the diluted weighted-average calculation, to the extent that their impact is dilutive.

Adjusted AFFO and per unit results are impacted by acquisition and disposition activity and foreign exchange during the period.

(In thousands of Canadian dollars, unless otherwise noted)

RELATED PARTY TRANSACTIONS

	Three months ended December 31, 2015	Three months ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
Property management fees	$ 82	$ 82	$ 328	$ 331
Capitalized leasing commissions fees	5	17	93	96
Capitalized project management fees	—	1	—	15
Capitalized building improvements	1,736	3,039	7,887	7,881
Capitalized development projects	6,666	4,071	15,552	13,263
Capitalized office furniture and fixtures	240	344	580	758
Capitalized tenant inducements	524	1	1,288	498
Realty tax assessment consulting fees	36	19	1,312	385
Rental revenues	(72)	(42)	(227)	(168)

The REIT incurred property management fees, leasing commission fees and project management fees under property management agreements with Marwest Management Canada Ltd. (''Marwest Management''), a company related to certain trustees and officers of the REIT, for three properties owned by the REIT. The amount payable at December 31, 2015 is $44 (December 31, 2014, $29).

The REIT incurred costs for building improvements, development projects and tenant inducements paid to Marwest Construction Ltd. (''Marwest Construction'') and Marwest Development Corporation, companies related to certain trustees and officers of the REIT. The amount payable at December 31, 2015 is $1,724 (December 31, 2014, $3,253).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction. The amount payable at December 31, 2015 is $nil (December 31, 2014, $45).

The REIT incurred costs for realty tax assessment consulting paid to Fairtax Realty Advocates, a company under control of close family members of key management personnel. The amount payable at December 31, 2015 is $194 (December 31, 2014, $nil).

The REIT collects office rents from Marwest Management and Fairtax Realty Advocates.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

OUTSTANDING UNIT DATA

The balance of units outstanding as of February 29, 2016 is as follows:

Units outstanding at December 31, 2015	138,864,486
Units issued (DRIP)	450,128
Units outstanding at February 29, 2016	139,314,614

The balance of options outstanding as of February 29, 2016 is as follows:

	Options outstanding	Options exercisable
$14.10 options, issued June 17, 2011	811,500	811,500
$16.36 options, issued April 13, 2012	1,504,500	1,128,375
	2,316,000	1,939,875

The balance of restricted units outstanding as of February 29, 2016 is 372,068. None of these restricted units have vested.

The balance of deferred units outstanding as of February 29, 2016 is 19,519. All of these deferred units have vested, but are not yet redeemable.

As of February 29, 2016, the balance of Series A preferred units outstanding is 3,450,000, the balance of Series C preferred units outstanding is 3,000,000, the balance of Series E preferred units outstanding is 4,000,000 and the balance of Series G preferred units outstanding is 3,200,000.

OUTLOOK

Artis continues to target high quality office, retail and industrial assets in primary and secondary markets in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and select markets in the U.S.

The Scotiabank Global Forecast Update dated February 1, 2016 predicts that real GDP in Canada grew 1.2% in 2015. GDP growth in 2015 for British Columbia, Manitoba and Ontario is estimated to have been 2.3%, 2.2% and 2.3% respectively, which are well above the Canadian average of 1.2%. In 2016, GDP growth for these provinces is forecast to be 2.2% in British Columbia, 2.0% in Manitoba and 2.2% in Ontario, well above the 2016 national forecast of 1.1%. GDP for Saskatchewan and Alberta in 2016 are forecast to contract by 0.3% and 1.9%, respectively. Scotiabank has revised their projections to reflect the impact of lower oil prices; however, they are predicting that this impact will be mitigated with the introduction of significant federal fiscal stimulus from mid-2016 to mid-2017.

Artis is closely monitoring its exposure to markets that are affected by lower oil prices. According to the CBRE Q4 2015 Canadian Cap Rate Survey, Calgary office capitalization rates remained unchanged quarter-over-quarter; however, the sector, particularly downtown properties, continues to be most affected by the downturn in energy prices. The report also shows some capitalization rate expansion for certain classes of Edmonton office and industrial properties. Looking ahead as it relates to Artis' assets, management expects that if the downturn in the commodity cycle continues, there may be some further capitalization rate expansion in related markets, which will likely affect certain assets. Until there is positive visibility on commodity prices and relevant economic fundamentals, Artis anticipates occupancy and rents in Alberta will be impacted, and are monitoring these markets closely.

With respect to capitalization rates in the remainder of Artis' target markets, management does not anticipate any significant changes, but given the amount of capital seeking to invest in commercial real estate, the bias toward capitalization rate compression should continue. Artis will continue to selectively pursue accretive acquisition opportunities in its target markets in Canada and the U.S. in 2016, and when prudent, invest in high-yield development opportunities in those markets.

The above-mentioned Scotiabank Global Forecast Update predicts U.S. Real GDP grew 2.4% in 2015 and forecasts a growth rate of 2.2% in 2016. Management continues to monitor key economic indicators in Artis' target U.S. markets, including year-over-year unemployment rates which have shown a trend of healthy decline in all of Artis' U.S. target markets (according to the United States Department of Labor), and decreased nationally from 5.6% to 5.0% year-over-year. Given the recovery of the U.S. economy resulting in the strengthening of the US dollar, healthy GDP growth expectations, and decline in unemployment rates, management anticipates there is further growth potential that will be realized in 2016 and beyond.

Artis continues to maintain its Investment Grade Credit Rating, BBB(low) with a Stable trend, from DBRS Limited. DBRS Limited has also assigned a rating of Pfd-3(low) with a Stable trend to Artis' preferred units. Management anticipates, with this Investment Grade Credit Rating, the debt and equity markets will be receptive to new financing during 2016. Management further predicts that interest rates will remain low in the short-to-medium term, with long-term interest rate increases coming at a slow, methodical pace and well-communicated by the central banks. Management expects to maintain between 5% and 15% unhedged floating rate debt as a percentage of total debt.

Despite the impact of the recent decline in commodity prices and the impact this has had on certain markets, management anticipates that overall real estate fundamentals in Canada and the U.S. will remain stable in 2016, and that Artis' properties will perform in line with the moderate growth expectations within its target markets. Artis will continue to focus on organic growth and value creation opportunities by seeking to extract maximum value from its portfolio, selective redevelopment and repositioning of well-located assets in primary markets through property improvement projects, expansion of existing portfolio properties, and new construction opportunities.

SUBSEQUENT EVENTS

As at December 31, 2015, Artis had $71,444 of cash and cash equivalents on hand and $75,000 available on its revolving term credit facilities. Subsequent to December 31, 2015, the following transactions took place:

- The REIT financed two previously unencumbered retail properties and one previously unencumbered office property, receiving mortgage proceeds of $37,800. These mortgages bear interest at a weighted-average interest rate of 2.81% and have a weighted-average term to maturity of 3.2 years.
- The REIT converted $168,500 drawn on its revolving term credit facility to US dollars and applied a cross-currency interest rate swap to this balance to reduce the effective interest rate.
- The REIT repaid $25,000 on its revolving term credit facility.
- The REIT declared a monthly cash distribution of $0.09 per unit for the months of January and February 2016.
- The REIT declared a quarterly cash distribution of $0.3125 per Series G preferred unit for the quarter ending January 31, 2016.

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 five U.S. states, with a significant majority of its properties, measured by GLA, located in the province of Alberta and in the state of Minnesota. As a result, our properties are impacted by factors specifically affecting their respective real estate markets. These factors may differ from those affecting the real estate markets in other regions of Canada and the U.S.

INTEREST RATE AND DEBT FINANCING

Artis will be subject to the risks associated with debt financing. There can be no assurance that Artis will be able to refinance its existing indebtedness on terms that are as or more favourable to Artis as the terms of existing indebtedness. The inability to replace financing of debt on maturity would have an adverse impact on the financial condition and results of Artis.

Management seeks to mitigate this risk in a variety of ways. First, management considers structuring the timing of the renewal of significant tenant leases on properties in relation to the time at which mortgage indebtedness on such property becomes due for refinancing. Second, management seeks to secure financing from a variety of lenders on a property by property basis. Third, mortgage terms are, where practical, structured such that the exposure in any one year to financing risks is balanced.

Artis is also subject to interest rate risk associated with the REIT's revolving term credit facilities, mortgages and debentures payable due to the expected requirement to refinance such debts in the year of maturity. The REIT minimizes the risk by restricting debt to 70% of gross book value and by carefully monitoring the amount of variable rate debt. 69.5% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 15.8% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At December 31, 2015, the REIT is a party to $935,648 of variable rate debt, including bank indebtedness (December 31, 2014, $654,169). At December 31, 2015, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $367,890 of variable rate debt (December 31, 2014, $394,960). 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.

The REIT's ratio of secured mortgages and loans to GBV was 41.2%, down from 41.9% at December 31, 2014. The REIT's ratio of total long-term debt and bank indebtedness to GBV was 52.4%, compared to 48.9% at December 31, 2014. Approximately 21.8% of Artis' maturing mortgage debt comes up for renewal in 2016, and 27.1% in 2017. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2016 mortgage maturities.

(In thousands of Canadian dollars, unless otherwise noted)

CREDIT RISK AND TENANT CONCENTRATION

Artis is exposed to risks relating to tenants that may be unable to pay their contracted rents. Management mitigates this risk by seeking to acquire properties across several asset classes and geographical regions. As well, management seeks to acquire properties with strong tenant covenants in place. Artis' portfolio includes 2,226 tenant leases with a weighted-average term to maturity of 4.2 years. Approximately 59.3% of the REIT's gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is Manitoba Telecom Services Inc. which is one of Canada's leading national communication companies providing voice services, internet and data services, and television. Manitoba Telecom Services Inc. is a TSX listed entity with 2015 annual revenues in excess of $1 billion. The second largest tenant by gross revenue is Graham Group Ltd., a construction solutions provider with revenues exceeding $2 billion annually. Graham Group Ltd. provides general contracting, design-build, construction management and public-private partnership (P3) services in the commercial, industrial, infrastructure, earthworks and masonry sectors, and has offices throughout North America with over 1,300 employees.

Top Twenty Tenants by Gross Revenue [1]

Tenant	% of Total Gross Revenue [2]	Owned Share of GLA (in 000's of S.F.)	% of Total GLA	Weighted-Average Remaining Lease Term
MTS Inc.	1.9%	322	1.3%	7.2
Graham Group Ltd.	1.5%	243	0.9%	18.6
DirecTV, LLC	1.3%	257	1.0%	9.5
Stantec Consulting Ltd.	1.1%	129	0.5%	7.6
Shoppers Drug Mart	1.1%	164	0.6%	7.4
Bellatrix Exploration Ltd.	1.0%	94	0.4%	8.1
TransAlta Corporation	1.0%	336	1.3%	7.4
Telvent Canada Ltd.	1.0%	98	0.4%	7.7
TD Canada Trust	1.0%	134	0.5%	4.5
CB Richard Ellis, Inc.	0.9%	119	0.5%	2.8
Home Depot	0.9%	163	0.6%	6.5
IHS Global Canada Limited	0.9%	78	0.3%	3.0
Canada Institute for Health Info.	0.8%	92	0.4%	9.7
Sobeys	0.8%	198	0.8%	4.1
Fairview Health Services	0.7%	179	0.7%	7.7
Birchcliff Energy	0.7%	59	0.2%	1.9
Bell Canada	0.7%	80	0.3%	0.6
3M Canada Company	0.7%	319	1.2%	4.3
Cara Operations Limited	0.7%	100	0.4%	13.0
PMC - Sierra, Inc.	0.7%	124	0.5%	11.8
Total	19.4%	3,288	12.8%	7.6

[1] Excluding properties held for redevelopment.

[2] Total gross revenue is in Canadian and US dollars.

Government Tenants by Gross Revenue [1]

Tenant	% of Total Gross Revenue [2]	Owned Share of GLA (in 000's of S.F.)	% of Total GLA	Weighted-Average Remaining Lease Term
Federal Government	3.3%	505	2.0%	8.6
Provincial Government	2.8%	438	1.7%	3.3
Civic or Municipal Government	0.5%	131	0.5%	11.5
Total	6.6%	1,074	4.2%	6.8
Weighted-average term to maturity (entire portfolio)				4.2

[1] Excluding properties held for redevelopment.

[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.

(In thousands of Canadian dollars, unless otherwise noted)

Details of the portfolio's expiry schedule is as follows:

	Canada						U.S.		
Expiry Year	**AB**	**BC**	**MB**	**SK**	**ON**	***Calgary Office Only***	**MN**	**Other**	**Total**
2016	4.1%	0.5%	2.1%	0.4%	2.9%	*1.2%*	4.7%	0.2%	14.9%
2017	2.1%	0.7%	1.8%	1.4%	2.5%	*1.0%*	3.3%	1.2%	13.0%
2018	2.8%	0.5%	2.3%	0.7%	0.8%	*1.1%*	2.5%	0.7%	10.3%
2019	2.9%	0.9%	0.7%	0.3%	1.6%	*0.8%*	2.3%	1.0%	9.7%
2020	2.0%	0.4%	1.7%	0.2%	2.6%	*0.2%*	2.7%	0.7%	10.3%
2021	1.5%	0.1%	1.5%	0.2%	0.1%	*0.9%*	2.4%	0.7%	6.5%
2022 & later	7.2%	2.7%	3.0%	2.3%	2.9%	*2.8%*	4.7%	2.5%	25.3%
Month-to-month	0.3%	—%	0.2%	—%	0.2%	*0.1%*	0.1%	—%	0.8%
Vacant	2.5%	0.4%	1.6%	0.1%	1.2%	*1.6%*	1.3%	0.1%	7.2%
New development/ redevelopment	—%	—%	—%	—%	—%	*—%*	1.3%	0.7%	2.0%
Total	25.4%	6.2%	14.9%	5.6%	14.8%	*9.7%*	25.3%	7.8%	100.0%

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

TAX RISK

The Tax Act contains the SIFT Rules, which are applicable to publicly traded income trusts unless the trust satisfies the REIT Exception. The REIT Exception to the SIFT Rules is comprised of a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of the taxation year. Management believes that the REIT has met the requirements of the REIT Exception in each taxation year since 2009 and that it has met the REIT Exception throughout the year ended December 31, 2014 and the year ended December 31, 2015. 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 two U.S. REITs, which are capitalized by the REIT by way of equity, debt in the form of notes owed to the REIT and preferred shares. If the Internal Revenue Service or a court were to determine that the notes and related interest should be treated differently for tax purposes, this may adversely affect the REIT's ability to flow income from the U.S. to Canada.

FOREIGN CURRENCY RISK

The REIT owns properties located in the U.S., and therefore, the REIT is subject to foreign currency fluctuations that may impact its financial position and results. In order to mitigate a portion of this risk, the REIT's debt on U.S. properties as well as the Series G debentures are held in US dollars to act as a natural hedge. The REIT's Series C preferred units are also denominated in US dollars.

OTHER RISKS

In addition to the specific risks identified above, the REIT is subject to a variety of other risks, including, but not limited to, risks posed by the illiquidity of real property investments, risk of general uninsured losses, as well as potential risks arising from environmental matters.

The REIT may also be subject to risks arising from land leases for properties in which the REIT has an interest, public market risks, unitholder liability risks, risks pertaining to the availability of cash flow, risks related to fluctuations in cash distributions, changes in legislation and risks relating to the REIT's reliance on key personnel. A summary of additional risks applicable to the REIT are set forth in Artis' most recent Annual Information Form.

CRITICAL ACCOUNTING ESTIMATES

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 period. Artis determines the fair value of investment properties 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, 2014 and 7.68% at December 31, 2015. 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 6.36% at December 31, 2014 and 6.59% at December 31, 2015.

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 currently qualifies as a mutual fund trust for Canadian income tax purposes. On June 22, 2007, new legislation relating to, among other things, the federal income taxation of a specified investment flow-through trust or partnership (a "SIFT") was enacted (the "SIFT Rules"). The REIT has reviewed the SIFT Rules 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 conditions throughout the year ended December 31, 2014 and the year ended December 31, 2015.

ALLOCATION OF CONVERTIBLE DEBENTURES

Artis REIT has issued convertible debentures, which are a compound financial instrument. The proceeds of these issues are allocated between their liability and equity components. The discount rate applied in the allocation is determined by management.

CHANGES IN ACCOUNTING POLICIES

New or Revised Accounting Standards Adopted During the Year

The REIT adopted the narrow scope amendments to IFRS for Annual Improvements 2010 - 2012 Cycle, Annual Improvements 2011 - 2013 Cycle and IAS 19 – *Employee Benefits* effective January 1, 2015. The adoption of these narrow scope amendments did not have a material impact on the consolidated financial statements.

Future Changes in Accounting Policies

In May 2014, the IASB amended IFRS 11 – *Joint Arrangements.* The amendment clarifies the accounting for acquisitions of interests in joint operations, and is effective for annual periods beginning on or after January 1, 2016. The REIT does not expect that this amendment will result in a material impact to the consolidated financial statements.

The IASB issued IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") in May 2014. IFRS 15 provides a single, principles based five-step model to be applied to the recognition of revenue from contracts with customers. IFRS 15 replaces IAS 11 – *Construction Contracts*, IAS 18 – Revenue, IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate* and SIC 31 – *Revenue - Barter Transactions* Involving Advertising Services. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The REIT is currently evaluating the impact of this new standard.

In May 2014, the IASB amended IAS 16 – *Property, Plant and Equipment*. The amendment clarifies acceptable methods of depreciation and amortization, and is effective for annual periods beginning on or after January 1, 2016. The REIT does not expect that this amendment will result in a material impact to the consolidated financial statements.

A revised version of IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 establishes principles for the recognition, classification and measurement of financial assets and liabilities. IFRS 9 sets out a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of its financial assets. IFRS 9 retains most of the IAS 39 requirements for financial liabilities. The most significant change is when an entity elects to measure a financial liability at fair value, gains or losses due to changes in the credit risk of the instrument must be recognized in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The REIT is currently evaluating the impact of this new standard.

In December 2014, the IASB amended IAS 1 – *Presentation of Financial Statements.* The amendments were done under the IASB's Disclosure Initiative to improve presentation and disclosure requirements, and are effective for annual periods beginning on or after January 1, 2016. The REIT is currently evaluating the impact of these amendments.

The IASB issued IFRS 16 – Leases ("IFRS 16") in January 2016 which replaces IAS 17 - *Leases* and IFRIC 4 - *Determining whether an Arrangement contains a Lease.* The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The REIT is currently evaluating the impact of this new standard.

CONTROLS AND PROCEDURES

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

The Chief Executive Officer and Chief Financial Officer evaluated, or caused to be evaluated, the effective 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, 2015, 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 material weaknesses in our internal control over financial reporting were identified.

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 Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of December 31, 2015, an evaluation was carried out, under the supervision of and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the REIT's disclosure controls and procedures (as defined in NI 52-109). Based on the evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the REIT's disclosure controls and procedures were effective for the year ended December 31, 2015.

ARTIS
REIT

Management's Responsibility for Financial Statements

The management of Artis Real Estate Investment Trust is responsible for the preparation and integrity of the consolidated financial statements contained in the annual report. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include some amounts that are based on management's best estimate and judgment. Management has determined such amounts on a reasonable basis and considers that the consolidated financial statements present fairly the financial position of the REIT, the results of its operations and its cash flows. Management has also prepared financial information presented elsewhere in this annual report and has ensured that it is consistent with that in the consolidated financial statements. To fulfill its responsibility, management maintains internal accounting controls and systems and establishes policies and procedures to ensure the reliability of financial information and to safeguard assets.

The Board of Trustees is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Trustees carries out this responsibility principally through its Audit Committee, composed entirely of outside and unrelated trustees. The Audit Committee meets regularly with management of the REIT and with the independent auditors. The consolidated financial statements have been reviewed and approved by the Board of Trustees on the recommendation of its Audit Committee.

The REIT's independent auditor, Deloitte, LLP, has been appointed by the unitholders to audit the consolidated financial statements and express an opinion thereon.

"Armin Martens"

Armin Martens, P.Eng., MBA
President and Chief Executive Officer
February 29, 2016

"Jim Green"

Jim Green, CA
Chief Financial Officer
February 29, 2016

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Artis Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Artis Real Estate Investment Trust, which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014, and the consolidated statements of operations, the consolidated statements of changes in unitholders' equity and the consolidated statements of cash flows for the years then ended, and a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Artis Real Estate Investment Trust as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants

February 29, 2016
Winnipeg, Manitoba

(In thousands of Canadian dollars, unless otherwise noted)

CONSOLIDATED BALANCE SHEETS

	Note	December 31, 2015	December 31, 2014
ASSETS			
Non-current assets:			
Investment properties	4	$ 5,078,021	$ 5,201,489
Investment properties under development	4	26,892	81,682
Investments in joint ventures	22	173,066	98,072
Property and equipment	5	3,586	3,405
Notes receivable	6	15,776	18,239
		5,297,341	5,402,887
Current assets:			
Investment properties held for sale	4	115,504	—
Deposits on investment properties		50	50
Prepaid expenses and other assets	7	7,872	6,671
Notes receivable	6	2,744	2,509
Accounts receivable and other receivables	8	11,757	10,955
Cash held in trust		8,605	5,973
Cash and cash equivalents		66,449	49,807
		212,981	75,965
		$ 5,510,322	$ 5,478,852
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities:			
Mortgages and loans payable	9	$ 1,703,553	$ 1,868,857
Senior unsecured debentures	10	199,631	199,527
Convertible debentures	11	209,140	189,573
Other long-term liabilities		2,910	1,144
		2,115,234	2,259,101
Current liabilities:			
Mortgages and loans payable	9	494,766	393,197
Security deposits and prepaid rent		32,049	30,546
Accounts payable and other liabilities	12	75,512	66,703
Bank indebtedness	13	225,000	300
		827,327	490,746
		2,942,561	2,749,847
Unitholders' equity		2,567,761	2,729,005
Commitments, contingencies and guarantees	24		
Subsequent events	27		
		$ 5,510,322	$ 5,478,852

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands of Canadian dollars, except unit and per unit amounts)

	Note		2015		Year ended December 31, 2014
Revenue		$	535,574	$	500,558
Expenses:					
Property operating			120,188		112,997
Realty taxes			82,990		74,713
			203,178		187,710
Net operating income			332,396		312,848
Other income (expenses):					
Corporate expenses			(11,510)		(10,261)
Interest expense			(110,482)		(108,546)
Interest income			1,319		1,818
Net income (loss) from investments in joint ventures	22		297		(3,987)
Fair value (loss) gain on investment properties	4		(365,626)		38,831
Foreign currency translation loss			(16,413)		(21,890)
Transaction costs			(2,136)		(2,490)
Loss on financial instruments	17		(3,544)		(8,437)
Net (loss) income			(175,699)		197,886
Other comprehensive income that may be reclassified to net (loss) income in subsequent periods:					
Unrealized foreign currency translation gain			147,727		66,844
Other comprehensive income that will not be reclassified to net (loss) income in subsequent periods:					
Unrealized gain from remeasurements of net pension obligation			2		—
			147,729		66,844
Total comprehensive (loss) income		$	(27,970)	$	264,730
Basic (loss) income per unit attributable to common unitholders	14 (d)	$	(1.41)	$	1.36
Diluted (loss) income per unit attributable to common unitholders	14 (d)	$	(1.41)	$	1.33
Weighted-average number of common units outstanding:					
Basic	14 (d)		137,600,613		132,553,521
Diluted	14 (d)		137,600,613		143,115,933

See accompanying notes to consolidated financial statements.

(In thousands of Canadian dollars, unless otherwise noted)

CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

	Common units capital contributions (note 14 (a)(ii))	Equity component of convertible debentures	Retained earnings	Accumulated other comprehensive income	Contributed surplus	Total common equity	Total preferred equity	Total
Unitholders' equity, December 31, 2013	$ 1,638,219	$ 11,154	$ 478,718	$ 25,317	$ 5,216	$ 2,158,624	$ 325,623	$ 2,484,247
Changes for the year:								
Issuance of units, net of issue costs	142,455	—	—	—	(600)	141,855	—	141,855
Unit-based compensation (note 19 (c) (i))	—	—	—	—	609	609	—	609
Redemption of convertible debentures	—	(131)	—	—	—	(131)	—	(131)
Net income	—	—	197,886	—	—	197,886	—	197,886
Other comprehensive income	—	—	—	66,844	—	66,844	—	66,844
Distributions	—	—	(162,305)	—	—	(162,305)	—	(162,305)
Unitholders' equity, December 31, 2014	1,780,674	11,023	514,299	92,161	5,225	2,403,382	325,623	2,729,005
Changes for the year:								
Issuance of units, net of issue costs	34,397	—	—	—	(475)	33,922	—	33,922
Unit-based compensation (note 19 (c) (i))	—	—	—	—	256	256	—	256
Net loss	—	—	(175,699)	—	—	(175,699)	—	(175,699)
Other comprehensive income	—	—	—	147,729	—	147,729	—	147,729
Distributions	—	—	(167,452)	—	—	(167,452)	—	(167,452)
Unitholders' equity, December 31, 2015	$ 1,815,071	$ 11,023	$ 171,148	$ 239,890	$ 5,006	$ 2,242,138	$ 325,623	$ 2,567,761

See accompanying notes to consolidated financial statements.

(In thousands of Canadian dollars, unless otherwise noted)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	2015	Year ended December 31, 2014
Cash provided by (used in):			
Operating activities:			
Net (loss) income		$ (175,699)	$ 197,886
Distributions from joint ventures		2,587	396
Adjustments for non-cash items:			
Fair value loss (gain) on investment properties	4	365,626	(38,831)
Depreciation of property and equipment		755	575
Net (income) loss from investments in joint ventures	22	(297)	3,987
Tenant inducements amortized to revenue		13,433	10,412
Amortization of above- and below-market mortgages, net		(1,603)	(1,787)
Accretion on liability component of debentures		(720)	(475)
Straight-line rent adjustment	4	(2,970)	(4,677)
Unrealized foreign currency translation loss		11,825	20,028
Loss on financial instruments	17	3,544	8,437
Unit-based compensation expense	19	1,760	1,640
Amortization of financing costs included in interest expense		3,077	3,018
Other long-term employee benefits	19	1,702	844
Changes in non-cash operating items	18	(2,419)	3,252
		220,601	204,705
Investing activities:			
Acquisitions of investment properties, net of related debt	3	(42,586)	(141,205)
Proceeds from dispositions of investment properties, net of costs and related debt	3	106,110	18,096
Additions to investment properties	4	(24,765)	(21,522)
Additions to investment properties under development	4	(33,297)	(21,178)
Additions to joint ventures	22	(57,559)	(52,993)
Additions to tenant inducements		(31,023)	(19,738)
Additions to leasing commissions	4	(13,958)	(9,386)
Notes receivable principal repayments		2,388	2,937
Additions to property and equipment		(936)	(1,108)
Change in deposits on investment properties		—	50
Change in cash held in trust		(1,182)	(165)
		(96,808)	(246,212)
Financing activities:			
Issuance of common units, net of issue costs		33,922	141,855
Issuance of senior unsecured debentures, net of financing costs		—	199,421
Repayment of convertible debentures		—	(4,000)
Change in bank indebtedness		224,700	300
Distributions paid on common units		(148,784)	(143,801)
Distributions paid on preferred units		(18,435)	(17,662)
Mortgages and loans principal repayments		(59,580)	(58,603)
Repayment of mortgages and loans payable		(170,490)	(113,506)
Advance of mortgages and loans payable, net of financing costs		20,536	37,139
Issuance of preferred shares, net of costs		—	211
		(118,131)	41,354
Foreign exchange gain on cash held in foreign currency		10,980	1,738
Increase in cash and cash equivalents		16,642	1,585
Cash and cash equivalents at beginning of year		49,807	48,222
Cash and cash equivalents at end of year		$ 66,449	$ 49,807
Supplemental cash flow information:			
Interest paid		$ 113,097	$ 107,047
Interest received		1,321	1,817

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2015 and 2014

Note 1. Organization

Artis Real Estate Investment Trust (the "REIT") 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 August 2, 2012 (the "Declaration of Trust"). The purpose of the REIT is to directly, or indirectly, own, manage, lease and (where appropriate) develop retail, industrial and office properties in Canada and the United States (the "U.S."). The registered office of the REIT is 360 Main Street, Suite 300, Winnipeg, Manitoba, R3C 3Z3.

The Declaration of Trust provides that the REIT may make cash distributions to unitholders of the REIT. The amount distributed annually (currently $1.08 per common unit, $1.3125 per Series A preferred unit, US$1.3125 per Series C preferred unit, $1.1875 per Series E preferred unit and $1.25 per Series G preferred unit) is set by the Board of Trustees.

Note 2. Significant accounting policies

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of presentation and measurement:

The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated. The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements. Standards issued but not yet effective for the current accounting year are described in note 2 (s).

The consolidated financial statements are prepared on the historical cost basis with the exception of investment properties, derivative financial instruments and the cash-settled unit-based payments liabilities, which are measured at fair value.

(c) Principles of consolidation:

The consolidated financial statements include the accounts of the REIT and entities controlled by the REIT and its subsidiaries (including joint arrangements). Control is achieved when the REIT has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. The REIT reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

All intercompany assets and liabilities, equity, revenue, expenses and cash flows relating to transactions between entities within the REIT are eliminated in full on consolidation.

(d) Translation of foreign currencies:

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the REIT.

Assets and liabilities of foreign operations are translated at the rate of exchange in effect at the balance sheet date. Revenue and expense items are translated at the average exchange rate for the period. Gains or losses on translation are included in other comprehensive income as foreign currency translation gains or losses. When there is a reduction in the net investment as a result of dilution or sale, or reduction in the equity of the foreign operation as a result of a capital transaction, amounts previously recognized in accumulated other comprehensive income are reclassified into net income.

For assets, liabilities, revenues and expenses that do not form part of the net investment in foreign operations, foreign currency translation gains or losses are included in net income. Monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expense items are translated at the rate in effect at the date of the transaction.

(e) Financial instruments:

Initially, all financial assets and liabilities are recorded on the consolidated balance sheet at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. All financial assets are classified as one of: (a) at fair value through profit or loss; (b) held-to-maturity; (c) loans and receivables; or (d) available-for-sale. Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. All financial liabilities are classified as either: (a) at fair value through profit or loss; or (b) other liabilities. Financial assets and liabilities classified as at fair value through profit or loss are measured at fair value, with gains and losses recognized in net income. Financial instruments classified as held-to-maturity, loans and receivables, and other liabilities are measured at amortized cost. Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recognized in other comprehensive income.

The REIT designated its notes receivables, accounts receivable and other receivables, cash held in trust and cash and cash equivalents as loans and receivables; its mortgages and loans payable, senior unsecured debentures, the liability component of its convertible debentures, preferred shares liability, accounts payable and other liabilities and bank indebtedness as other liabilities. All derivative instruments, including embedded derivatives, are classified as at fair value through profit or loss and are recorded on the consolidated balance sheet at fair value. The REIT does not hold any financial instruments classified as held-to-maturity or available-for-sale.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, with the exception of those classified as at fair value through profit or loss, are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. Transaction costs directly attributable to the acquisition or issuance of financial assets or liabilities classified as at fair value through profit or loss are recognized immediately in net income.

Financial assets, other than those classified as at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

(f) 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 profit or loss for the period.

Investment properties are classified as investment properties under development once construction at the property has commenced. Investment properties under development include initial acquisition costs and other direct costs during the period of development. Borrowing costs associated with direct expenditures on properties under development are capitalized from the commencement of the construction until the date of practical completion. 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.

A property acquisition is accounted for as a business combination using the acquisition method if the assets acquired and liabilities assumed constitute a business, and the REIT obtains control of the business. The cost of a business combination is measured as the fair value of the assets given up, equity instruments issued and liabilities assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. The REIT recognizes assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination. Changes in the fair value of contingent consideration arrangements that qualify as measurement period adjustments, adjustments arising from additional information obtained about an acquisition within one year of its date, are adjusted retrospectively. All other changes in fair value are recognized in profit or loss for the period.

Leasing commissions and straight-line rent receivable are included in the carrying amount of investment properties.

Payments to tenants under lease obligations are included in the carrying amount of investment properties. Payments that are determined to primarily benefit the tenant are treated as tenant inducements that reduce revenue. Tenant inducements are amortized on a straight-line basis over the term of the lease.

Investment properties held under operating leases are recognized in the REIT's consolidated balance sheet at fair value.

(g) Property and equipment:

Office furniture and fixtures and office equipment and software are carried at cost less accumulated depreciation, and are depreciated on a straight-line basis over their useful life which is estimated to be five years. The estimated useful life, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimates accounted for on a prospective basis.

(h) Assets held for sale and discontinued operations:

Non-current assets, or disposal groups comprising assets and liabilities, are categorized as held for sale at the point in time when the asset or disposal group is available for immediate sale, management has committed to a plan to sell and is actively locating a buyer at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is highly probable and expected to be completed within a one-year period. Investment properties measured under the fair value model and held for sale continue to be measured by the guidelines of IAS 40 - *Investment Property*. All other assets held for sale are stated at the lower of their carrying amount and fair value less selling costs. An asset that is subsequently reclassified as held and in use, with the exception of an investment property measured under the fair value model, is measured at the lower of its recoverable amount and the carrying amount that would have been recognized had the asset never been classified as held for sale.

The results of operations associated with disposal groups sold or classified as held for sale are reported separately as profit or loss from discontinued operations.

A discontinued operation is a component of the REIT's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(i) Cash held in trust:

Cash held in trust consists of cash held by financial institutions with restrictions pursuant to several mortgage agreements.

(j) Cash and cash equivalents:

Cash and cash equivalents consist of cash with financial institutions and include short-term investments with maturities of three months or less.

(k) Provisions:

A provision is recognized if, as a result of a past event, the REIT has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are remeasured at each balance sheet date using the current discount rate. The increase in the provision due to passage of time is recognized as interest expense.

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the REIT has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

(l) Revenue recognition:

The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Rental revenue from investment properties includes all amounts earned from tenants related to lease agreements, including base rent, realty tax and operating cost recoveries and other incidental income. The total amount of contractual base rent in lease agreements is accounted for on a straight-line basis over the term of the respective leases; a straight-line rent receivable, which is included in the carrying amount of investment properties, is recorded for the difference between the rental revenue recorded and the contractual rent received. Realty tax and operating cost recoveries are accrued and recognized as revenue in the period that the recoverable costs are incurred and become chargeable to tenants.

(m) Joint arrangements:

Joint arrangements are arrangements where the owning parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The REIT accounts for its joint arrangements as either joint ventures or joint operations.

A joint venture is an arrangement where the REIT jointly owns an investment property with another party and has rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The investment in the joint venture is initially measured at cost at the date of acquisition and adjusted thereafter for the REIT's share of changes in its net assets, less any identified impairment loss. The REIT's share of the profit or loss from its investments in joint ventures is recognized in profit or loss for the period.

A joint operation is an arrangement where the REIT jointly owns an investment property with another party and has rights to the assets, and obligations for the liabilities, relating to the arrangement. The REIT accounts for joint operations by recording its proportionate share of their assets, liabilities, revenues, expenses and cash flows in its consolidated financial statements.

(n) Earnings per unit:

Basic earnings per REIT unit is computed by dividing net income for the year attributable to common unitholders by the weighted-average common units outstanding during the reporting period. Diluted earnings per unit is calculated based on the weighted-average number of common units outstanding during the period, plus the effect of dilutive unit equivalents. The diluted per unit amounts for unit-based compensation are calculated using the treasury stock method, as if all the unit equivalents where the average market price exceeds the issue price had been exercised at the beginning of the reporting period, or the date of issue, as the case may be, and that the funds obtained thereby were used to purchase units of the REIT at the average trading price of the common units during the period. The dilution impact of convertible debentures is calculated using the if-converted method, whereby conversion is not assumed for the purposes of computing diluted earnings per unit if the effect is anti-dilutive.

(o) Unit-based compensation:

The REIT may issue unit-based awards to trustees, officers, employees and consultants. For cash-settled unit-based payment transactions, a liability is recognized and remeasured to fair value at each reporting date and at settlement date. Any change in the fair value of the liability is recognized as compensation expense for the period.

For equity-settled unit-based payment transactions, the REIT measures compensation expense using the fair value at the grant date, recognized over the vesting period.

(p) Long-term employee benefits:

The cost of the REIT's defined benefit pension plans are accrued based on estimates, using actuarial techniques, of the amount of benefits employees have earned in return for their services in the current and prior periods. The present value of the defined benefit liability and current service cost is determined by discounting the estimated benefits using the projected unit credit method to determine the fair value of the plan assets and total actuarial gains and losses and the proportion thereof which will be recognized. The fair value of the plan assets is based on current market values. The present value of the defined benefit liability is based on the discount rate determined by reference to the yield of high quality corporate bonds of similar currency, having terms of maturity which align closely with the period of maturity of the liability.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the REIT in respect of services provided by employees up to the reporting date.

(q) Use of estimates and judgments:

The preparation of the consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts reported in the consolidated financial statements are as follows:

- Accounting for business combinations - The REIT's accounting policy relating to business combinations is described in note 2 (f). Judgment is applied in determining whether property acquisitions constitute the purchase of a business or the purchase of assets.

- Accounting for tenant inducements - The REIT's accounting policy relating to tenant inducements is described in note 2 (f). The REIT makes judgments with respect to whether tenant inducements provided in connection with a lease enhance the value of the leased property which determines whether such amounts are treated as capital expenditures.

- Capitalized cost of investment properties under development - The REIT's accounting policy relating to investment properties under development is described in note 2 (f). Judgment is applied in identifying the point at which practical completion of the investment property under development occurs.

- Classification of leases - The REIT's accounting policy for revenue recognition is described in note 2 (l). The REIT makes judgments in determining whether certain leases are operating or finance leases. The REIT determined that all of its leases are operating leases.

- Classification of joint arrangements - The REIT's accounting policy relating to joint arrangements is described in note 2 (m) and note 22. Judgment is applied in determining whether joint arrangements constitute a joint venture or a joint operation.

Information about assumptions and estimation uncertainties that are critical to the determination of the amounts reported in the consolidated financial statements are as follows:

- Valuation of investment properties - The fair value of investment properties represents an estimate of the price that would be agreed upon between knowledgeable, willing parties in an arm's length transaction. The critical estimates and assumptions underlying the valuation of investment properties are described in note 4.

- Valuation of deferred tax liabilities and assets - The critical estimates and assumptions underlying the valuation of deferred tax liabilities and assets are described in note 21.

- Allowance for doubtful accounts - The critical estimates and assumptions underlying the value of the allowance for doubtful accounts are described in note 26 (a)(ii).

- Fair value of financial instruments - The fair value of financial instruments is estimated as the amount for which an instrument could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The critical estimates and assumptions underlying the fair value of financial instruments are described in note 26 (b).

- Allocation of convertible debentures between liability and equity components - The critical estimates and assumptions underlying the allocation of convertible debentures are described in note 11.

(r) New or revised accounting standards adopted during the year:

The REIT adopted the narrow scope amendments to IFRS for Annual Improvements 2010 - 2012 Cycle, Annual Improvements 2011 - 2013 Cycle and IAS 19 – *Employee Benefits* effective January 1, 2015. The adoption of these narrow scope amendments did not have a material impact on the consolidated financial statements.

(In thousands of Canadian dollars, unless otherwise noted)

(s) Future changes in accounting policies:

In May 2014, the IASB amended IFRS 11 – *Joint Arrangements*. The amendment clarifies the accounting for acquisitions of interests in joint operations, and is effective for annual periods beginning on or after January 1, 2016. The REIT does not expect that this amendment will result in a material impact to the consolidated financial statements.

The IASB issued IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") in May 2014. IFRS 15 provides a single, principles based five-step model to be applied to the recognition of revenue from contracts with customers. IFRS 15 replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue*, IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate* and SIC 31 – *Revenue - Barter Transactions Involving Advertising Services*. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The REIT is currently evaluating the impact of this new standard.

In May 2014, the IASB amended IAS 16 – *Property, Plant and Equipment*. The amendment clarifies acceptable methods of depreciation and amortization, and is effective for annual periods beginning on or after January 1, 2016. The REIT does not expect that this amendment will result in a material impact to the consolidated financial statements.

A revised version of IFRS 9 – *Financial Instruments* ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39 – *Financial Instruments: Recognition and Measurement ("IAS 39")*. IFRS 9 establishes principles for the recognition, classification and measurement of financial assets and liabilities. IFRS 9 sets out a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of its financial assets. IFRS 9 retains most of the IAS 39 requirements for financial liabilities. The most significant change is when an entity elects to measure a financial liability at fair value, gains or losses due to changes in the credit risk of the instrument must be recognized in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The REIT is currently evaluating the impact of this new standard.

In December 2014, the IASB amended IAS 1 – *Presentation of Financial Statements*. The amendments were done under the IASB's Disclosure Initiative to improve presentation and disclosure requirements, and are effective for annual periods beginning on or after January 1, 2016. The REIT is currently evaluating the impact of these amendments.

The IASB issued IFRS 16 – *Leases* ("IFRS 16") in January 2016 which replaces IAS 17 - *Leases* and IFRIC 4 - *Determining whether an Arrangement contains a Lease*. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The REIT is currently evaluating the impact of this new standard.

Note 3. Acquisitions and dispositions of investment properties

Acquisitions:

The REIT acquired the following properties during the year ended December 31, 2015:

Property	Property count	Location	Acquisition date	Asset class
The Point at Inverness [1]	1	Greater Denver Area, CO	March 26, 2015	Office
Graham Portfolio [2]	8	Various cities in BC, AB & SK	July 23, 2015	Industrial
Canadian Pacific Plaza	1	Twin Cities Area, MN	November 3, 2015	Office

(1) The REIT acquired a 50% interest in this joint venture (see note 22).

(2) The REIT acquired a 75% interest in this joint venture (see note 22).

The REIT acquired the following parcel of development land during the year ended December 31, 2015:

Property	Location	Acquisition date	Asset class
Inverness Drive West	Greater Denver Area, CO	August 12, 2015	Office

The REIT acquired the following properties during the year ended December 31, 2014:

Property	Property count	Location	Acquisition date	Asset class
Hudson's Bay Centre [1]	1	Greater Denver Area, CO	April 15, 2014	Office
Estevan Shoppers Mall	1	Estevan, SK	May 1, 2014	Retail
601 Tower at Carlson	1	Twin Cities Area, MN	June 11, 2014	Office
Crosstown North Business Center II & VI	2	Twin Cities Area, MN	June 16, 2014	Industrial
Shoppes of St. Vital	1	Winnipeg, MB	September 9, 2014	Retail
Crowfoot Village	1	Calgary, AB	November 17, 2014	Retail
Cargill R&D	1	Twin Cities Area, MN	December 16, 2014	Industrial
Union Crossings II	1	Twin Cities Area, MN	December 31, 2014	Retail

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

The REIT acquired the following parcels of development land during the year ended December 31, 2014:

Property	Location	Acquisition date	Asset class
Park Lucero [1]	Greater Phoenix Area, AZ	March 7, 2014	Industrial
Corridor Park [1]	Houston, TX	June 17, 2014	Office
Park 8Ninety	Houston, TX	September 18, 2014	Industrial
Stampede Station II	Calgary, AB	October 8, 2014	Office
801 Carlson	Twin Cities Area, MN	October 20, 2014	Office
Union Crossings III	Twin Cities Area, MN	December 31, 2014	Retail

(1) The REIT acquired a 90% interest in this joint venture.

(In thousands of Canadian dollars, unless otherwise noted)

These acquisitions have been accounted for using the acquisition method, with the results of operations included in the REIT's accounts from the date of acquisition. The net assets acquired, excluding the acquisition of joint ventures, were as follows:

	2015	Year ended December 31, 2014
Investment properties (note 4)	$ 105,022	$ 201,588
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	(62,436)	(60,383)
Cash consideration	$ 42,586	$ 141,205
Transaction costs expensed	$ 553	$ 2,077

Dispositions:

The REIT disposed of the following properties during the year ended December 31, 2015:

Property	Location	Disposition date	Asset class
Moose Jaw Sobeys	Moose Jaw, SK	June 18, 2015	Retail
1045 Howe Street	Greater Vancouver Area, BC	June 24, 2015	Office
605 Waterford Park	Twin Cities Area, MN	October 9, 2015	Office
Willingdon Green	Greater Vancouver Area, BC	November 2, 2015	Office
Gateway II	Grande Prairie, AB	November 30, 2015	Retail
Mosaic Office Building	Tampa, FL	December 30, 2015	Office

The proceeds from the sale of the above properties, net of costs and related debt, were $106,110. The assets and liabilities associated with the properties were derecognized. The REIT disposed of the following properties during the year ended December 31, 2014:

Property	Location	Disposition date	Asset class
15 Blair Drive	Greater Toronto Area, ON	March 31, 2014	Industrial
King Edward Centre	Greater Vancouver Area, BC	May 22, 2014	Retail
Shady Oak	Twin Cities Area, MN	December 1, 2014	Industrial

The proceeds from the sale of the above properties, net of costs and related debt, were $18,096. The assets and liabilities associated with these properties were derecognized.

Note 4. Investment properties, investment properties under development and investment properties held for sale

			Year ended December 31, 2015
		Investment properties under development	Investment properties held for sale
Balance, beginning of year	$ 5,201,489	$ 81,682	$ —
Additions:			
Acquisitions (note 3)	105,022	—	—
Capital expenditures	24,711	33,297	54
Leasing commissions	12,651	334	973
Dispositions	(52,977)	—	(86,310)
Reclassification of investment properties under development	90,496	(90,496)	—
Reclassification of investment properties held for sale	(193,327)	—	193,327
Foreign currency translation gain	236,214	3,356	4,987
Straight-line rent adjustment	2,830	30	110
Tenant inducement additions, net of amortization	12,575	(99)	5,114
Fair value loss	(361,663)	(1,212)	(2,751)
Balance, end of year	$ 5,078,021	$ 26,892	$ 115,504

(In thousands of Canadian dollars, unless otherwise noted)

		Year ended December 31, 2014		
				Investment properties under development
Balance, beginning of year	$	4,851,877	$	47,281
Additions:				
Acquisitions (note 3)		187,028		14,560
Capital expenditures		21,522		21,178
Leasing commissions		8,240		1,146
Dispositions		(20,407)		—
Reclassification of investment properties under development		2,338		(2,338)
Foreign currency translation gain		97,707		1,089
Straight-line rent adjustment		4,655		22
Tenant inducement additions, net of amortization		8,816		510
Contingent consideration adjustment		(884)		—
Fair value gain (loss)		40,597		(1,766)
Balance, end of year	$	5,201,489	$	81,682

During the year ended December 31, 2015, the REIT reclassified three industrial properties and two retail properties from investment properties under development to investment properties.

The REIT reclassified one office property and one retail property to investment properties held for sale that were listed with an external broker at December 31, 2015. These properties have an aggregate mortgage payable balance of $51,900 at December 31, 2015.

At December 31, 2015, included in investment properties is $33,939 (December 31, 2014, $30,587) of net straight-line rent receivables arising from the recognition of rental income on a straight-line basis over the lease term in accordance with IAS 17 - *Leases*.

Investment properties include properties held under operating leases with an aggregate fair value of $93,575 at December 31, 2015 (December 31, 2014, $93,275).

At December 31, 2015, investment properties with a fair value of $4,203,603 (December 31, 2014, $4,653,391) are pledged as security under mortgage agreements.

External valuations are performed quarterly on a rotational basis over a four year cycle. For the year ended December 31, 2015, 63 investment properties of the total portfolio of 252 properties at December 31, 2015 (25.0%) were appraised by qualified external valuation professionals. For the year ended December 31, 2014, 61 investment properties of the total portfolio of 246 properties at December 31, 2014 (24.8%) were appraised by qualified external valuation professionals. The REIT uses similar assumptions and valuation techniques in its internal valuations as used by the external valuation professionals.

The REIT determined the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method, which are generally accepted appraisal methodologies. There were no changes to the REIT's internal valuation methodology during the years ended December 31, 2015 and 2014.

Under the discounted cash flow method, expected future cash flows are discounted using an appropriate rate based on the risk of the property. Expected future cash flows for each investment property are based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. The REIT uses leasing history, market reports, tenant profiles and building assessments, among other things, in determining the most appropriate assumptions. Discount and capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one net income is stabilized and capitalized at a rate appropriate for each investment property. The stabilized net income incorporates allowances for vacancy, management fees and structural repair reserves. The resulting capitalized value is further adjusted, where appropriate, for costs to stabilize the net income and non-recoverable capital expenditures.

A change in the discount or capitalization rates used could have a material impact on the fair value of the REIT's investment properties. When discount or capitalization rates compress, the estimated fair values of investment properties increase. When discount or capitalization rates expand, the estimated fair values of investment properties decrease. A change in estimated future rental income and expenses could have a material impact on the fair value of the REIT's investment properties. Estimated rental income and expenses are affected by, but not limited to, changes in rent and expense growth and occupancy rates.

Under the fair value hierarchy, the fair value of the REIT's investment properties is considered a Level 3, as described in note 26 (b).

(In thousands of Canadian dollars, unless otherwise noted)

The REIT has used the following rates and investment horizons in estimating the fair value of investment properties:

	December 31, 2015			December 31, 2014		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Western Canada:						
Discount rate	9.50%	6.25%	7.66%	8.75%	6.25%	7.26%
Terminal capitalization rate	9.00%	4.50%	6.94%	8.00%	4.50%	6.41%
Capitalization rate	8.75%	4.50%	6.76%	7.50%	4.50%	6.14%
Investment horizon (years)	12.0	9.0	10.2	17.0	10.0	10.7
Central Canada:						
Discount rate	9.00%	6.25%	7.71%	9.00%	7.25%	7.76%
Terminal capitalization rate	8.50%	5.75%	6.59%	8.50%	6.00%	6.68%
Capitalization rate	8.25%	5.75%	6.38%	8.25%	5.75%	6.42%
Investment horizon (years)	12.0	10.0	10.2	13.0	10.0	10.2
Eastern Canada:						
Discount rate	7.75%	6.50%	7.21%	7.75%	6.75%	7.28%
Terminal capitalization rate	7.00%	5.50%	6.43%	7.00%	5.75%	6.55%
Capitalization rate	6.75%	5.50%	6.28%	7.00%	5.50%	6.30%
Investment horizon (years)	12.0	10.0	10.4	14.0	10.0	10.6
U.S.:						
Discount rate	9.50%	7.00%	7.95%	9.50%	7.00%	8.15%
Terminal capitalization rate	9.00%	5.75%	6.98%	9.00%	6.00%	7.13%
Capitalization rate	8.75%	5.75%	6.71%	8.75%	6.00%	6.88%
Investment horizon (years)	20.0	10.0	11.3	20.0	9.0	11.2
Overall:						
Discount rate	9.50%	6.25%	7.68%	9.50%	6.25%	7.55%
Terminal capitalization rate	9.00%	4.50%	6.81%	9.00%	4.50%	6.63%
Capitalization rate	8.75%	4.50%	6.60%	8.75%	4.50%	6.37%
Investment horizon (years)	20.0	9.0	10.5	20.0	9.0	10.7

The above information represents the REIT's entire portfolio of investment properties, excluding properties included in the REIT's investments in joint ventures.

The following sensitivity table outlines the impact of a 0.25% change in the weighted-average capitalization rate on investment properties at December 31, 2015:

	Change to fair value if capitalization rate increases by 0.25%	Change to fair value if capitalization rate decreases by 0.25%
Western Canada	$ (73,675)	$ 79,555
Central Canada	(38,582)	41,765
Eastern Canada	(23,174)	25,113
U.S.	(39,789)	42,938
	$ (175,220)	$ 189,371

Note 5. Property and equipment

	December 31, 2015	December 31, 2014
Office furniture and fixtures	$ 4,903	$ 4,045
Office equipment and software	1,230	1,152
Accumulated depreciation	(2,547)	(1,792)
	$ 3,586	$ 3,405

(In thousands of Canadian dollars, unless otherwise noted)

Note 6. Notes receivable

	December 31, 2015	December 31, 2014
Note receivable from tenant maturing in May 2023, bearing interest at 5.89% per annum, repayable in varying blended monthly installments of principal and interest. A default under the terms of the note constitutes a default of the lease of the tenant.	$ 16,873	$ 18,672
Other notes receivable	1,647	2,076
	18,520	20,748
Current portion	2,744	2,509
Non-current portion	$ 15,776	$ 18,239

Note 7. Prepaid expenses and other assets

	December 31, 2015	December 31, 2014
Prepaid insurance	$ 2,915	$ 2,667
Prepaid realty taxes	1,308	1,717
Prepaid acquisition, disposition and development costs	1,601	378
Derivative instruments swaps (note 26 (b))	—	172
Other prepaid expenses	2,048	1,737
	$ 7,872	$ 6,671

Note 8. Accounts receivable and other receivables

	December 31, 2015	December 31, 2014
Rents receivable (note 26 (a)(ii))	$ 6,513	$ 5,072
Allowance for doubtful accounts (note 26 (a)(ii))	(630)	(627)
Accrued recovery income	3,159	3,518
Other amounts receivable	2,715	2,992
	$ 11,757	$ 10,955

Note 9. Mortgages and loans payable

	December 31, 2015	December 31, 2014
Mortgages and loans payable	$ 2,196,837	$ 2,267,285
Net above- and below-market mortgage adjustments	8,977	3,186
Financing costs	(7,495)	(8,417)
	2,198,319	2,262,054
Current portion	494,766	393,197
Non-current portion	$ 1,703,553	$ 1,868,857

The majority of the REIT's assets have been pledged as security under mortgages and other security agreements. 69.0% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 16.7% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. The weighted-average effective rate on all mortgages and loans payable is 3.96% and the weighted-average nominal rate is 3.89% at December 31, 2015 (December 31, 2014, 4.18% and 4.04%, respectively). Maturity dates range from January 1, 2016 to February 14, 2032.

The REIT's mortgage providers have various financial covenants. The REIT monitors these covenants, which are primarily debt service coverage ratios, and was in compliance with these requirements at December 31, 2015.

Note 10. Senior unsecured debentures

On March 27, 2014, under the June 15, 2012 short form base shelf prospectus, the REIT issued 3.753% Series A senior unsecured debentures at par for gross proceeds of $125,000. On September 10, 2014, under the July 17, 2014 short form base shelf prospectus, the REIT issued additional 3.753% Series A senior unsecured debentures at a price of $101.24 with a face value of $75,000, for gross proceeds of $75,932. Interest is payable semi-annually on March 27 and September 27. The REIT may redeem the debentures at any time on a minimum of 30 days notice, in whole or in part, at a price equal to the greater of (i) the price of the debentures calculated to provide a yield to maturity equal to the then Government of Canada bond yield plus 0.50% and (ii) par, together in each case with accrued and unpaid interest to the date fixed for redemption.

(In thousands of Canadian dollars, unless otherwise noted)

In accordance with the Series A senior unsecured debenture supplemental indenture, the REIT must maintain a consolidated EBITDA to consolidated interest expense ratio of not less than 1.65, consolidated indebtedness to aggregate assets of not more than 65% and minimum adjusted unitholders' equity of $300,000. As at December 31, 2015, the REIT was in compliance with these requirements.

Interest expense on the senior unsecured debentures is determined by applying an effective rate of 3.82% to the outstanding liability balance. The difference between actual cash interest payments and interest expense recorded on the senior unsecured debentures is accreted to the liability.

Particulars of the REIT's outstanding senior unsecured debentures are as follows:

Senior unsecured debenture issue	Issue date	Maturity date	Interest rate
Series A	March 27, 2014, September 10, 2014	March 27, 2019	3.753%

	Face value	Unamortized accretion	Unamortized financing costs	Carrying value	Current portion	Non-current portion
December 31, 2015	$ 200,000	$ 678	$ (1,047)	$ 199,631	$ —	$ 199,631
December 31, 2014	200,000	872	(1,345)	199,527	—	199,527

During the year ended December 31, 2015, accretion to the liability of $194 and financing cost amortization of $298 were recorded (2014, $59 and $165, respectively).

Note 11. Convertible debentures

In conjunction with the purchase of the Fort McMurray portfolio effective November 30, 2007, the REIT issued a Series D convertible redeemable 5.00% debenture totaling $20,000. On January 15, 2014, the REIT redeemed $2,500 of the Series D convertible debentures for cash. On December 1, 2014, the REIT redeemed the remaining balance of the Series D convertible debentures of $1,500 for cash.

In conjunction with the prospectus that closed on April 22, 2010, the REIT issued Series F convertible redeemable 6.00% debentures totaling $86,250. Interest is paid semi-annually on June 30 and December 31. The convertible debentures are convertible into units of the REIT by the holder at any time prior to maturity, being June 30, 2020, at a price of $15.50 per unit. On or after March 31, 2014, but prior to March 31, 2016, the Series F debentures will be redeemable, in whole or in part, at a price equal to the principal amount plus accrued interest, at Artis' option on a minimum of 30 days notice, provided that the weighted-average trading price of the units is not less than 125% of the conversion price. On and after March 31, 2016, the Series F convertible debentures will be redeemable, in whole or in part, at a price equal to the principal amount plus accrued interest, at Artis' option on a minimum of 30 days notice. None of the Series F convertible debentures were converted into units of the REIT in fiscal 2015 and 2014.

In conjunction with the prospectus that closed on April 21, 2011, the REIT issued Series G convertible redeemable 5.75% debentures totaling US$88,000. Interest is paid semi-annually on June 30 and December 31. The convertible debentures are convertible into units of the REIT by the holder at any time prior to maturity, being June 30, 2018, at a price of US$18.96 per unit. On or after June 30, 2014, but prior to June 30, 2016, the Series G debentures will be redeemable, in whole or in part, at a price equal to the principal amount plus accrued interest, at Artis' option on a minimum of 30 days notice, provided that the weighted-average trading price of the units is not less than 125% of the conversion price. On and after June 30, 2016, the Series G convertible debentures will be redeemable, in whole or in part, at a price equal to the principal amount plus accrued interest, at Artis' option on a minimum of 30 days notice. The debentures rank pari passu with the convertible debentures issued on April 22, 2010. None of the Series G convertible debentures were converted into units of the REIT in fiscal 2015 or 2014.

The REIT's convertible debentures are classified as compound financial instruments. The fair values of the convertible debentures were estimated in whole and separated into liability and equity components when the convertible debentures were reclassified from financial liabilities on August 2, 2012, when the REIT amended its Declaration of Trust to become a closed-end trust. The fair value of each convertible debentures series was estimated using the market price of the debentures, or if no market price existed, an estimate based on the present value of future interest and principal payments due under the terms of the convertible debenture using a discount rate for similar debt instruments.

The Series F convertible debentures were separated into liability and equity components based on the estimated fair value of the liability component. The fair value of the liability component was estimated based on the present value of future interest and principal payments due under the terms of the convertible debenture using a discount rate for similar debt instruments without a conversion feature. The value assigned to the equity component is the residual of the fair value of the liability component and the fair value of the whole financial instrument. Interest expense on the Series F convertible debentures is determined by applying an effective interest rate of 6.25% to the outstanding liability component. The difference between actual cash interest payments and interest expense recorded on the convertible debentures is accreted to the liability component. The fair value of the Series G convertible debentures in whole was recorded as a liability with no value assigned to equity as these convertible debentures are denominated in US dollars with no fixed conversion rate to Canadian dollars. Interest expense on the Series G convertible debentures is determined by applying an effective rate of 5.04% to the outstanding liability balance. The difference between actual cash interest payments and interest expense recorded on the convertible debentures is accreted to the liability.

Particulars of the REIT's outstanding convertible debentures are as follows:

Convertible redeemable debenture issue	Issue date	Maturity date	Interest rate
Series F	April 22, 2010	June 30, 2020	6.00%
Series G	April 21, 2011	June 30, 2018	5.75%

Convertible redeemable debenture issue	Face value	Equity portion	Liability portion	Accretion	Carrying value	Current portion	Non-current portion
Series F	$ 86,170	$ 11,023	$ 84,841	$ 495	$ 85,336	$ —	$ 85,336
Series G	121,792	—	126,176	(2,372)	123,804	—	123,804
December 31, 2015	$ 207,962	$ 11,023	$ 211,017	$ (1,877)	$ 209,140	$ —	$ 209,140
December 31, 2014	188,259	11,023	190,605	(1,032)	189,573	—	189,573

During the year ended December 31, 2015, accretion of $526 reduced the carrying value of the liability component (2014, $416).

(In thousands of Canadian dollars, unless otherwise noted)

Note 12. Accounts payable and other liabilities

		December 31, 2015		December 31, 2014
Accounts payable and accrued liabilities	$	31,332	$	28,309
Distributions payable		13,161		12,929
Accrued interest		8,820		8,985
Accrued realty taxes		3,978		3,415
Tenant installments payable		4,244		3,631
Derivative instruments swaps (note 26 (b))		10,811		6,852
Cash-settled unit-based payments liability		2,126		1,354
Other amounts payable		1,040		1,228
	$	75,512	$	66,703

Note 13. Bank indebtedness

On December 17, 2014, the REIT entered into two unsecured revolving term credit facilities in the aggregate amount of $125,000, 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. The REIT can draw on the facilities in Canadian or US dollars. On May 20, 2015, the aggregate amount of the unsecured revolving term credit facilities was increased to $200,000. On September 25, 2015, the aggregate amount was further increased to $300,000. The credit facilities mature on December 15, 2018. Amounts drawn on the facilities bear interest at prime plus 0.70% or at the bankers' acceptance rate plus 1.70%. At December 31, 2015, the REIT had $225,000 drawn on the facilities.

For purposes of the credit facilities, the REIT must maintain a consolidated indebtedness to consolidated gross book value ratio of not more than 65%, a consolidated secured indebtedness to consolidated gross book value ratio of not more than 50%, a minimum consolidated EBITDA to debt service ratio of 1.4, a minimum unitholders' equity of not less than the sum of $1,700,000 and 75% of net proceeds received in connection with any equity offerings made after the date of the credit facilities agreement, a minimum unencumbered property assets value to consolidated unsecured indebtedness ratio of 1.4, and a minimum consolidated EBITDA to consolidated interest expense ratio of 1.65. As at December 31, 2015, the REIT was in compliance with these requirements.

Note 14. Unitholders' equity

(a) Common units:

(i) Authorized:

In accordance with the Declaration of Trust, the REIT may issue an unlimited number of common units, with each unit representing an equal undivided interest in any distributions from the REIT, and in the net assets in the event of termination or wind-up of the REIT. All units are of the same class with equal rights and restrictions.

(ii) Issued and outstanding:

	Number of units		Amount
Balance at December 31, 2013	126,938,476	$	1,638,219
Public offerings, net of issue costs of $5,028	7,147,250		110,043
Options and restricted units exercised	200,164		2,986
Distribution Reinvestment and Unit Purchase Plan	1,678,573		24,957
At-the-market equity financing	320,000		4,469
Balance at December 31, 2014	136,284,463		1,780,674
Options and restricted units exercised	181,703		2,845
Distribution Reinvestment and Unit Purchase Plan	2,398,320		31,552
Balance at December 31, 2015	138,864,486	$	1,815,071

The REIT has a Distribution Reinvestment and Unit Purchase Plan which allows unitholders the option to elect to receive all or a portion of their regular monthly distributions in additional REIT units.

(iii) Normal course issuer bid:

On December 14, 2015, the REIT announced that the Toronto Stock Exchange (the "Exchange") had approved the renewal of its normal course issuer bid. Under the renewed bid, the REIT will have the ability to purchase for cancellation up to a maximum of 13,735,036 units, representing 10% of the REIT's public float of 137,350,360 units on December 4, 2015. Purchases will be made at market prices through the facilities of the Exchange. This bid will remain in effect until the earlier of December 16, 2016, or the date on which the REIT has purchased the maximum number of units permitted under the bid. During the years ended December 31, 2015 and 2014, the REIT did not acquire units through the normal course issuer bid.

(iv) At-the-market equity financing:

The REIT has entered into an Equity Distribution Agreement dated September 17, 2010, as most recently amended and restated on September 15, 2014, with an exclusive agent for the issuance and sale, from time to time, until August 17, 2016 of up to 4,980,000 units of the REIT by way of "at-the-market distributions". The timing of any sale of units and the number of units actually sold during such period are at the discretion of the REIT. Sales of units, if any, pursuant to the Equity Distribution Agreement will be made in transactions that are deemed to be "at-the-market distributions", including sales made directly on the Exchange. No units were issued pursuant to this arrangement in fiscal 2015. On January 31, 2014, 320,000 units were issued.

(b) Preferred units:

In accordance with the Declaration of Trust, the REIT may issue an unlimited number of preferred units.

(i) Series A:

On August 2 and 10, 2012, the REIT issued a total of 3,450,000 Cumulative Rate Reset Preferred Trust Units, Series A (the "Series A Units") for aggregate gross proceeds of $86,250. The Series A Units pay a cumulative distribution yield of 5.25% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial five-year period ending September 30, 2017. The distribution rate will be reset on September 30, 2017 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 4.06%.

The REIT may redeem the Series A Units on September 30, 2017 and on September 30 every five years thereafter. The holders of Series A Units have the right to reclassify their Series A Units to Preferred Units, Series B (the "Series B Units"), subject to certain conditions, on September 30, 2017 and on September 30 every five years thereafter. The Series B Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series B Units have the right to reclassify their Series B Units to Series A Units on September 30, 2022 and on September 30 every five years thereafter.

(ii) Series C:

On September 18, 2012, the REIT issued 3,000,000 Cumulative Rate Reset Preferred Trust Units, Series C (the "Series C Units") for aggregate gross proceeds of US$75,000. The Series C Units pay a fixed cumulative distribution yield of 5.25% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial approximately five and a half-year period ending March 31, 2018. The distribution rate will be reset on March 31, 2018 and every five years thereafter at a rate equal to the sum of the then five-year United States Government bond yield and 4.46%.

The REIT may redeem the Series C Units on March 31, 2018 and on March 31 every five years thereafter. The holders of Series C Units have the right to reclassify their Series C Units to Preferred Units, Series D ("the Series D Units"), subject to certain conditions, on March 31, 2018 and on March 31 every five years thereafter. The Series D Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series D Units have the right to reclassify their Series D Units to Series C Units on March 31, 2023 and on March 31 every five years thereafter.

(iii) Series E:

On March 21, 2013, the REIT issued 4,000,000 Cumulative Rate Reset Preferred Trust Units, Series E (the "Series E Units") for aggregate gross proceeds of $100,000. The Series E Units pay a cumulative distribution yield of 4.75% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial period ending September 30, 2018. The distribution rate will be reset on September 30, 2018 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 3.30%.

The REIT may redeem the Series E Units on September 30, 2018 and on September 30 every five years thereafter. The holders of Series E Units have the right to reclassify their Series E Units to Preferred Units, Series F (the "Series F Units"), subject to certain conditions, on September 30, 2018 and on September 30 every five years thereafter. The Series F Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series F Units have the right to reclassify their Series F Units to Series E Units on September 30, 2023 and on September 30 every five years thereafter.

(iv) Series G:

On July 29, 2013, the REIT issued 3,200,000 Cumulative Rate Reset Preferred Trust Units, Series G (the "Series G Units") for aggregate gross proceeds of $80,000. This included 200,000 Series G Units issued pursuant to the partial exercise of the Underwriters' option. The Series G Units pay a cumulative distribution yield of 5.00% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial period ending July 31, 2019. The distribution rate will be reset on July 31, 2019 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 3.13%.

The REIT may redeem the Series G Units on July 31, 2019 and on July 31 every five years thereafter. The holders of Series G Units have the right to reclassify their Series G Units to Preferred Units, Series H (the "Series H Units"), subject to certain conditions, on July 31, 2019 and on July 31 every five years thereafter. The Series H Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series H Units have the right to reclassify their Series H Units to Series G Units on July 31, 2024 and on July 31 every five years thereafter.

The Series A Units, Series C Units, Series E Units and Series G Units rank equally with each other and with the outstanding Series B Units, Series D Units, Series F Units and Series H Units into which they may be reclassified, and rank in priority to the trust units.

(c) Short form base shelf prospectus:

On July 17, 2014, the REIT issued a short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of $2,000,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. As at December 31, 2015, the REIT has issued senior unsecured debentures under one offering in the amount of $75,000 under this short form base shelf prospectus.

(In thousands of Canadian dollars, unless otherwise noted)

(d) Weighted-average common units:

		Year ended December 31,
	2015	2014
Net (loss) income	$ (175,699)	$ 197,886
Adjustment for distributions to preferred unitholders (note 15)	(18,435)	(17,662)
Net (loss) income attributable to common unitholders	(194,134)	180,224
Adjustment for convertible debentures	—	10,333
Adjustment for restricted units	—	(51)
Adjustment for deferred units	—	(2)
Diluted net (loss) income attributable to common unitholders	$ (194,134)	$ 190,504
The weighted-average number of common units outstanding was as follows:		
Basic common units	137,600,613	132,553,521
Effect of dilutive securities:		
Unit options	—	144,975
Convertible debentures	—	10,200,277
Restricted units	—	216,721
Deferred units	—	439
Diluted common units	137,600,613	143,115,933
Net (loss) income per unit attributable to common unitholders:		
Basic	$ (1.41)	$ 1.36
Diluted	$ (1.41)	$ 1.33

The computation of diluted net (loss) income per unit attributable to common unitholders includes unit options, convertible debentures, restricted units and deferred units when these instruments are dilutive. For the year ended December 31, 2015, all these instruments are anti-dilutive. For the year ended December 31, 2014, out-of-the-money options are the only anti-dilutive instrument.

Note 15. Distributions to unitholders

Total distributions declared to unitholders are as follows:

	Year ended December 31, 2015		Year ended December 31, 2014	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	$ 148,709	$ 1.08	$ 143,668	$ 1.08
Preferred unitholders - Series A	4,528	1.31	4,528	1.31
Preferred unitholders - Series C	5,157	1.72	4,384	1.46
Preferred unitholders - Series E	4,750	1.19	4,750	1.19
Preferred unitholders - Series G	4,000	1.25	4,000	1.25

Note 16. Revenue

The REIT leases industrial, retail and office properties to tenants under operating leases.

Minimum rental commitments on non-cancellable tenant operating leases over their remaining terms are as follows:

	December 31, 2015	December 31, 2014
Not later than one year	$ 342,430	$ 321,426
Later than one year and not later than five years	981,797	901,866
Later than five years	727,252	620,300
	$ 2,051,479	$ 1,843,592

(In thousands of Canadian dollars, unless otherwise noted)

Note 17. Loss on financial instruments

	2015	Year ended December 31, 2014
Realized gain on convertible debentures	$ —	$ 121
Unrealized loss on interest rate swaps	(3,544)	(8,558)
	$ (3,544)	$ (8,437)

Note 18. Changes in non-cash operating items

	2015	Year ended December 31, 2014
Prepaid expenses and other assets	$ (1,551)	$ (293)
Accounts receivable and other receivables	(314)	(907)
Security deposits and prepaid rent	(21)	4,062
Accounts payable and other liabilities	(533)	390
	$ (2,419)	$ 3,252

Note 19. Employee benefits

(a) Short-term employee benefits:

	2015	Year ended December 31, 2014
Trustees	$ 664	$ 734
Key management personnel	3,650	4,231
Other employees	14,489	12,115
	$ 18,803	$ 17,080

Short-term employee benefits include salaries, bonuses and other short-term benefits. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the REIT, directly or indirectly.

(b) Long-term employee benefits:

(i) Defined benefit pension plans:

The REIT has defined benefit plans providing pension benefits to certain key management personnel. The ultimate retirement benefit is defined by a formula that provides a unit of benefit for each year of service. Employer contributions are not specified or defined within the plan text; they are based on the result of actuarial valuations which determine the level of funding required to meet the total obligation as estimated at the time of valuation. The REIT uses December 31 as a measurement date for accounting purposes for its defined benefit pension plans.

The amounts included in the consolidated balance sheets in respect of the employee benefit plans are as follows:

	2015	Year ended December 31, 2014
Accrued defined benefit obligation	$ 5,259	$ 4,104
Fair value of plan assets	5,293	4,325
Funded status	(34)	(221)
Assets not recognized due to asset ceiling	34	221
Net liability arising from defined benefit obligation	$ —	$ —

The net expense for the defined benefit plans for the year ended December 31, 2015 is $1,121 (2014, $1,189) and is included in corporate expenses.

(ii) Other long-term employee benefits:

The REIT has an obligation for future retirement payments to certain key management personnel upon completion of a defined service period. The REIT has recorded an expense of $1,702 related to these benefits for the year ended December 31, 2015 (2014, $844), which is included in corporate expenses.

(In thousands of Canadian dollars, unless otherwise noted)

(c) Unit-based compensation:

	Year ended December 31, 2015	2014
Trustees	$ 266	$ 139
Key management personnel	968	1,137
Other employees	526	364
	$ 1,760	$ 1,640

Under the REIT's equity incentive plan, there may be grants of unit options, restricted units, deferred units or installment units, which are subject to certain restrictions. Under this incentive plan, the total number of units reserved for issuance may not exceed 8,500,000 units, of which a maximum of 4,000,000 units are reserved for the issuance of unit options.

(i) Unit options:

Unit-based compensation expense related to unit options outstanding under the equity incentive plan for the year ended December 31, 2015 amounted to $256 (2014, $609). These unit options vest equally over a four-year period from the grant date.

A summary of the REIT's unit options outstanding are as follows:

	Year ended December 31, 2015		Year ended December 31, 2014	
	Units	Weighted- average exercise price	Units	Weighted- average exercise price
Balance, beginning of year	2,863,250	$ 15.17	3,365,213	$ 15.03
Exercised	(359,000)	13.29	(199,713)	12.62
Expired	(188,250)	13.81	(302,250)	15.34
Balance, end of year	2,316,000	$ 15.57	2,863,250	$ 15.17
Options exercisable at end of year	1,939,875		1,868,250	

The weighted-average unit price at the date of exercise for unit options exercised during the year ended December 31, 2015 was $14.27 (2014, $15.80).

Options outstanding at December 31, 2015 consist of the following:

Exercise price	Number outstanding	Weighted-average remaining contractual life	Options outstanding weighted-average exercise price	Number exercisable
$ 14.10	811,500	0.50 years	$ 14.10	811,500
16.36	1,504,500	1.25 years	16.36	1,128,375
	2,316,000		$ 15.57	1,939,875

(ii) Restricted units:

Unit-based compensation expense related to restricted units outstanding under the equity incentive plan for the year ended December 31, 2015 amounted to $1,281 (2014, $1,006). Restricted units vest on and after the third anniversary of the date of grant. The restricted units accrue additional restricted units during the vesting period, and are credited when the restricted units vest. Each restricted unit is valued at the closing price of the REIT's common units on the balance sheet date.

A summary of the REIT's restricted units outstanding are as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
	Units	Units
Balance, beginning of year	276,484	203,957
Granted	125,550	75,300
Accrued	23,914	15,016
Exercised	(50,394)	(1,586)
Expired	(6,947)	(16,203)
Balance, end of year	368,607	276,484
Restricted units vested at end of year	965	—

(In thousands of Canadian dollars, unless otherwise noted)

(iii) Deferred units:

Unit-based compensation expense related to deferred units outstanding under the equity incentive plan for the year ended December 31, 2015 amounted to $223 (2014, $25). Deferred units can only be granted to trustees of the REIT and vest immediately. Deferred units are redeemable within a specified time frame after a trustee ceases to be a trustee. The deferred units accrue additional deferred units after the grant date. Each deferred unit is valued at the closing price of the REIT's common units on the balance sheet date.

	Year ended December 31, 2015	Year ended December 31, 2014
	Units	Units
Balance, beginning of year	1,744	—
Granted	10,300	1,723
Accrued	487	21
Balance, end of year	12,531	1,744
Deferred units vested at end of year	12,531	1,744

At December 31, 2015, no installment units have been granted under the REIT's equity incentive plan.

Note 20. Related party transactions

The REIT may issue unit-based awards to trustees, officers, employees and consultants (note 19).

Other related party transactions are outlined as follows:

		2015		Year ended December 31, 2014
Property management fees	$	328	$	331
Capitalized leasing commissions fees		93		96
Capitalized project management fees		—		15
Capitalized building improvements		7,887		7,881
Capitalized development projects		15,552		13,263
Capitalized office furniture and fixtures		580		758
Capitalized tenant inducements		1,288		498
Realty tax assessment consulting fees		1,312		385
Rental revenues		(227)		(168)

The REIT incurred property management fees, leasing commission fees and project management fees under property management agreements with Marwest Management Canada Ltd. (''Marwest Management''), a company related to certain trustees and officers of the REIT, for three properties owned by the REIT. The amount payable at December 31, 2015 is $44 (December 31, 2014, $29).

The REIT incurred costs for building improvements, development projects and tenant inducements paid to Marwest Construction Ltd. (''Marwest Construction'') and Marwest Development Corporation, companies related to certain trustees and officers of the REIT. The amount payable at December 31, 2015 is $1,724 (December 31, 2014, $3,253).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction. The amount payable at December 31, 2015 is $nil (December 31, 2014, $45).

The REIT incurred costs for realty tax assessment consulting paid to Fairtax Realty Advocates, a company under control of close family members of key management personnel. The amount payable at December 31, 2015 is $194 (December 31, 2014, $nil).

The REIT collects office rents from Marwest Management and Fairtax Realty Advocates.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(In thousands of Canadian dollars, unless otherwise noted)

Subsidiaries of the REIT, including joint arrangements and excluding bare trustees, are outlined as follows:

		Ownership interest	
Name of entity	Country	December 31, 2015	December 31, 2014
Artis General Partner Ltd.	Canada	100%	100%
AX L.P.	Canada	100%	100%
Artis Property Management General Partner Ltd.	Canada	100%	100%
AX Property Management L.P.	Canada	100%	100%
Winnipeg Square Leaseco, Inc.	Canada	100%	100%
AR GL General Partner Ltd.	Canada	75%	—%
AR GL L.P.	Canada	75%	—%
AX Longboat G.P. Inc.	Canada	50%	50%
AX Longboat L.P.	Canada	50%	50%
Artis US Holdings, Inc.	U.S.	100%	100%
Artis US Holdings II GP, Inc.	U.S.	100%	100%
Artis US Holdings II, LLC	U.S.	100%	100%
Artis US Holdings II L.P.	U.S.	100%	100%
Park 8Ninety Phase I, LP	U.S.	95%	—%
Artis Core Park West Land, Ltd.	U.S.	90%	90%
Park Lucero I L.P.	U.S.	90%	90%
Park Lucero II L.P.	U.S.	90%	90%
Artis HRA 1700 Broadway GP, LLC	U.S.	50%	50%
Artis HRA 1700 Broadway L.P.	U.S.	50%	50%
Artis HRA Hudsons Bay GP, LLC	U.S.	50%	50%
Artis HRA Hudsons Bay L.P.	U.S.	50%	50%
ARTIS HRA Inverness Point GP, LLC	U.S.	50%	—%
ARTIS HRA Inverness Point, LP	U.S.	50%	—%

Note 21. Income taxes

The REIT currently qualifies as a mutual fund trust and a real estate investment trust ("REIT") 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. subsidiaries are REITs for U.S. income tax purposes. The 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 U.S. income taxes. The U.S. subsidiaries are subject to a 30% to 35% withholding tax on distributions to Canada. Any withholding taxes paid are recorded with the related distributions.

The Income Tax Act (Canada) contains legislations affecting the tax treatment of a specified investment flow-through ("SIFT") trust or partnership (the "SIFT Rules"). A SIFT includes a publicly-listed or traded partnership or trust, such as an income trust.

Under the SIFT Rules, certain distributions from a SIFT are not deductible in computing a SIFT's taxable income, and a SIFT is subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital should generally not be subject to tax.

The SIFT Rules do not apply to a REIT that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the SIFT Rules 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 that it has met the REIT Conditions throughout the years ended December 31, 2015 and December 31, 2014. As a result, the REIT does not recognize any deferred income tax assets or liabilities for income tax purposes.

(In thousands of Canadian dollars, unless otherwise noted)

Note 22. Joint arrangements

The REIT had interests in the following joint arrangements:

			Ownership interest	
Property	Principal purpose	Type of arrangement	December 31, 2015	December 31, 2014
Park 8Ninety I	Investment property	Joint venture	95%	—%
Corridor Park	Investment property	Joint venture	90%	90%
Park Lucero I	Investment property	Joint venture	90%	90%
Park Lucero II	Investment property	Joint venture	90%	90%
1700 Broadway	Investment property	Joint venture	50%	50%
Centrepoint	Investment property	Joint venture	50%	50%
Hudson's Bay Centre	Investment property	Joint venture	50%	50%
The Point at Inverness	Investment property	Joint venture	50%	—%
Graham Portfolio	Investment property	Joint venture	75%	—%
Centre 70 Building	Investment property	Joint operation	85%	85%
Whistler Hilton Retail Plaza	Investment property	Joint operation	85%	85%
Westbank Hub Centre North	Investment property	Joint operation	75%	75%
Westbank Hub Shopping Centre	Investment property	Joint operation	75%	75%
Cliveden Building	Investment property	Joint operation	50%	50%
Kincaid Building	Investment property	Joint operation	50%	50%

The REIT has assessed the above investment properties as joint arrangements as decisions about the relevant activities require unanimous consent of the parties sharing control. The REIT has determined the type of arrangement based upon the ownership structure of each individual investment property.

During the year ended December 31, 2015, the REIT entered into three joint venture arrangements. Park 8Ninety I is an industrial property in Houston, Texas. The Point at Inverness is an office property in the Greater Denver Area, Colorado. The Graham Portfolio is a group of industrial properties in British Columbia, Alberta and Saskatchewan. The REIT contributed $56,477 to these joint venture arrangements, inclusive of transaction costs of $1,583, which were expensed during the year ended December 31, 2015.

The REIT also contributed $2,665 during the year ended December 31, 2015 to the Park Lucero I, Park Lucero II, Corridor Park, Hudson's Bay Centre and Centrepoint joint venture arrangements.

The REIT is contingently liable for the obligations of certain joint arrangements. As at December 31, 2015, the co-owners' share of mortgage liabilities is $118,080 (December 31, 2014, $82,376). Management believes that the assets available from its joint arrangements are sufficient for the purpose of satisfying such obligations.

Summarized financial information of the REIT's share in its joint venture arrangements is as follows:

	December 31, 2015	December 31, 2014
Non-current assets:		
Investment properties	$ 246,144	$ 87,746
Investment properties under development	61,465	72,262
Current assets:		
Prepaid expenses and other assets	351	230
Accounts receivable and other receivables	1,069	620
Cash held in trust	—	1,337
Cash and cash equivalents	4,995	3,025
	314,024	165,220
Non-current liabilities:		
Mortgages and loans payable	112,535	46,487
Current liabilities:		
Mortgages and loans payable	19,663	15,116
Security deposits and prepaid rent	1,424	497
Accounts payable and other liabilities	7,336	5,048
	140,958	67,148
Investments in joint ventures	$ 173,066	$ 98,072

(In thousands of Canadian dollars, unless otherwise noted)

		Year ended December 31, 2015		2014
Revenue	$	16,928	$	8,081
Expenses:				
Property operating		4,916		2,715
Realty taxes		2,456		832
		7,372		3,547
Net operating income		9,556		4,534
Other income (expenses):				
Interest expense		(2,982)		(1,166)
Interest income		2		—
Fair value loss on investment properties		(6,279)		(7,355)
Net income (loss) from investments in joint ventures	$	297	$	(3,987)

Note 23. Segmented information

The REIT owns and operates various properties located in Canada and the U.S. These properties are managed by and reported internally on the basis of geographical regions. In the current year due to the growth in joint venture investments and on the basis of results reviewed by the Chief Operating Decision Maker, segmented information has been reflected where joint ventures have been presented using the proportionate share method. Prior period figures have been adjusted to conform to the current year's method of presentation. Western Canada includes British Columbia and Alberta; Central Canada includes Saskatchewan and Manitoba; and Eastern Canada includes Ontario. REIT expenses, as well as interest relating to debentures, have not been allocated to the segments.

	Year ended December 31, 2015						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint venture adjustment	Total
Revenue	$ 227,113	$ 106,863	$ 60,977	$ 157,373	$ 176	$ (16,928)	$ 535,574
Expenses:							
Property operating	47,541	27,911	15,333	34,319	—	(4,916)	120,188
Realty taxes	31,120	15,335	10,502	28,489	—	(2,456)	82,990
	78,661	43,246	25,835	62,808	—	(7,372)	203,178
Net operating income	148,452	63,617	35,142	94,565	176	(9,556)	332,396
Other income (expenses):							
Corporate expenses	—	—	—	—	(11,510)	—	(11,510)
Interest expense	(37,804)	(16,600)	(11,123)	(25,114)	(22,823)	2,982	(110,482)
Interest income	1,094	37	37	45	108	(2)	1,319
Net income from investments in joint ventures	—	—	—	—	—	297	297
Fair value (loss) gain on investment properties	(370,570)	(1,049)	(2,316)	2,030	—	6,279	(365,626)
Foreign currency translation loss	—	—	—	—	(16,413)	—	(16,413)
Transaction costs	(1,103)	(157)	—	(876)	—	—	(2,136)
Loss on financial instruments	—	—	—	—	(3,544)	—	(3,544)
Net (loss) income	$ (259,931)	$ 45,848	$ 21,740	$ 70,650	$ (54,006)	$ —	$ (175,699)
Acquisition of investment properties	$ 54,772	$ 19,262	$ —	$ 129,754	$ —	$ (98,766)	$ 105,022
Additions to investment properties and investment properties under development	14,945	25,784	8,352	31,540	—	(22,559)	58,062
Additions to tenant inducements	14,276	4,759	3,008	10,931	—	(1,951)	31,023
Additions to leasing commissions	4,539	2,650	1,529	5,837	—	(597)	13,958

	December 31, 2015						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint venture adjustment	Total
Total assets	$ 2,124,465	$ 1,075,915	$ 607,600	$ 1,802,299	$ 41,001	$ (140,958)	$ 5,510,322
Total liabilities	913,406	393,655	256,991	852,604	666,863	(140,958)	2,942,561

(In thousands of Canadian dollars, unless otherwise noted)

	Year ended December 31, 2014						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint venture adjustment	Total
Revenue	$ 220,736	$ 97,791	$ 62,657	$ 127,201	$ 254	$ (8,081)	$ 500,558
Expenses:							
Property operating	45,181	27,158	14,796	28,577	—	(2,715)	112,997
Realty taxes	28,496	14,607	9,958	22,484	—	(832)	74,713
	73,677	41,765	24,754	51,061	—	(3,547)	187,710
Net operating income	147,059	56,026	37,903	76,140	254	(4,534)	312,848
Other income (expenses):							
Corporate expenses	—	—	—	—	(10,261)	—	(10,261)
Interest expense	(43,063)	(17,564)	(12,043)	(21,535)	(15,507)	1,166	(108,546)
Interest income	1,237	49	36	55	441	—	1,818
Net loss from investments in joint ventures	—	—	—	—	—	(3,987)	(3,987)
Fair value gain (loss) on investment properties	5,423	13,192	(7,535)	20,396	—	7,355	38,831
Foreign currency translation loss	—	—	—	—	(21,890)	—	(21,890)
Transaction costs	(311)	(564)	—	(1,615)	—	—	(2,490)
Loss on financial instruments	—	—	—	—	(8,437)	—	(8,437)
Net income (loss)	$ 110,345	$ 51,139	$ 18,361	$ 73,441	$ (55,400)	$ —	$ 197,886
Acquisitions of investment properties	$ 47,935	$ 22,525	$ —	$ 193,115	$ —	$ (61,987)	$ 201,588
Additions to investment properties and investment properties under development	12,554	31,236	2,997	14,913	—	(19,000)	42,700
Additions to tenant inducements	10,846	2,695	530	6,775	—	(1,108)	19,738
Additions to leasing commissions	3,171	964	2,449	3,233	—	(431)	9,386

	December 31, 2014						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint venture adjustment	Total
Total assets	$ 2,479,177	$ 1,033,901	$ 596,876	$ 1,409,116	$ 26,930	$ (67,148)	$ 5,478,852
Total liabilities	1,045,129	401,746	282,158	673,186	414,776	(67,148)	2,749,847

Note 24.Commitments, contingencies and guarantees

(a) Letters of credit:

As of December 31, 2015, the REIT had issued letters of credit in the amount of $844 (December 31, 2014, $821).

(b) Contingencies:

The REIT performs an assessment of legal and tax proceedings and claims which have occurred or could occur as a result of ongoing operations of the trust. Based on the information available, the outcomes of these contingent liabilities are uncertain and do not satisfy the requirements to be recognized in the consolidated financial statements as liabilities.

(c) Guarantees:

AX L.P. has guaranteed certain debt assumed by purchasers in connection with the disposition of two properties. These guarantees will remain until the debt is modified, refinanced or extinguished. Credit risk arises in the event that the purchasers default on repayment of their debt since it is guaranteed by the REIT. This credit risk is mitigated as the REIT has recourse under these guarantees in the event of default by the purchasers, in which case the REIT would have a claim against the underlying properties. The estimated amount of debt subject to the guarantees at December 31, 2015 is $9,337 (December 31, 2014, $5,262), with an estimated weighted-average remaining term of 1.3 years (December 31, 2014, 2.9 years). No liabilities in excess of the fair value of the guarantees has been recognized in these consolidated financial statements as the estimated fair value of the borrowers' interests in the underlying properties is greater than the mortgages payable for which the REIT provided the guarantees.

Note 25. Capital management

The REIT's objectives when managing capital are to safeguard the ability to continue as a going concern, and to generate sufficient returns to provide unitholders with stable cash distributions. The REIT defines capital as mortgages and loans payable, senior unsecured debentures, convertible debentures, bank indebtedness and unitholders' equity.

The REIT's Declaration of Trust permits the REIT to incur indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the REIT is not more than 70% of the gross book value of the REIT's total assets. Gross book value as defined in the Declaration of Trust includes the consolidated book value of the assets of the REIT, plus the amount of accumulated depreciation and amortization recorded in the books and records of the REIT, plus the amount of any deferred tax liability arising out of any indirect acquisitions, calculated in accordance with generally accepted accounting principles. As at December 31, 2015, the ratio of such indebtedness to gross book value was 47.6% (December 31, 2014, 44.9%), which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

(In thousands of Canadian dollars, unless otherwise noted)

The total managed capital for the REIT is summarized below:

	Note		December 31, 2015		December 31, 2014
Mortgages and loans payable	9	$	2,198,319	$	2,262,054
Senior unsecured debentures	10		199,631		199,527
Convertible debentures	11		209,140		189,573
Bank indebtedness	13		225,000		300
Total debt			2,832,090		2,651,454
Unitholders' equity			2,567,761		2,729,005
		$	5,399,851	$	5,380,459

Note 26. Risk management and fair values

(a) Risk management:

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. The most significant of these risks, and the actions taken to manage them, are as follows:

(i) Market risk:

(a) Interest rate risk:

The REIT is exposed to interest rate risk on its borrowings. It minimizes the risk by restricting debt to 70% of the gross book value of the REIT's total assets and by monitoring the amount of variable rate debt. The REIT has the majority of its mortgage payable and debentures in fixed rate terms. In addition, management considers the weighted-average term to maturity of long-term debt relative to the remaining average lease terms. At December 31, 2015, the REIT is a party to $905,819 of variable rate debt, including bank indebtedness (December 31, 2014, $637,842). At December 31, 2015, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $367,889 of variable rate debt (December 31, 2014, $394,960).

The following table outlines the impact on interest expense of a 100 basis point increase or decrease in interest rates on the REIT's variable rate debt and fixed rate debt maturing within one year:

		Impact on interest expense
Variable rate debt	$	4,299
Fixed rate debt due within one year		3,488
	$	7,787

(b) 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 this risk, the REIT's debt on U.S. properties as well as the Series G convertible debentures are held in US dollars to act as a natural hedge. The REIT's Series C Units are also denominated in US dollars.

A $0.10 weakening in the US dollar against the average Canadian dollar exchange rate of 1.2835 for the year ended December 31, 2015, and the year end exchange rate of 1.3840 at December 31, 2015 would have increased net income by approximately $3,204 for the year ended December 31, 2015. A $0.10 weakening in the US dollar against the Canadian dollar would have decreased other comprehensive income by approximately $64,845 for the year ended December 31, 2015. Conversely, a $0.10 strengthening in the US dollar against the Canadian dollar would have had an equal but opposite effect. This analysis assumes that all variables, in particular interest rates, remain constant.

(c) Other price risk:

The REIT periodically enters into derivative transactions in regards to non-financial items, primarily natural gas and electrical contracts, to manage the price risk arising from fluctuations in these commodities.

(ii) Credit risk:

The REIT's maximum exposure to credit risk is equivalent to the carrying value of each class of financial asset as separately presented in cash and cash equivalents, cash held in trust, accounts receivable and other receivables, deposits on investment properties and notes receivable.

The REIT is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. The REIT's properties are diversified across the industrial, retail and office asset classes, and geographically diversified with properties owned across five Canadian provinces and five U.S. states. Included in property operating expenses is an impairment loss on accounts receivable and other receivables of $1,008 during the year ended December 31, 2015 (2014, $861). The credit quality of the accounts receivable and other receivables amount is considered adequate.

(In thousands of Canadian dollars, unless otherwise noted)

	December 31, 2015	December 31, 2014
Past due 0 - 30 days	$ 4,877	$ 2,964
Past due 31 - 90 days	413	424
Past due more than 91 days	1,223	1,684
	6,513	5,072
Allowance for doubtful accounts	(630)	(627)
	$ 5,883	$ 4,445

The REIT is also exposed to credit risk as a holder of notes receivable. Management mitigates this risk by carrying out credit checks and related due diligence on the borrowers.

(iii) Liquidity risk:

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they come due. The REIT manages liquidity by maintaining adequate cash and by having appropriate lines of credit available. In addition, the REIT continuously monitors and reviews both actual and forecasted cash flows.

The following are the estimated maturities of the REIT's financial liabilities at December 31, 2015 including bank indebtedness, accounts payable and other liabilities, convertible debentures, senior unsecured debentures and mortgages and loans payable. All debentures are disclosed at their face value.

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Bank indebtedness	$ 225,000	$ 225,000	$ —	$ —	$ —
Accounts payable and other liabilities [(1)]	82,848	82,848	—	—	—
Convertible debentures	207,962	—	121,792	86,170	—
Senior unsecured debentures	200,000	—	—	200,000	—
Mortgages and loans payable [(1)]	2,329,547	498,949	796,702	419,028	614,868
	$ 3,045,357	$ 806,797	$ 918,494	$ 705,198	$ 614,868

[(1)] This includes balances included in the REIT's investments in joint ventures.

(b) Fair values:

The REIT uses a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements of its financial instruments and its investment properties. Level 1 of the fair value hierarchy uses quoted market prices in active markets for identical assets or liabilities to determine the fair value of assets and liabilities. Level 2 includes valuations using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 valuations are based on inputs for the asset or liability that are not based on observable market data.

There were no transfers of assets or liabilities between hierarchy levels during the years ended December 31, 2015 and 2014.

		December 31, 2015		December 31, 2014	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	$ 5,078,021	$ 5,078,021	$ 5,201,489	$ 5,201,489
Investment properties under development	Level 3	26,892	26,892	81,682	81,682
Notes receivable	Level 2	18,520	20,236	20,748	22,277
Investment properties held for sale	Level 3	115,504	115,504	—	—
Mortgage interest rate swaps	Level 2	—	—	172	172
		5,238,937	5,240,653	5,304,091	5,305,620
Liabilities:					
Mortgages and loans payable	Level 2	2,198,319	2,255,055	2,262,054	2,312,929
Senior unsecured debentures	Level 2	199,631	206,783	199,527	202,750
Convertible debentures	Level 1	209,140	208,817	189,573	193,827
Mortgage interest rate swaps	Level 2	10,811	10,811	6,852	6,852
		2,617,901	2,681,466	2,658,006	2,716,358
		$ 2,621,036	$ 2,559,187	$ 2,646,085	$ 2,589,262

The fair value of the REIT's accounts receivable and other receivables, cash held in trust, cash and cash equivalents, accounts payable and other liabilities and bank indebtedness approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair values of notes receivable, mortgage interest rate swaps, mortgages and loans payable and senior unsecured debentures have been determined by discounting the cash flows of these financial instruments using period end market rates for instruments of similar terms and credit risks.

The fair value of the convertible debentures is based on the market price of the debentures.

The REIT entered into interest rate swaps on a number of mortgages. The swaps are not designated in a hedge relationship. An unrealized loss of $3,544 was recorded for the year ended December 31, 2015 (2014, loss of $8,558) in relation to the fair value of these interest rate swaps.

Note 27. Subsequent events

The following events occurred subsequent to December 31, 2015:

- The REIT financed two previously unencumbered retail properties and one previously unencumbered office property, receiving mortgage proceeds of $37,800. These mortgages bear interest at a weighted-average interest rate of 2.81% and have a weighted-average term to maturity of 3.2 years.
- The REIT converted $168,500 drawn on its revolving term credit facility to US dollars and applied a cross-currency interest rate swap to this balance to reduce the effective interest rate.
- The REIT repaid $25,000 on its revolving term credit facility.
- The REIT declared a monthly cash distribution of $0.09 per unit for the months of January and February 2016.
- The REIT declared a quarterly cash distribution of $0.3125 per Series G preferred unit for the quarter ending January 31, 2016.

Note 28. Comparative figures

Certain 2014 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2015.

Note 29. Approval of financial statements

The consolidated financial statements were approved by the Board of Trustees and authorized for issue on February 29, 2016.

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