Management's Discussion and Analysis
Q1-16

On the TSX: AX.UN AX.PR.A AX.PR.U AX.PR.E AX.PR.G AX.DB.F AX.DB.U

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Artis Real Estate Investment Trust should be read in conjunction with the REIT's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2016 and 2015, the audited annual consolidated financial statements for the years ended December 31, 2015 and 2014, and the notes thereto. Except where otherwise noted, "Artis", the "REIT", "we", "us" and "our" refers to Artis Real Estate Investment Trust and its consolidated operations. This MD&A has been prepared taking into account material transactions and events up to and including May 5, 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.

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OVERVIEW

Artis is one of the largest diversified commercial real estate investment trusts in Canada and is an unincorporated closed-end real estate investment trust, created under, and governed by, the laws of the Province of Manitoba. The REIT was created pursuant to the Declaration of Trust dated November 8, 2004, as most recently amended and restated on 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 May 5, 2016, there were 139,739,671 units, 2,265,250 options, 13,650,000 preferred units, 371,673 restricted units, and 27,182 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 its primary objective, which are executed with consideration given to current economic and market factors:

- **Strategic Asset Ownership.** Artis' portfolio of office, retail and industrial real estate is strategically and diversely located in select primary and secondary markets in Canada and the United States (U.S.). Artis' management conducts on-going analysis of the performance of its assets and the relevant economic fundamentals of its target markets, identifying opportunities to make accretive acquisitions, develop new generation real estate and dispose of assets that are not aligned with its long-term strategy.

- **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.

FIRST QUARTER OVERVIEW

2016 has been a busy year for Artis thus far. While no acquisitions or dispositions were completed during the first quarter, substantial progress has been made on various capital recycling initiatives and on new development projects that are currently under way. During the quarter, we were pleased to announce a significant project in Winnipeg, Manitoba which will include an exterior renewal of the curtain wall and environmental barrier at Artis' head office, located at 360 Main Street, and plans for an adjacent mixed-use commercial/residential tower at 300 Main Street. The exterior renewal project at 360 Main Street is expected to commence in Spring 2016, while we expect to release further details pertaining to the new development at 300 Main Street later in 2016.

Oil prices, despite showing signs of recent improvement, remain relatively low and continue to impact the economy in Alberta. As such, we continue to anticipate challenges for our assets located in Alberta, particularly our Calgary office portfolio, until commodity prices increase and stabilize. We expect that in time, if oil prices continue to impact the Alberta economy, our industrial and retail asset classes in the province may also be affected. In the meantime we continue to closely monitor our Calgary office portfolio and Alberta properties in general, and are focused on proactive new leasing and tenant retention initiatives and minimizing risk wherever possible.

Our U.S. assets, which account for 30.5% of Q1-16 Property NOI, continue to show strong performance. Due to the strength of our U.S. markets and the success of these assets, the Board of Trustees continues to reiterate a target U.S. weighting of 35.0% of total Property NOI, to be met over time through disciplined expansion that will include both property acquisitions and new developments.

Subsequent to the quarter end, we increased our unsecured revolving credit facilities to an aggregate amount of $500,000. The credit facilities provide us with access to a flexible source of capital at a low interest rate.

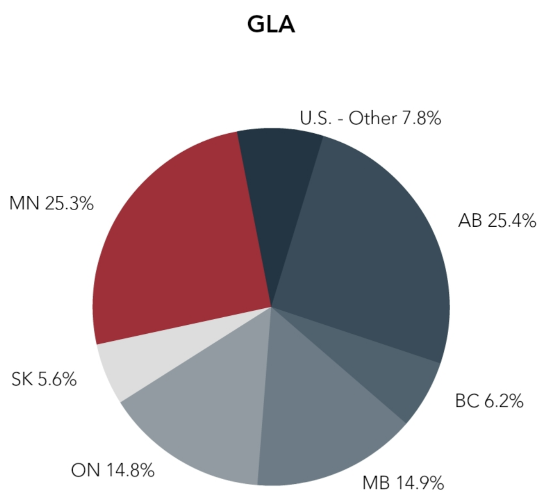
Corporate Sustainability Progress

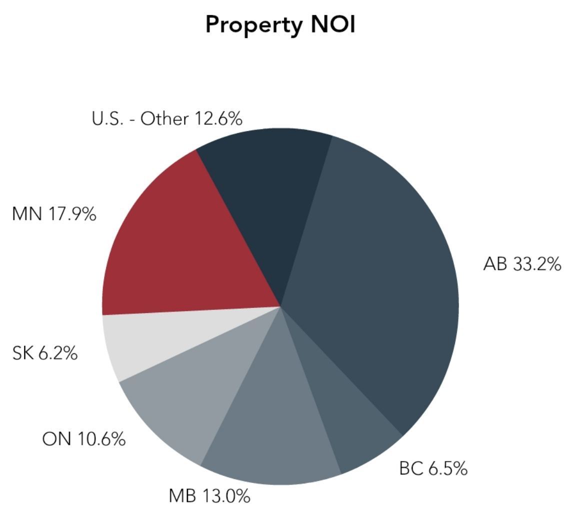
Corporate sustainability remains a high priority for Artis. We are committed to improving the energy efficiency of our properties and reducing our environmental footprint. At March 31, 2016, we have made significant progress with respect to sustainability and now have 21 properties with a LEED certification, 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

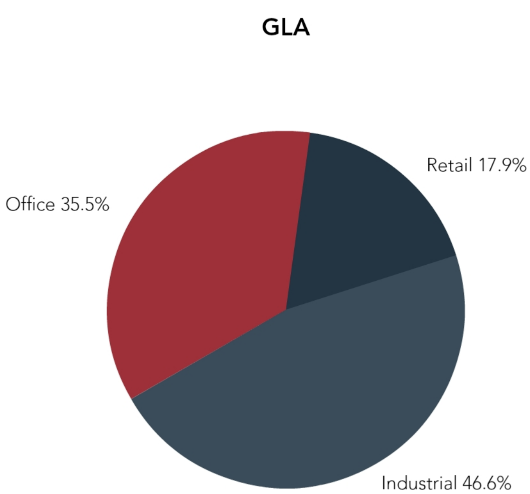
At March 31, 2016, the REIT's portfolio was comprised of 252 commercial properties totaling approximately 26.2 million square feet (S.F.) of gross leasable area ("GLA").

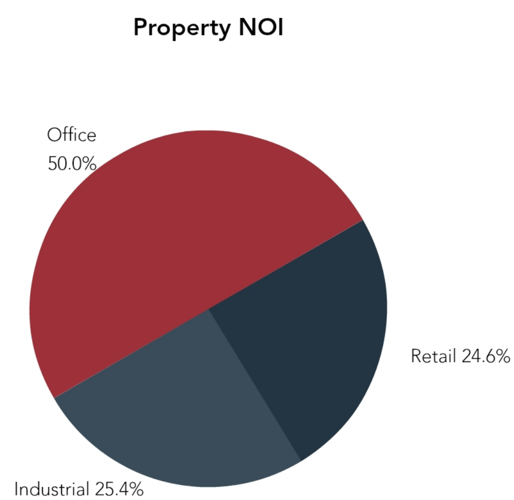
Diversification by Geographical Region





Diversification by Asset Class





Portfolio by Asset Class as at March 31, 2016 (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:							
Office	Calgary	AB	20	2,538	9.7%	82.2%	91.0%
	Greater Edmonton Area	AB	1	48	0.2%	91.7%	91.7%
	Greater Toronto Area	ON	7	1,085	4.1%	88.5%	88.6%
	Greater Vancouver Area	BC	3	462	1.7%	92.6%	92.6%
	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%	76.4%
	Saskatoon	SK	1	64	0.2%	100.0%	100.0%
	Winnipeg	MB	10	1,517	5.8%	88.4%	88.8%
Office total			47	6,217	23.7%	86.7%	90.4%
Retail	Calgary	AB	7	531	2.0%	96.4%	96.9%
	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%	91.9%	91.9%
	Fort McMurray	AB	8	194	0.7%	96.7%	100.0%
	Grande Prairie	AB	5	362	1.4%	96.6%	96.6%
	Greater Edmonton Area	AB	6	507	2.0%	98.5%	98.5%
	Greater Vancouver Area	BC	1	165	0.6%	94.8%	94.8%
	Lethbridge	AB	1	53	0.2%	100.0%	100.0%
	Medicine Hat	AB	1	162	0.6%	100.0%	100.0%
	Nanaimo	BC	3	74	0.3%	52.4%	52.4%
	Regina	SK	8	533	2.0%	97.1%	97.1%
	Saskatoon	SK	3	219	0.8%	100.0%	100.0%
	Westbank / West Kelowna	BC	3	433	1.7%	99.6%	99.6%
	Whistler	BC	1	30	0.1%	100.0%	100.0%
	Winnipeg	MB	6	649	2.5%	97.4%	98.6%
Retail total			57	4,394	16.8%	96.7%	97.1%
Industrial	Airdrie	AB	1	28	0.1%	63.4%	63.4%
	Calgary	AB	9	670	2.6%	96.4%	96.4%
	Greater Edmonton Area	AB	11	1,282	4.9%	94.7%	94.7%
	Greater Toronto Area	ON	30	2,503	9.6%	93.8%	95.3%
	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	327	1.2%	100.0%	100.0%
	Winnipeg	MB	29	1,742	6.6%	91.0%	94.1%
Industrial total			90	6,919	26.4%	94.0%	95.3%
Total Canadian portfolio			194	17,530	66.9%	92.1%	94.0%
U.S. Portfolio:							
Office	Greater Denver Area	CO	4	634	2.4%	96.1%	96.6%
	Greater Phoenix Area	AZ	6	1,002	3.8%	99.6%	99.6%
	New Hartford	NY	1	123	0.5%	100.0%	100.0%
	Twin Cities Area	MN	5	1,336	5.1%	92.6%	93.2%
Office total			16	3,095	11.8%	95.9%	96.2%
Retail	Twin Cities Area	MN	7	298	1.1%	97.7%	97.7%
Industrial	Greater Phoenix Area	AZ	1	99	0.4%	100.0%	100.0%
	Twin Cities Area	MN	31	4,664	17.8%	95.8%	95.9%
Industrial total			32	4,763	18.2%	95.9%	96.0%
Total U.S. portfolio			55	8,156	31.1%	96.0%	96.1%
Total Canadian and U.S. portfolio			249	25,686	98.0%	93.3%	94.7%

[1] Excluding properties held for redevelopment and new developments in process.
[2] Percentage committed is based on occupancy at March 31, 2016, plus commitments on vacant space.

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
Industrial	Twin Cities Area	MN	1	120	0.5%	Crosstown North	—%
Industrial	Twin Cities Area	MN	1	208	0.8%	Northpoint Industrial Building	41.2%
Total properties held for redevelopment			2	328	1.3%		26.1%

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%	48.4%
Industrial	Houston	TX	—	—	—	Park 8Ninety Phase I	50.0%	—%
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 March 31, 2016, 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 is anticipated to be complete in Q4-16.

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.

Development plans are under way for a 40-storey mixed-use commercial/residential building near the corner of Portage Avenue and Main Street in Winnipeg, Manitoba. The site is located at 300 Main Street, which is adjacent to Artis' head office located at 360 Main Street. Additional information on this development is expected to be released later in 2016.

SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	Three months ended March 31, 2016	2015	Change	% Change
Revenue	$ 139,053	$ 134,746	$ 4,307	3.2 %
Property NOI	85,296	84,532	764	0.9 %
Net income (loss)	38,774	(13,097)	51,871	(396.1)%
Basic income (loss) per common unit	0.25	(0.13)	0.38	(292.3)%
Diluted income (loss) per common unit	0.24	(0.13)	0.37	(284.6)%
Distributions to common unitholders	$ 37,614	$ 36,916	$ 698	1.9 %
Distributions per common unit	0.27	0.27	—	— %
FFO	$ 53,608	$ 52,798	$ 810	1.5 %
FFO per unit	0.38	0.38	—	— %
FFO after adjustments [(1)]	53,608	51,988	1,620	3.1 %
FFO per unit after adjustments [(1)]	0.38	0.37	0.01	2.7 %
FFO payout ratio after adjustments [(1)]	71.1%	73.0%		(1.9)%
AFFO	$ 44,704	$ 45,637	$ (933)	(2.0)%
AFFO per unit	0.32	0.33	(0.01)	(3.0)%
AFFO after adjustments [(1)]	44,704	44,827	(123)	(0.3)%
AFFO per unit after adjustments [(1)]	0.32	0.32	—	— %
AFFO payout ratio after adjustments [(1)]	84.4%	84.4%		— %

[(1)] Calculated after adjustments for lease termination income.

Acquisitions and completed (re)developments during 2015 and the impact of foreign exchange have contributed to the increase in revenues, Property NOI and FFO in Q1-16. In Q1-16, AFFO was also impacted by a change in the calculation of Artis' leasing costs reserve.

	March 31, 2016	December 31, 2015	% Change
Consolidated financial statements debt to GBV:			
Secured mortgages and loans to GBV	39.9%	39.9%	— %
Total long-term debt and bank indebtedness to GBV	51.7%	51.4%	0.3 %
Proportionate Share debt to GBV:			
Secured mortgages and loans to GBV	41.3%	41.2%	0.1 %
Total long-term debt and bank indebtedness to GBV	52.7%	52.4%	0.3 %
Total assets	$ 5,584,575	$ 5,651,280	(1.2)%
Total non-current financial liabilities	2,150,368	2,227,769	(3.5)%

DISTRIBUTIONS

Artis declared distributions of $42,210 to unitholders in Q1-16, of which $7,747 was paid by way of distribution reinvestment, pursuant to Artis' Distribution Reinvestment and Unit Purchase Plan ("DRIP").

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 March 31,					
	2016			2015		
	Per consolidated financial statements	Adjustment [(1)]	Total Proportionate Share	Per consolidated financial statements	Adjustment [(1)]	Total Proportionate Share
Revenue	$ 132,994	$ 6,059	$ 139,053	$ 132,258	$ 2,488	$ 134,746
Expenses:						
Property operating	28,764	1,673	30,437	28,678	772	29,450
Realty taxes	22,244	1,076	23,320	20,481	283	20,764
	51,008	2,749	53,757	49,159	1,055	50,214
Net operating income	81,986	3,310	85,296	83,099	1,433	84,532
Other income (expenses):						
Corporate expenses	(3,638)	—	(3,638)	(2,862)	—	(2,862)
Interest expense	(27,276)	(1,097)	(28,373)	(27,896)	(371)	(28,267)
Interest income	298	—	298	363	—	363
Net income (loss) from investments in joint ventures	243	(243)	—	(624)	624	—
Fair value loss on investment properties	(13,151)	(1,970)	(15,121)	(48,566)	(1,686)	(50,252)
Foreign currency translation gain (loss)	6,154	—	6,154	(10,547)	—	(10,547)
Transaction costs	(39)	—	(39)	(435)	—	(435)
Loss on financial instruments	(5,803)	—	(5,803)	(5,629)	—	(5,629)
Net income (loss)	38,774	—	38,774	(13,097)	—	(13,097)
Other comprehensive (loss) income that may be reclassified to net income (loss) in subsequent periods:						
Unrealized foreign currency translation (loss) gain	(53,610)	(6,914)	(60,524)	58,487	11,632	70,119
Unrealized foreign currency translation (loss) gain on joint ventures	(6,914)	6,914	—	11,632	(11,632)	—
Other comprehensive income (loss) that will not be reclassified to net income (loss) in subsequent periods:						
Unrealized gain (loss) from remeasurements of net pension obligation	9	—	9	(42)	—	(42)
	(60,515)	—	(60,515)	70,077	—	70,077
Total comprehensive (loss) income	$ (21,741)	$ —	$ (21,741)	$ 56,980	$ —	$ 56,980

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

REVENUE AND PROPERTY NOI

	Three months ended March 31, 2016	2015	Change	% Change
Revenue:				
Basic rent, parking and other revenue	$ 95,617	$ 92,229	$ 3,388	
Operating costs and realty tax recoveries	46,314	43,915	2,399	
Amortization of tenant inducements	(4,074)	(3,156)	(918)	
Straight-line rent adjustments	1,196	948	248	
Lease termination income	—	810	(810)	
	139,053	134,746	4,307	3.2%
Expenses:				
Property operating	30,437	29,450	987	
Realty taxes	23,320	20,764	2,556	
	53,757	50,214	3,543	7.1%
Property NOI	$ 85,296	$ 84,532	$ 764	0.9%

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.

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

SAME PROPERTY NOI ANALYSIS

Same property comparison includes only stabilized investment properties owned on January 1, 2015, and excludes properties disposed of subsequent to January 1, 2015 and those held for redevelopment.

	Three months ended March 31, 2016	2015	Change	% Change
Revenue	$ 132,218	$ 131,296		
Property operating expenses and realty taxes	51,465	50,107		
Property NOI	80,753	81,189	$ (436)	(0.5)%
Add (deduct) non-cash revenue adjustments:				
Amortization of tenant inducements	4,000	3,006		
Straight-line rent adjustments	(886)	(947)		
Property NOI less non-cash revenue adjustments	$ 83,867	$ 83,248	$ 619	0.7 %

Lease termination income related to significant tenants of $nil in Q1-16, compared to $689 in Q1-15, 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 March 31, 2016	2015	Change	% Change
Office	$ 41,835	$ 43,582	$ (1,747)	(4.0)%
Retail	20,870	20,170	700	3.5 %
Industrial	21,162	19,496	1,666	8.5 %
Total	$ 83,867	$ 83,248	$ 619	0.7 %

Same Property NOI by Geographical Region

	Three months ended March 31, 2016	2015	Change	% Change
Alberta	$ 28,148	$ 30,938	$ (2,790)	(9.0)%
British Columbia	5,723	5,628	95	1.7 %
Manitoba	10,969	10,668	301	2.8 %
Ontario	9,169	9,104	65	0.7 %
Saskatchewan	4,841	4,568	273	6.0 %
Minnesota	14,369	12,985	1,384	10.7 %
U.S. - Other	10,648	9,357	1,291	13.8 %
Total	$ 83,867	$ 83,248	$ 619	0.7 %

Artis' Calgary office portfolio decreased $2,270, or 15.6% in Q1-16. Approximately $2,155 of this decrease can be attributed to the vacating of AMEC Americas Ltd. This space has been leased to a new tenant commencing on April 1, 2016.

Same Property NOI by Country

	Three months ended March 31, 2016	2015	Change	% Change
Canada	$ 58,850	$ 60,906	$ (2,056)	(3.4)%
U.S.	25,017	22,342	2,675	12.0 %
Total	$ 83,867	$ 83,248	$ 619	0.7 %

Artis' U.S. portfolio achieved an increase in Q1-16 of US$193, or 1.1% before the impact of foreign exchange.

Same Property Occupancy Report

Geographical Region	As at March 31, 2016	2015
Alberta	90.1%	94.8%
British Columbia	94.5%	93.6%
Manitoba	91.1%	89.0%
Ontario	92.8%	91.8%
Saskatchewan	97.8%	93.8%
Minnesota	95.2%	95.8%
U.S. - Other	99.5%	96.7%
Total	93.2%	93.7%

Asset Class	As at March 31, 2016	2015
Office	89.5%	94.4%
Retail	96.9%	94.2%
Industrial	94.7%	92.9%
Total	93.2%	93.7%

PROPERTY NOI BY ASSET CLASS

In Q1-16, revenues and Property NOI increased for the retail and industrial segments in comparison to Q1-15. The growth is primarily attributable to acquisitions and completed (re)developments during 2015 and the impact of foreign exchange. In Q1-16, 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, 605 Waterford Park and Mosaic Office Building. All of the vacated space at Heritage Square has been leased to a new tenant commencing on April 1, 2016.

	Three months ended March 31,					
	2016			2015		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	$ 74,782	$ 31,015	$ 33,204	$ 74,492	$ 30,510	$ 29,705
Property operating expenses and realty taxes	32,215	10,016	11,526	30,060	9,532	10,622
Property NOI	$ 42,567	$ 20,999	$ 21,678	$ 44,432	$ 20,978	$ 19,083
Share of Property NOI	*50.0%*	*24.6%*	*25.4%*	*52.6%*	*24.8%*	*22.6%*

PROPERTY NOI BY GEOGRAPHICAL REGION

In Q1-16, revenues and Property NOI increased in Manitoba, Saskatchewan, Minnesota and U.S. - Other in comparison to Q1-15. The growth is primarily attributable to acquisitions and completed (re)developments during 2015 and the impact of foreign exchange. In Q1-16, Property NOI decreased in Alberta primarily due to an expiring lease at Heritage Square and lease termination income in Q1-15, in British Columbia primarily due to the dispositions of 1045 Howe Street and Willingdon Green in 2015 and in Ontario primarily due to a large tenant bankruptcy at Concorde Corporate Centre. All of the vacated space at Heritage Square has been leased to a new tenant commencing on April 1, 2016.

	Three months ended March 31, 2016						
	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	$ 43,964	$ 8,688	$ 19,578	$ 15,360	$ 7,619	$ 27,274	$ 16,518
Property operating expenses and realty taxes	15,630	3,149	8,526	6,329	2,331	12,001	5,791
Property NOI	$ 28,334	$ 5,539	$ 11,052	$ 9,031	$ 5,288	$ 15,273	$ 10,727
Share of Property NOI	*33.2%*	*6.5%*	*13.0%*	*10.6%*	*6.2%*	*17.9%*	*12.6%*

	Three months ended March 31, 2015						
	Canada					U.S.	
	AB	BC	MB	ON	SK	MN	Other
Revenue	$ 46,758	$ 9,998	$ 17,902	$ 15,684	$ 7,007	$ 22,861	$ 14,497
Property operating expenses and realty taxes	15,023	3,760	7,775	6,581	2,308	10,061	4,706
Property NOI	$ 31,735	$ 6,238	$ 10,127	$ 9,103	$ 4,699	$ 12,800	$ 9,791
Share of Property NOI	*37.5%*	*7.4%*	*12.0%*	*10.8%*	*5.6%*	*15.1%*	*11.6%*

PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at March 31, 2016, (excluding properties held for redevelopment and new developments in process), and the previous four periods, are as follows:

Occupancy Report by Asset Class

	Q1-16 % Committed [1]	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15
Office	92.4%	89.7%	89.7%	90.9%	93.0%	93.7%
Retail	97.1%	96.8%	96.1%	94.5%	94.5%	95.1%
Industrial	95.6%	94.8%	93.8%	94.2%	94.2%	95.5%
Total portfolio	94.7%	93.3%	92.7%	93.1%	93.8%	94.7%

[1] Percentage committed is based on occupancy at March 31, 2016, plus commitments on vacant space.

Occupancy Report by Geographical Region

	Q1-16 % Committed [1]	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15
Canada:						
Alberta	93.9%	90.4%	90.2%	90.6%	94.0%	94.6%
British Columbia	94.6%	94.6%	94.1%	95.0%	94.5%	96.8%
Manitoba	92.8%	91.1%	89.1%	90.2%	90.2%	93.1%
Ontario	93.8%	92.8%	91.9%	93.6%	92.7%	95.1%
Saskatchewan	98.0%	98.0%	98.2%	94.8%	94.3%	94.0%
U.S.:						
Minnesota	95.4%	95.2%	94.9%	94.5%	94.7%	94.6%
Other	98.6%	98.5%	98.2%	98.3%	98.3%	96.5%
Total portfolio	94.7%	93.3%	92.7%	93.1%	93.8%	94.7%

[1] Percentage committed is based on occupancy at March 31, 2016, plus commitments on vacant space.

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary

	Three months ended March 31, 2016	2015
Leasable area renewed	843,464	392,255
Increase in weighted-average rental rate	5.9%	6.0%

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	710,986	57,441	500,047	1,011,608	846,834	1,138,371	4,417,800	8,683,087
Office - committed	244,599	—	263,127	83,884	21,064	7,454	8,835	628,963
Total office	955,585	57,441	763,174	1,095,492	867,898	1,145,825	4,426,635	9,312,050
Retail - uncommitted	135,834	28,382	236,550	369,459	550,274	433,333	2,588,736	4,342,568
Retail - committed	16,504	—	165,470	133,388	5,801	6,259	22,124	349,546
Total retail	152,338	28,382	402,020	502,847	556,075	439,592	2,610,860	4,692,114
Industrial - uncommitted	853,448	67,721	1,325,328	1,794,484	1,195,195	946,373	4,608,707	10,791,256
Industrial - committed	131,880	—	1,040,815	191,253	5,334	35,964	—	1,405,246
Total industrial	985,328	67,721	2,366,143	1,985,737	1,200,529	982,337	4,608,707	12,196,502
Total - uncommitted	1,700,268	153,544	2,061,925	3,175,551	2,592,303	2,518,077	11,615,243	23,816,911
Total - committed	392,983	—	1,469,412	408,525	32,199	49,677	30,959	2,383,755
Total portfolio	2,093,251	153,544	3,531,337	3,584,076	2,624,502	2,567,754	11,646,202	26,200,666

(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 March 31, 2016, 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.

Market Rents by Asset Class [1]

Canadian Portfolio:

	2016	2017	2018	2019	2020 & later	Total
Office						
In-place rents	$ 17.95	$ 20.45	$ 19.03	$ 16.69	$ 18.34	$ 18.35
Market rents	15.24	17.23	18.07	15.82	19.57	18.01
Change	(15.1)%	(15.7)%	(5.0)%	(5.2)%	6.7%	(1.8)%
Revenue impact [2]	$ (1,823)	$ (1,900)	$ (597)	$ (715)	$ 3,228	$ (1,807)
Retail						
In-place rents	$ 21.60	$ 15.97	$ 23.32	$ 23.98	$ 17.60	$ 19.19
Market rents	25.14	16.54	24.16	23.77	18.41	20.13
Change	16.4 %	3.5 %	3.6 %	(0.9)%	4.6%	4.9 %
Revenue impact [2]	$ 1,405	$ 255	$ 457	$ (90)	$ 1,959	$ 3,986
Industrial						
In-place rents	$ 8.13	$ 6.87	$ 6.18	$ 8.77	$ 9.73	$ 8.39
Market rents	8.69	6.96	6.36	8.69	9.91	8.61
Change	6.9 %	1.3 %	3.0 %	(0.9)%	1.8%	2.5 %
Revenue impact [2]	$ 697	$ 119	$ 134	$ (37)	$ 472	$ 1,385
Total Canadian portfolio						
In-place rents	$ 13.31	$ 12.08	$ 15.37	$ 16.35	$ 15.06	$ 14.55
Market rents	13.43	11.43	15.36	15.86	15.78	14.77
Change	0.9 %	(5.4)%	— %	(3.0)%	4.8%	1.5 %
Revenue impact [2]	$ 279	$ (1,526)	$ (6)	$ (842)	$ 5,659	$ 3,564

U.S. Portfolio:

	2016	2017	2018	2019	2020 & later	Total
Office						
In-place rents	$ 17.24	$ 17.28	$ 17.18	$ 23.56	$ 19.62	$ 19.38
Market rents	18.57	18.86	17.89	25.85	20.25	20.37
Change	7.7 %	9.2%	4.1 %	9.7 %	3.2%	5.2%
Revenue impact [2]	$ 121	$ 798	$ 171	$ 738	$ 1,133	$ 2,961
Retail						
In-place rents	$ 21.81	$ 13.74	$ 20.86	$ 18.35	$ 15.03	$ 15.25
Market rents	21.23	15.48	20.43	19.78	15.12	15.67
Change	(2.7)%	12.7%	(2.0)%	7.8 %	0.6%	2.8%
Revenue impact [2]	$ (2)	$ 92	$ (4)	$ 17	$ 20	$ 123
Industrial						
In-place rents	$ 4.87	$ 4.47	$ 4.78	$ 5.56	$ 6.18	$ 5.39
Market rents	4.91	4.99	5.04	5.39	6.25	5.52
Change	0.8 %	11.5%	5.4 %	(3.0)%	1.2%	2.3%
Revenue impact [2]	$ 45	$ 362	$ 123	$ (86)	$ 139	$ 583
Total U.S. portfolio						
In-place rents	$ 5.85	$ 9.99	$ 9.12	$ 12.56	$ 12.94	$ 10.99
Market rents	5.98	10.99	9.52	13.35	13.28	11.45
Change	2.3 %	10.0%	4.3 %	6.3 %	2.6%	4.2%
Revenue impact [2]	$ 164	$ 1,252	$ 290	$ 669	$ 1,292	$ 3,667

Total Canadian and U.S. Portfolio:

	2016	2017	2018	2019	2020 & later	Total
Office						
In-place rents	$ 17.87	$ 18.99	$ 18.51	$ 18.62	$ 18.86	$ 18.72
Market rents	15.64	17.98	18.02	18.64	19.85	18.86
Change	(12.5)%	(5.3)%	(2.7)%	0.1 %	5.2%	0.7%
Revenue impact (2)	$ (1,702)	$ (1,102)	$ (426)	$ 23	$ 4,361	$ 1,154
Retail						
In-place rents	$ 21.60	$ 15.73	$ 23.27	$ 23.83	$ 17.39	$ 18.93
Market rents	25.09	16.43	24.08	23.67	18.15	19.84
Change	16.1 %	4.4 %	3.5 %	(0.7)%	4.4%	4.8%
Revenue impact (2)	$ 1,403	$ 347	$ 453	$ (73)	$ 1,979	$ 4,109
Industrial						
In-place rents	$ 6.58	$ 6.03	$ 5.62	$ 7.08	$ 8.31	$ 7.14
Market rents	6.89	6.27	5.83	6.96	8.44	7.31
Change	4.8 %	4.0 %	3.8 %	(1.8)%	1.6%	2.5%
Revenue impact (2)	$ 742	$ 481	$ 257	$ (123)	$ 611	$ 1,968
Total Canadian and U.S. portfolio						
In-place rents	$ 10.73	$ 11.35	$ 13.62	$ 15.10	$ 14.36	$ 13.37
Market rents	10.85	11.27	13.73	15.03	14.95	13.67
Change	1.2 %	(0.7)%	0.8 %	(0.4)%	4.2%	2.3%
Revenue impact (2)	$ 443	$ (274)	$ 284	$ (173)	$ 6,951	$ 7,231

(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 March 31, 2016, are estimated to be 2.3% above in-place rents across the portfolio compared to 2.6% at December 31, 2015. Today's market rents for the 2016 and 2017 lease expiries are estimated to be 1.2% above and 0.7% 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.

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

	Current Vacancy	Monthly Tenants [2]	2016	2017	2018	2019	2020 & later	Total
AB - uncommitted	406,643	45,610	760,269	575,128	744,834	726,047	2,965,842	6,224,373
AB - committed	234,669	—	157,463	14,815	—	35,964	2,218	445,129
Total Alberta	641,312	45,610	917,732	589,943	744,834	762,011	2,968,060	6,669,502
BC - uncommitted	87,562	8,126	61,342	89,517	124,772	243,973	826,628	1,441,920
BC - committed	—	—	54,719	106,393	1,534	6,259	8,037	176,942
Total British Columbia	87,562	8,126	116,061	195,910	126,306	250,232	834,665	1,618,862
MB - uncommitted	281,387	24,370	323,647	478,053	611,637	188,311	1,713,765	3,621,170
MB - committed	68,278	—	138,094	64,231	7,429	7,454	1,866	287,352
Total Manitoba	349,665	24,370	461,741	542,284	619,066	195,765	1,715,631	3,908,522
ON - uncommitted	241,271	28,697	190,919	638,789	207,843	430,546	1,529,713	3,267,778
ON - committed	38,634	—	545,391	8,424	14,133	—	—	606,582
Total Ontario	279,905	28,697	736,310	647,213	221,976	430,546	1,529,713	3,874,360
SK - uncommitted	29,737	8,355	38,780	344,721	175,123	80,030	715,570	1,392,316
SK - committed	—	—	38,209	5,275	4,267	—	18,838	66,589
Total Saskatchewan	29,737	8,355	76,989	349,996	179,390	80,030	734,408	1,458,905
MN - uncommitted	531,319	36,428	655,792	725,045	557,408	594,439	2,780,199	5,880,630
MN - committed	11,284	—	519,661	209,387	4,836	—	—	745,168
Total Minnesota	542,603	36,428	1,175,453	934,432	562,244	594,439	2,780,199	6,625,798
U.S. - Other - uncommitted	122,349	1,958	31,176	324,298	170,686	254,731	1,083,526	1,988,724
U.S. - Other - committed	40,118	—	15,875	—	—	—	—	55,993
Total U.S. - Other	162,467	1,958	47,051	324,298	170,686	254,731	1,083,526	2,044,717
Total - uncommitted	1,700,268	153,544	2,061,925	3,175,551	2,592,303	2,518,077	11,615,243	23,816,911
Total - committed	392,983	—	1,469,412	408,525	32,199	49,677	30,959	2,383,755
Total portfolio	2,093,251	153,544	3,531,337	3,584,076	2,624,502	2,567,754	11,646,202	26,200,666

[1] Based on owned share of total leasable area.
[2] Includes holdovers and renewals where term has not been negotiated.

Market Rents by Geographical Region [1]

	2016	2017	2018	2019	2020 & later	Total
Alberta						
In-place rents	$ 18.14	$ 19.37	$ 20.13	$ 19.99	$ 17.64	$ 18.50
Market rents	17.64	16.09	19.48	18.61	19.22	18.62
Change	(2.8)%	(16.9)%	(3.2)%	(6.9)%	9.0 %	0.7 %
Revenue impact [2]	$ (460)	$ (1,934)	$ (484)	$ (1,055)	$ 4,685	$ 752
British Columbia						
In-place rents	$ 19.24	$ 11.60	$ 25.24	$ 18.20	$ 12.90	$ 15.11
Market rents	20.24	11.81	25.14	18.74	13.43	15.58
Change	5.2 %	1.8 %	(0.4)%	3.0 %	4.1 %	3.1 %
Revenue impact [2]	$ 115	$ 42	$ (12)	$ 136	$ 441	$ 722
Manitoba						
In-place rents	$ 10.50	$ 12.28	$ 8.11	$ 10.30	$ 14.43	$ 12.25
Market rents	11.45	12.77	8.85	10.56	14.71	12.73
Change	9.0 %	4.0 %	9.2 %	2.5 %	1.9 %	3.9 %
Revenue impact [2]	$ 435	$ 265	$ 462	$ 51	$ 481	$ 1,694
Ontario						
In-place rents	$ 7.55	$ 6.76	$ 10.29	$ 10.91	$ 11.71	$ 9.77
Market rents	7.61	6.78	10.59	10.97	11.46	9.70
Change	0.8 %	0.3 %	2.9 %	0.5 %	(2.1)%	(0.7)%
Revenue impact [2]	$ 46	$ 13	$ 67	$ 24	$ (381)	$ (231)
Saskatchewan						
In-place rents	$ 18.80	$ 9.60	$ 19.97	$ 20.06	$ 15.53	$ 15.06
Market rents	20.66	9.85	19.75	20.09	16.12	15.50
Change	9.9 %	2.6 %	(1.1)%	0.1 %	3.8 %	2.9 %
Revenue impact [2]	$ 143	$ 88	$ (39)	$ 2	$ 433	$ 627
Minnesota						
In-place rents	$ 5.21	$ 6.64	$ 6.60	$ 7.04	$ 9.59	$ 7.76
Market rents	5.26	7.42	6.97	6.94	9.56	7.90
Change	1.0 %	11.7 %	5.5 %	(1.4)%	(0.3)%	1.8 %
Revenue impact [2]	$ 59	$ 727	$ 204	$ (58)	$ (81)	$ 851
U.S. - Other						
In-place rents	$ 21.63	$ 19.65	$ 17.41	$ 25.43	$ 21.55	$ 21.38
Market rents	23.86	21.27	17.92	28.29	22.82	22.87
Change	10.3 %	8.2 %	2.9 %	11.2 %	5.9 %	7.0 %
Revenue impact [2]	$ 105	$ 525	$ 86	$ 727	$ 1,373	$ 2,816
Total portfolio						
In-place rents	$ 10.73	$ 11.35	$ 13.62	$ 15.10	$ 14.36	$ 13.37
Market rents	10.85	11.27	13.73	15.03	14.95	13.67
Change	1.2 %	(0.7)%	0.8 %	(0.4)%	4.2 %	2.3 %
Revenue impact [2]	$ 443	$ (274)	$ 284	$ (173)	$ 6,951	$ 7,231

[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 March 31, 2016, the five largest segments of the REIT's portfolio (by Property NOI) are Calgary office, Twin Cities Area industrial, Twin Cities Area office, Greater Phoenix Area office and Winnipeg office.

The Calgary office segment represents 13.1% of the Q1-16 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 12.1% at March 31, 2016, compared to 10.9% at December 31, 2015. At March 31, 2016, the Calgary office segment of Artis' portfolio was 82.2% occupied, compared to 83.0% at December 31, 2015. Approximately 8% of this vacancy can be attributed to a single tenant, AMEC Americas Ltd., vacating in 2015; however, all of the space vacated by AMEC Americas Ltd. has been leased to a new tenant pursuant to a lease commencing on April 1, 2016. During the remainder of 2016, 289,176 square feet comes up for renewal, which represents 1.1% of the total portfolio GLA; 24.5% had been renewed or committed to new leases at March 31, 2016. Approximately 39.9% 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 5.9 years. The average size of Artis' Calgary office tenants is approximately 9,500 square feet.

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

	Current Vacancy	Monthly Tenants [(2)]	2016	2017	2018	2019	2020 & later	Total
Downtown - uncommitted	149,591	12,420	156,354	214,993	122,878	124,270	189,868	970,374
Downtown - committed	10,000	—	68,216	—	—	—	—	78,216
Total downtown	159,591	12,420	224,570	214,993	122,878	124,270	189,868	1,048,590
Beltline - uncommitted	32,435	102	37,130	5,613	109,555	41,930	347,799	574,564
Beltline - committed	—	—	—	—	—	—	—	—
Total beltline	32,435	102	37,130	5,613	109,555	41,930	347,799	574,564
Suburban - uncommitted	46,191	4,071	24,891	55,116	44,825	50,433	474,419	699,946
Suburban - committed	212,797	—	2,585	—	—	—	—	215,382
Total suburban	258,988	4,071	27,476	55,116	44,825	50,433	474,419	915,328
Total - uncommitted	228,217	16,593	218,375	275,722	277,258	216,633	1,012,086	2,244,884
Total - committed	222,797	—	70,801	—	—	—	—	293,598
Total Calgary office	451,014	16,593	289,176	275,722	277,258	216,633	1,012,086	2,538,482

(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	482,769	40,848	281,672	735,886	569,576	921,738	3,405,714	6,438,203
Other - committed	21,802	—	192,326	83,884	21,064	7,454	8,835	335,365
Total other office	504,571	40,848	473,998	819,770	590,640	929,192	3,414,549	6,773,568

(1) Based on owned share of total leasable area.
(2) Includes holdovers and renewals where term has not been negotiated.

Market Rents for Calgary Office Segment [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	$	24.26	$	25.42	$	20.94	$	24.10	$	23.10	$	23.81
Market rents		15.35		15.97		18.51		20.37		23.92		18.51
Change		(36.8)%		(37.2)%		(11.6)%		(15.5)%		3.6%		(22.2)%
Revenue impact [2]	$	(2,002)	$	(2,031)	$	(299)	$	(464)	$	156	$	(4,640)
Beltline												
In-place rents	$	29.10	$	25.50	$	27.90	$	33.67	$	14.90	$	20.06
Market rents		22.00		22.00		22.68		25.65		22.80		22.93
Change		(24.4)%		(13.7)%		(18.7)%		(23.8)%		53.0%		14.3 %
Revenue impact [2]	$	(264)	$	(20)	$	(571)	$	(336)	$	2,748	$	1,557
Suburban												
In-place rents	$	17.33	$	16.36	$	17.15	$	18.58	$	23.38	$	21.73
Market rents		14.86		15.75		16.75		19.11		23.68		21.81
Change		(14.2)%		(3.7)%		(2.3)%		2.8 %		1.3%		0.4 %
Revenue impact [2]	$	(68)	$	(33)	$	(18)	$	27	$	144	$	52
Total Calgary Office												
In-place rents	$	24.22	$	23.61	$	23.07	$	24.67	$	20.41	$	22.17
Market rents		16.15		16.05		19.87		21.10		23.42		20.71
Change		(33.3)%		(32.0)%		(13.9)%		(14.5)%		14.8%		(6.6)%
Revenue impact [2]	$	(2,334)	$	(2,084)	$	(888)	$	(773)	$	3,048	$	(3,031)

[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 [1]:

		2016		2017		2018		2019		2020 & later		Total
Other office												
In-place rents	$	13.99	$	17.43	$	16.37	$	17.21	$	18.40	$	17.57
Market rents		15.32		18.63		17.15		18.07		18.79		18.24
Change		9.5%		6.9%		4.8%		5.0%		2.1%		3.8%
Revenue impact [2]	$	632	$	982	$	462	$	796	$	1,313	$	4,185

[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 8.5% of the Q1-16 Property NOI and 19.1% of the overall portfolio by GLA. Direct vacancy in this industrial market, as reported by CBRE, decreased from 5.6% at December 31, 2015, to 5.2% at March 31, 2016, with 633,840 square feet of positive absorption reported for the quarter. As per CBRE, this was the 23rd consecutive quarter of positive absorption for this market. The average asking market lease rate was $5.57 per square foot, increased from $5.52 per square foot at December 31, 2015. Occupancy in this segment of the portfolio, excluding properties held for redevelopment, was 95.8% at March 31, 2016, increased from 95.5% at December 31, 2015. During the remainder of 2016, 1,127,279 square feet comes up for renewal, which represents 4.3% of the total portfolio GLA; commitments were in place for 45.0% of the expiring space at March 31, 2016.

The Twin Cities Area office segment represents 7.8% of the Q1-16 Property NOI and 5.1% of the overall portfolio by GLA. Overall direct vacancy in this office market, as reported by CBRE, was 15.9% at March 31, 2016, up slightly from 15.5% at December 31, 2015. At March 31, 2016, the Twin Cities Area office segment of Artis' portfolio was 92.6% occupied, increased from 92.2% at December 31, 2015. During the remainder of 2016, 43,763 square feet comes up for renewal, which represents 0.2% of the total portfolio GLA; 18.8% had been renewed or committed to new leases at March 31, 2016. Approximately 65.5% of the Twin Cities Area office GLA expires in 2020 or later.

The Greater Phoenix Area office segment represents 7.7% of the Q1-16 Property NOI and 3.8% of the overall portfolio by GLA. The average asking market lease rate was $22.90 per square foot at March 31, 2016, unchanged from December 31, 2015. Overall direct vacancy in the Greater Phoenix Area office market, as reported by CBRE, remained unchanged at 19.3% at March 31, 2016, compared to December 31, 2015. Occupancy in this segment of the portfolio was 99.6% at March 31, 2016, unchanged from December 31, 2015. There are no leases expiring in Artis' Greater Phoenix Area office portfolio in 2016.

The Winnipeg office segment represents 7.4% of the Q1-16 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 10.5% at March 31, 2016, down from 11.1% at December 31, 2015. At March 31, 2016, the Winnipeg office segment of Artis' portfolio was 88.4% occupied, compared to 88.9% at December 31, 2015. During 2016, 150,221 square feet comes up for renewal, which represents 0.6% of the total portfolio GLA; 40.2% had been renewed or committed to new leases at March 31, 2016. Approximately 53.4% of the Winnipeg office GLA expires in 2020 or later.

CORPORATE EXPENSES

	Three months ended March 31, 2016	2015	Change	% Change
Accounting, legal and consulting	$ 585	$ 370	$ 215	58.1%
Public company costs	572	339	233	68.7%
Unit-based compensation	654	542	112	20.7%
Salaries and benefits	987	920	67	7.3%
Depreciation of property and equipment	213	209	4	1.9%
General and administrative	627	482	145	30.1%
Total corporate expenses	$ 3,638	$ 2,862	$ 776	27.1%

Corporate expenses in Q1-16 were $3,638, or 2.6% of total revenues compared to $2,862, or 2.1% of total revenues in Q1-15.

INTEREST EXPENSE

	Three months ended March 31, 2016	2015	Change	% Change
Mortgages and other loans [(1)]	$ 20,316	$ 22,287	$ (1,971)	
Debentures [(1)]	4,363	4,341	22	
Other [(1)]	1,377	223	1,154	
	26,056	26,851	(795)	(3.0)%
Foreign exchange	2,317	1,416	901	
Total interest expense	$ 28,373	$ 28,267	$ 106	0.4 %

[(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 2015. 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 March 31, 2016, on mortgages and other loans secured by properties was 3.90%, decreased from 3.93% at December 31, 2015. The weighted-average nominal interest rate on mortgages and other loans secured by properties at March 31, 2016, decreased to 3.82% from 3.86% at December 31, 2015.

The REIT's interest coverage ratio, defined as total revenues less property operating expenses, realty taxes and corporate expenses divided by interest expense, is 2.89 times for Q1-16, compared to 2.90 times for Q1-15.

FAIR VALUE LOSS ON INVESTMENT PROPERTIES

The changes in fair value of investment properties, period-over-period, are recognized as fair value gains and losses in the 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 for a selection of properties representing various geographical regions and asset classes across the REIT's portfolio. In Q1-16, the fair value loss on investment properties was $15,121, compared to a loss of $50,252 in Q1-15. 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 Q1-16 was primarily attributable to revised assumptions pertaining to future non-recoverable tenant inducements and capital expenditures.

FOREIGN CURRENCY TRANSLATION GAIN (LOSS)

In Q1-16, 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 gain of $6,154 in Q1-16, compared to a loss of $10,547 in Q1-15. The foreign currency translation gain in Q1-16 is primarily due to the weakening 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 $3,843 in Q1-16, compared to an unrealized loss of $5,629 in Q1-15. The REIT anticipates holding the mortgages and interest rate swap contracts until maturity.

In Q1-16, the REIT entered into a forward contract to purchase US$20,000 and recorded an unrealized loss on the contract of $2,278.

OTHER COMPREHENSIVE (LOSS) INCOME

Other comprehensive (loss) income includes the unrealized foreign currency translation loss in Q1-16 of $60,524 compared to a gain of $70,119 in Q1-15. 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 income (loss).

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:

000's, except per unit amounts	Three months ended March 31, 2016	2015	% Change
Cash flow from operations	$ 56,226	$ 57,527	
Add (deduct):			
Depreciation of property and equipment	(213)	(209)	
Amortization of above- and below-market mortgages, net	550	413	
Straight-line rent adjustment	980	912	
Adjustment for investments in joint ventures	1,108	1,202	
Realized foreign currency translation gain	(1,034)	(667)	
Unrealized foreign currency gain (loss) from U.S. operations	1,080	(972)	
Unit-based compensation expense	(654)	(542)	
Accretion on liability component of debentures	199	172	
Amortization of financing costs included in interest	(770)	(767)	
Other long-term employee benefits	(476)	(395)	
Transaction costs on acquisitions	39	435	
Changes in non-cash operating items	622	(187)	
Incremental leasing costs	547	444	
Preferred unit distributions	(4,596)	(4,568)	
FFO	$ 53,608	$ 52,798	1.5%
Add (deduct):			
Lease termination income	—	(810)	
FFO after adjustments	$ 53,608	$ 51,988	3.1%
FFO per unit:			
Basic	$ 0.39	$ 0.39	—%
Diluted	0.38	0.38	—%
FFO per unit after adjustments:			
Basic	$ 0.39	$ 0.38	2.6%
Diluted	0.38	0.37	2.7%
Weighted-average number of common units outstanding:			
Basic	139,215	136,618	
Diluted [(1)]	149,785	147,192	

(1) 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 Q1-16, FFO after adjustments has increased due to acquisitions and (re)developments completed during 2015 and the impact of foreign exchange.

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 March 31, 2016	2015
Basic units	139,215	136,618
Add:		
Options [(1)]	—	95
Debentures [(1)]	10,200	10,200
Restricted units [(1)]	370	279
Diluted units	149,785	147,192

Diluted FFO Reconciliation

	Three months ended March 31, 2016	2015
FFO	$ 53,608	$ 52,798
Add:		
Options [(1)]	—	—
Debentures [(1)]	2,865	2,699
Restricted units [(1)]	40	97
Diluted FFO	$ 56,513	$ 55,594

(1) All convertible debenture series and restricted units are dilutive in Q1-16. All in-the-money options, convertible debenture series and restricted units are dilutive in Q1-15.

Reconciliation of Net Income (Loss) to FFO

	Three months ended March 31, 2016	2015	% Change
Net income (loss)	$ 38,774	$ (13,097)	
Add (deduct):			
Tenant inducements amortized to revenue	4,074	3,156	
Fair value loss on investment properties	15,121	50,252	
Foreign currency translation (gain) loss	(6,154)	10,547	
Transaction costs on acquisitions	39	435	
Unrealized loss on financial instruments	5,803	5,629	
Incremental leasing costs	547	444	
Preferred unit distributions	(4,596)	(4,568)	
FFO	$ 53,608	$ 52,798	1.5%
Add (deduct):			
Lease termination income	—	(810)	
FFO after adjustments	$ 53,608	$ 51,988	3.1%

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

	Three months ended March 31,		
000's, except per unit amounts	2016	2015	% Change
FFO	$ 53,608	$ 52,798	
Add (deduct):			
Capital expenditures reserve	(1,394)	(1,351)	
Leasing costs reserve	(6,968)	(5,404)	
Straight-line rent adjustments	(1,196)	(948)	
Unit-based compensation	654	542	
AFFO	$ 44,704	$ 45,637	(2.0)%
Deduct:			
Lease termination income	—	(810)	
AFFO after adjustments	$ 44,704	$ 44,827	(0.3)%
AFFO per unit:			
Basic	$ 0.32	$ 0.33	(3.0)%
Diluted	0.32	0.33	(3.0)%
AFFO per unit after adjustments:			
Basic	$ 0.32	$ 0.33	(3.0)%
Diluted	0.32	0.32	— %
Weighted-average number of common units outstanding:			
Basic	139,215	136,618	
Diluted [(1)]	144,774	146,819	

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

In Q1-16, AFFO was impacted by a change in the calculation of Artis' leasing costs reserve, which was partially offset by acquisitions and (re)developments completed during 2015 and the impact of foreign exchange.

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.

	March 31, 2016			December 31, 2015		
	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share
ASSETS						
Non-current assets:						
Investment properties	$ 4,861,601	$ 276,584	$ 5,138,185	$ 5,078,021	$ 246,144	$ 5,324,165
Investment properties under development	29,396	28,994	58,390	26,892	61,465	88,357
Investments in joint ventures	170,218	(170,218)	—	173,066	(173,066)	—
Property and equipment	3,518	—	3,518	3,586	—	3,586
Notes receivable	15,226	—	15,226	15,776	—	15,776
	5,079,959	135,360	5,215,319	5,297,341	134,543	5,431,884
Current assets:						
Investment properties held for sale	238,921	—	238,921	115,504	—	115,504
Deposits on investment properties	3,405	—	3,405	50	—	50
Prepaid expenses and other assets	8,136	468	8,604	7,872	351	8,223
Notes receivable	2,723	—	2,723	2,744	—	2,744
Accounts receivable and other receivables	14,260	653	14,913	11,757	1,069	12,826
Cash held in trust	7,534	—	7,534	8,605	—	8,605
Cash and cash equivalents	88,602	4,554	93,156	66,449	4,995	71,444
	363,581	5,675	369,256	212,981	6,415	219,396
	$ 5,443,540	$ 141,035	$ 5,584,575	$ 5,510,322	$ 140,958	$ 5,651,280
LIABILITIES AND UNITHOLDERS' EQUITY						
Non-current liabilities:						
Mortgages and loans payable	$ 1,635,549	$ 110,578	$ 1,746,127	$ 1,703,553	$ 112,535	$ 1,816,088
Senior unsecured debentures	199,658	—	199,658	199,631	—	199,631
Convertible debentures	201,228	—	201,228	209,140	—	209,140
Other long-term liabilities	3,355	—	3,355	2,910	—	2,910
	2,039,790	110,578	2,150,368	2,115,234	112,535	2,227,769
Current liabilities:						
Mortgages and loans payable	539,027	19,813	558,840	494,766	19,663	514,429
Security deposits and prepaid rent	33,848	1,539	35,387	32,049	1,424	33,473
Accounts payable and other liabilities	81,318	9,105	90,423	75,512	7,336	82,848
Bank indebtedness	239,000	—	239,000	225,000	—	225,000
	893,193	30,457	923,650	827,327	28,423	855,750
	2,932,983	141,035	3,074,018	2,942,561	140,958	3,083,519
Unitholders' equity	2,510,557	—	2,510,557	2,567,761	—	2,567,761
	$ 5,443,540	$ 141,035	$ 5,584,575	$ 5,510,322	$ 140,958	$ 5,651,280

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

ASSETS

		March 31, 2016		December 31, 2015		Change
Non-current assets:						
Investment properties and investment properties under development	$	5,196,575	$	5,412,522	$	(215,947)
Other non-current assets		18,744		19,362		(618)
Current assets:						
Investment properties held for sale		238,921		115,504		123,417
Other current assets		29,645		23,843		5,802
Cash, cash equivalents and cash held in trust		100,690		80,049		20,641
	$	5,584,575	$	5,651,280	$	(66,705)

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, 2015	$	5,324,165	$	88,357	$	115,504	$	5,528,026
Additions:								
Capital expenditures		6,742		16,315		7		23,064
Leasing commissions		4,692		—		—		4,692
Reclassification of investment properties under development		43,511		(43,511)		—		—
Reclassification of investment properties held for sale		(127,765)		—		127,765		—
Foreign currency translation loss		(108,113)		(2,771)		—		(110,884)
Straight-line rent adjustments		1,159		—		37		1,196
Tenant inducement additions, net of amortization		4,726		—		(203)		4,523
Fair value loss		(10,932)		—		(4,189)		(15,121)
Balance, March 31, 2016	$	5,138,185	$	58,390	$	238,921	$	5,435,496

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 Q1-16, non-revenue enhancing capital expenditures primarily relate to HVAC upgrades and replacements. Recoverable capital expenditures are recoverable from tenants in future periods.

		Three months ended March 31, 2016		2015		Change	% Change
Revenue enhancing	$	16,789	$	17,971	$	(1,182)	
Recoverable from tenants		5,482		2,416		3,066	
Non-recoverable		793		627		166	
Total capital expenditures	$	23,064	$	21,014	$	2,050	9.8%

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.

	Three months ended March 31, 2016	2015	Change	% Change
Tenant inducements	$ 8,597	$ 4,129	$ 4,468	108.2%
Leasing commissions	4,692	2,742	1,950	71.1%
Total	$ 13,289	$ 6,871	$ 6,418	93.4%

Investment properties held for sale:

At March 31, 2016, the REIT had one office property, four retail properties and one industrial property with an aggregate fair value of $238,921 classified as held for sale. These properties were listed for sale with an external broker.

Foreign currency translation loss on investment properties:

In Q1-16, the foreign currency translation loss on investment properties was $110,884 due to the change in the period end US dollar to Canadian dollar exchange rate from 1.3840 at December 31, 2015, to 1.2971 at March 31, 2016.

Fair value loss on investment properties:

In Q1-16, the REIT recorded a loss on the fair value of investment properties of $15,121, compared to a loss of $50,252 in Q1-15. The fair value loss for Q1-16 was primarily attributed to revised assumptions pertaining to future non-recoverable tenant inducements and capital expenditures. The fair value loss for Q1-15 was primarily attributed to capitalization rate expansion in the Calgary Class B downtown office market and lowered expected market rents in the Calgary office market driven by oil price volatility.

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.

	March 31, 2016			December 31, 2015		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
Canada	8.75%	5.25%	6.72%	8.75%	5.25%	6.71%
U.S.	8.25%	5.75%	6.50%	8.25%	5.75%	6.52%
Total office	8.75%	5.25%	6.65%	8.75%	5.25%	6.65%
Retail:						
Canada	8.50%	5.25%	6.38%	8.50%	5.50%	6.43%
U.S.	8.75%	6.00%	6.80%	8.75%	6.00%	6.81%
Total retail	8.75%	5.25%	6.41%	8.75%	5.50%	6.45%
Industrial:						
Canada	7.75%	4.50%	6.48%	7.75%	4.50%	6.47%
U.S.	7.75%	6.00%	6.90%	8.00%	6.00%	6.92%
Total industrial	7.75%	4.50%	6.61%	8.00%	4.50%	6.61%
Total:						
Canadian portfolio	8.75%	4.50%	6.55%	8.75%	4.50%	6.56%
U.S. portfolio	8.75%	5.75%	6.65%	8.75%	5.75%	6.67%
Total portfolio	8.75%	4.50%	6.58%	8.75%	4.50%	6.59%

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 March 31, 2016 is $17,949 compared to $18,520 at December 31, 2015.

Cash and Cash Equivalents

At March 31, 2016, the REIT had $93,156 of cash and cash equivalents on hand, compared to $71,444 at December 31, 2015. 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

	March 31, 2016	December 31, 2015	Change
Non-current liabilities:			
Mortgages and loans payable	$ 1,746,127	$ 1,816,088	$ (69,961)
Senior unsecured debentures	199,658	199,631	27
Convertible debentures	201,228	209,140	(7,912)
Other non-current liabilities	3,355	2,910	445
Current liabilities:			
Current portion of mortgages and loans payable	558,840	514,429	44,411
Other current liabilities	125,810	116,321	9,489
Bank indebtedness	239,000	225,000	14,000
	$ 3,074,018	$ 3,083,519	$ (9,501)

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 March 31, 2016 was 41.3%, compared to 41.2% at December 31, 2015.

		March 31, 2016		**December 31, 2015**		**Change**
GBV	$	5,587,335	$	5,653,827	$	(66,492)
Secured mortgages and loans		2,304,967		2,330,517		(25,550)
Secured mortgages and loans to GBV		41.3%		41.2%		0.1%
Preferred shares liability	$	342	$	365	$	(23)
Carrying value of debentures		400,886		408,771		(7,885)
Bank indebtedness		239,000		225,000		14,000
Total long-term debt and bank indebtedness	$	2,945,195	$	2,964,653	$	(19,458)
Total long-term debt and bank indebtedness to GBV		52.7%		52.4%		0.3%

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 2.2 times at March 31, 2016, compared to 2.5 times at December 31, 2015.

		March 31, 2016		**December 31, 2015**		**Change**
Unencumbered assets	$	968,484	$	1,059,792	$	(91,308)
Senior unsecured debentures		199,658		199,631		27
Unsecured credit facilities		239,000		225,000		14,000
Total unsecured debt	$	438,658	$	424,631	$	14,027
Unencumbered assets to unsecured debt		2.2		2.5		(0.3)

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 Q1-16, $15,364 of principal repayments were made compared to $15,386 in Q1-15.

In Q1-16, Artis refinanced four maturing mortgages and obtained new mortgage financing on three previously unencumbered properties, net of financing costs, for a total of $37,350. The weighted-average interest rate on these mortgages was 2.87% and the weighted-average term to maturity was 4.1 years. In Q1-16, Artis drew on development loans in the amount of $3,461.

The weighted-average term to maturity on all mortgages and loans payable at March 31, 2016, was 3.7 years, compared to 3.8 years at December 31, 2015.

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 March 31, 2016, the REIT is a party to $342,022 of unhedged variable rate mortgage debt, compared to $342,758 at December 31, 2015. The unhedged variable rate mortgage debt is 11.6% of total debt including bank indebtedness at March 31, 2016, unchanged from December 31, 2015.

Senior Unsecured Debentures

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

				March 31, 2016		December 31, 2015	
	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%	$ 199,658	$ 200,000	$ 199,631	$ 200,000

Convertible Debentures

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

				March 31, 2016		December 31, 2015	
	Issued	**Maturity**	**Interest rate**	**Carrying value**	**Face value**	**Carrying value**	**Face value**
Series F	22-Apr-10	30-June-20	6.00%	$ 85,377	$ 86,170	$ 85,336	$ 86,170
Series G	21-Apr-11	30-June-18	5.75%	115,851	114,145	123,804	121,792
				$ 201,228	$ 200,315	$ 209,140	$ 207,962

The carrying value of convertible debentures decreased by $7,912 from December 31, 2015. This decrease 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 $13,221, of which $12,558 was subsequently paid on April 15, 2016 and the remainder was paid on May 2, 2016. At March 31, 2016, there was $239,000 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 $57,204 between December 31, 2015 and March 31, 2016. The decrease was primarily due to an unrealized foreign currency translation loss included in other comprehensive income of $60,524 and distributions made to unitholders of $43,202. This decrease was partially offset by net income for the period of $38,774 and the issuance of units for $7,660.

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.

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

	Three months ended March 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Cash flow from operations	$ 56,226	$ 220,601	$ 204,705
Net income (loss)	38,774	(175,699)	197,886
Distributions declared	42,210	167,144	161,330
Excess of cash flow from operations over distributions declared	14,016	53,457	43,375
(Shortfall) excess of net income (loss) over distributions declared	(3,436)	(342,843)	36,556

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 15 consecutive quarters. The shortfall in Q1-16 of $3,436 is primarily due to the non-cash impact of fair value losses on investment properties and financial instruments.

Artis paid $7,747 of the $42,210 distributions declared to unitholders in Q1-16 through the issuance of units under the DRIP.

CAPITAL RESOURCES

At March 31, 2016, Artis had $93,156 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 March 31, 2016, the REIT had $239,000 drawn on the facilities. Subsequent to March 31, 2016, the REIT increased the aggregate amount of its credit facilities to $500,000.

At March 31, 2016, the REIT has 54 unencumbered properties and 7 unencumbered parcels of development land, representing a fair value of $968,484.

Artis is not in default or arrears on any of its obligations, including distributions to unitholders, interest or principal payments on debt or any debt covenants at March 31, 2016.

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	$ 239,000	$ 239,000	$ —	$ —	$ —
Accounts payable and other liabilities	90,423	90,423	—	—	—
Convertible debentures [(1)]	200,315	—	114,145	86,170	—
Senior unsecured debentures [(1)]	200,000	—	200,000	—	—
Mortgages and loans payable	2,304,780	509,054	753,862	555,744	486,120
Total	$ 3,034,518	$ 838,477	$ 1,068,007	$ 641,914	$ 486,120

[(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	$ 373,000	18.5%	$ 42,783	$ 415,783	3.80%
2017	575,578	28.7%	46,629	622,207	4.15%
2018	165,931	8.2%	35,443	201,374	3.62%
2019	151,002	7.5%	33,834	184,836	3.42%
2020	195,566	9.7%	28,248	223,814	3.38%
2021 & later	551,601	27.4%	105,165	656,766	3.75%
Total	$ 2,012,678	100.0%	$ 292,102	$ 2,304,780	3.80%
Weighted-average term to maturity in years					3.7

SUMMARIZED QUARTERLY INFORMATION

$000's, except per unit amounts	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14
Revenue	$ 139,053	$ 142,873	$ 140,254	$ 134,629	$ 134,746	$ 133,879	$ 127,583	$ 121,983
Expenses:								
Property operating	30,437	35,158	32,160	28,336	29,450	33,309	28,457	25,507
Realty taxes	23,320	22,382	21,667	20,633	20,764	19,480	19,268	18,220
	53,757	57,540	53,827	48,969	50,214	52,789	47,725	43,727
Net operating income	85,296	85,333	86,427	85,660	84,532	81,090	79,858	78,256
Other income (expenses):								
Corporate expenses	(3,638)	(3,089)	(2,728)	(2,831)	(2,862)	(2,682)	(2,467)	(2,582)
Interest expense	(28,373)	(28,684)	(28,365)	(28,148)	(28,267)	(27,999)	(27,265)	(27,645)
Interest income	298	288	335	335	363	442	464	521
Fair value (loss) gain on investment properties	(15,121)	(252,058)	(64,343)	(5,252)	(50,252)	14,180	10,363	17,516
Foreign currency translation gain (loss)	6,154	410	(9,913)	3,637	(10,547)	(4,295)	(4,834)	(8,406)
Transaction costs	(39)	(521)	(1,248)	68	(435)	(844)	(162)	(1,396)
(Loss) gain on financial instruments	(5,803)	2,426	(3,612)	3,271	(5,629)	(3,281)	860	(2,792)
Net income (loss)	38,774	(195,895)	(23,447)	56,740	(13,097)	56,611	56,817	53,472
Other comprehensive (loss) income:								
Unrealized foreign currency translation (loss) gain	(60,524)	27,422	65,039	(14,853)	70,119	25,466	32,513	(9,637)
Unrealized gain (loss) from remeasurements of net pension obligation	9	1	—	43	(42)	—	—	—
	(60,515)	27,423	65,039	(14,810)	70,077	25,466	32,513	(9,637)
Total comprehensive (loss) income	$ (21,741)	$ (168,472)	$ 41,592	$ 41,930	$ 56,980	$ 82,077	$ 89,330	$ 43,835
Net income (loss) per unit attributable to common unitholders:								
Basic	$ 0.25	$ (1.45)	$ (0.20)	$ 0.38	$ (0.13)	$ 0.38	$ 0.39	$ 0.37
Diluted	0.24	(1.45)	(0.20)	0.37	(0.13)	0.37	0.38	0.36
Secured mortgages and loans to GBV	41.3%	41.2%	40.2%	39.9%	41.4%	41.9%	41.9%	43.3%

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

Reconciliation of Net Income (Loss) to FFO

000's, except per unit amounts	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14
Net income (loss)	$ 38,774	$ (195,895)	$ (23,447)	$ 56,740	$ (13,097)	$ 56,611	$ 56,817	$ 53,472
Add (deduct):								
Amortization of tenant inducements	4,074	3,694	3,693	3,465	3,156	2,753	2,776	2,571
Fair value loss (gain) on investment properties	15,121	252,058	64,343	5,252	50,252	(14,180)	(10,363)	(17,516)
Foreign currency translation (gain) loss	(6,154)	(410)	9,913	(3,637)	10,547	4,295	4,834	8,406
Transaction costs on acquisitions	39	521	1,248	(68)	435	844	162	1,396
Unrealized loss (gain) on financial instruments	5,803	(2,426)	3,612	(3,271)	5,629	3,281	(860)	2,792
Incremental leasing costs	547	579	442	544	444	472	246	275
Preferred unit distributions	(4,596)	(4,682)	(4,638)	(4,547)	(4,568)	(4,461)	(4,423)	(4,370)
FFO	$ 53,608	$ 53,439	$ 55,166	$ 54,478	$ 52,798	$ 49,615	$ 49,189	$ 47,026
Add (deduct):								
Lease termination income	—	(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	$ 53,608	$ 53,266	$ 53,360	$ 51,950	$ 51,988	$ 49,542	$ 49,168	$ 46,944
FFO per unit:								
Basic	$ 0.39	$ 0.39	$ 0.40	$ 0.40	$ 0.39	$ 0.36	$ 0.36	$ 0.36
Diluted	0.38	0.38	0.39	0.39	0.38	0.36	0.35	0.35
FFO per unit after adjustments:								
Basic	$ 0.39	$ 0.38	$ 0.39	$ 0.38	$ 0.38	$ 0.36	$ 0.36	$ 0.36
Diluted	0.38	0.38	0.38	0.37	0.37	0.36	0.35	0.35
Weighted-average number of common units outstanding:								
Basic	139,215	138,566	137,919	137,275	136,618	136,055	135,563	131,098
Diluted [(2)]	149,785	148,089	148,455	147,799	147,192	146,600	146,245	141,773

(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, disposition and (re)development 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	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14
FFO after adjustments	$ 53,608	$ 53,266	$ 53,360	$ 51,950	$ 51,988	$ 49,542	$ 49,168	$ 46,944
Add (deduct):								
Capital expenditures reserve	(1,394)	(1,432)	(1,406)	(1,350)	(1,351)	(1,344)	(1,280)	(1,225)
Leasing costs reserve	(6,968)	(5,727)	(5,623)	(5,399)	(5,404)	(5,373)	(5,121)	(4,901)
Straight-line rent adjustments	(1,196)	(1,227)	(1,231)	(905)	(948)	(1,232)	(1,062)	(1,165)
Unit-based compensation	654	618	302	298	542	378	403	386
AFFO after adjustments	$ 44,704	$ 45,498	$ 45,402	$ 44,594	$ 44,827	$ 41,971	$ 42,108	$ 40,039
AFFO per unit after adjustments:								
Basic	$ 0.32	$ 0.33	$ 0.33	$ 0.32	$ 0.33	$ 0.31	$ 0.31	$ 0.31
Diluted	0.32	0.33	0.33	0.32	0.32	0.31	0.31	0.30
Weighted-average number of common units outstanding:								
Basic	139,215	138,566	137,919	137,275	136,618	136,055	135,563	131,098
Diluted [(1)]	144,774	148,766	148,119	147,475	146,819	146,255	145,848	141,383

[(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, disposition and (re)development activity, foreign exchange and changes to the leasing costs reserve during the period.

RELATED PARTY TRANSACTIONS

	Three months ended March 31, 2016	2015
Property management fees	$ 82	$ 82
Capitalized leasing commissions fees	9	21
Capitalized project management fees	37	—
Capitalized building improvements	3,676	2,765
Capitalized development projects	471	2,245
Capitalized tenant inducements	318	40
Capitalized office furniture and fixtures	79	154
Realty tax assessment consulting fees	490	355
Rental revenues	(72)	(42)

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 March 31, 2016, is $29 (December 31, 2015, $44).

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 March 31, 2016, is $3,184 (December 31, 2015, $1,724).

The REIT incurred costs for office furniture and fixtures paid to Marwest Construction. The amount payable at March 31, 2016, is $nil (December 31, 2015, $nil).

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 March 31, 2016, is $nil (December 31, 2015, $194).

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 May 5, 2016 is as follows:

Units outstanding at March 31, 2016	139,532,707
Units issued (DRIP)	206,964
Units outstanding at May 5, 2016	139,739,671

The balance of options outstanding as of May 5, 2016 is as follows:

	Options outstanding	Options exercisable
$14.10 options, expiring June 17, 2016	780,750	780,750
$16.36 options, expiring April 13, 2017	1,484,500	1,484,500
	2,265,250	2,265,250

The balance of restricted units outstanding as of May 5, 2016 is 371,673. None of these restricted units have vested.

The balance of deferred units outstanding as of May 5, 2016 is 27,182. All of these deferred units have vested, but are not yet redeemable.

As of May 5, 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

In accordance with our primary objective, we will continue 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 March 2, 2016, predicts that real GDP in Canada will grow by 1.3% in 2016. GDP in British Columbia, Manitoba and Ontario is forecast to grow by 2.3%, 2.2% and 2.3%, respectively, which are all well above the 2016 national forecast. Scotiabank is forecasting that GDP in Saskatchewan and Alberta in 2016 will contract by 0.3% and 1.9%, respectively, due to the impact of oil prices. These projections were revised to reflect the impact of lower oil prices; however, Scotiabank is predicting that this impact will be mitigated with the introduction of significant federal fiscal stimulus from mid-2016 to mid-2017.

Looking ahead, we will continue to closely monitor our assets located in markets that are affected by low oil prices. According to the Q1 2016 Canadian Cap Rates & Investment Insights report by CBRE, capitalization rates for Calgary office properties have expanded quarter-over-quarter; the sector, particularly downtown properties, continues to be most affected by the downturn in commodity prices. The report also shows some capitalization rate expansion for certain classes of Calgary retail properties, and certain classes of Edmonton office and industrial properties. Looking ahead as it relates to our assets, we expect that if the downturn in the commodity cycle continues, there may be some further capitalization rate expansion in related markets, which will likely affect some of our properties. Until there is positive visibility on commodity prices and relevant economic fundamentals, we anticipate occupancy and rents in Alberta will be impacted, and are monitoring these markets closely.

With respect to capitalization rates in the remainder of our target markets, we do not anticipate any significant changes; however, given the amount of capital seeking to invest in commercial real estate, the bias toward capitalization rate compression should continue. We will continue to selectively pursue accretive acquisition opportunities in our 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 will grow at a rate of 2.2% in 2016. We continue to monitor key economic indicators in our target U.S. markets, including year-over-year unemployment rates which have shown a trend of healthy decline in all of our U.S. target markets (according to the United States Department of Labor), and decreased nationally from 5.6% to 5.1% 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, we anticipate that there is further growth potential to be realized in 2016 and beyond.

We continue to maintain our Investment Grade Credit Rating, BBB(low) with a Stable trend, from DBRS Limited. Additionally, DBRS Limited has assigned a rating of Pfd-3(low) with a Stable trend to Artis' preferred units. We anticipate that with this Investment Grade Credit Rating, the debt and equity markets will continue to be receptive to new financing during 2016. We further predict 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. We expect to maintain between 5% and 15% unhedged floating rate debt as a percentage of total debt.

Overall, despite the decline in commodity prices and its impact on certain markets, we anticipate that overall real estate fundamentals in Canada and the U.S. will remain stable in 2016 and that our properties will perform in line with the moderate growth expectations of our target markets. We will continue to focus on organic growth and value creation opportunities by extracting maximum value from our portfolio, selective redevelopment and repositioning of well-located assets in primary markets through property improvement projects, expansion of existing portfolio properties, and capitalizing on new construction opportunities.

SUBSEQUENT EVENTS

As at March 31, 2016, Artis had $93,156 of cash and cash equivalents on hand and $61,000 available on its revolving term credit facilities. Subsequent to March 31, 2016, the following transactions took place:

- The REIT increased the aggregate amount of its revolving term credit facilities to $500,000. The maturity date of the additional $200,000 is April 29, 2021.
- The REIT disposed of Tamarack Centre, a retail property located in Cranbrook, British Columbia. The property was sold for $41,500.
- The REIT disposed of its 85% interest in Whistler Hilton, a retail property located in Whistler, British Columbia. The REIT sold its interest for $28,730 and used part of the proceeds to repay the outstanding mortgage balance of $15,666.
- The REIT entered into forward contracts to sell $65,348 for US$50,000.
- The REIT repaid three maturing mortgages in the aggregate amount of $29,134.
- The REIT repaid $28,500 on its revolving term credit facility.
- The REIT declared a monthly cash distribution of $0.09 per unit for the month of April 2016.
- The REIT declared a quarterly cash distribution of $0.3125 per Series G Unit for the quarter ending April 30, 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. At March 31, 2016, 69.8% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 15.3% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At March 31, 2016, the REIT is a party to $934,501 of variable rate debt, including bank indebtedness (December 31, 2015, $935,647). At March 31, 2016, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $353,479 of variable rate debt (December 31, 2015, $367,889). 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 41.3%, compared to 41.2% at December 31, 2015. The REIT's ratio of total long-term debt and bank indebtedness to GBV was 52.7%, compared to 52.4% at December 31, 2015. Approximately 18.5% of Artis' maturing mortgage debt comes up for renewal in 2016, and 28.7% in 2017. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2016 mortgage maturities.

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 2,222 tenant leases with a weighted-average term to maturity of 4.3 years. Approximately 57.7% 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 20 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%	321	1.3%	6.9
Graham Group Ltd.	1.5%	243	0.9%	18.3
DirecTV, LLC	1.4%	257	1.0%	9.3
Stantec Consulting Ltd.	1.2%	132	0.5%	7.4
Shoppers Drug Mart	1.1%	164	0.6%	7.1
TransAlta Corporation	1.0%	336	1.3%	7.2
Telvent Canada Ltd.	1.0%	98	0.4%	7.4
Bellatrix Exploration Ltd.	1.0%	94	0.4%	7.8
TD Canada Trust	0.9%	134	0.5%	4.3
CB Richard Ellis, Inc.	0.9%	119	0.5%	9.8
IHS Global Canada Limited	0.9%	78	0.3%	2.8
Home Depot	0.8%	163	0.6%	6.3
Canada Institute for Health Info.	0.8%	92	0.4%	9.4
Sobeys	0.8%	198	0.8%	3.9
Fairview Health Services	0.7%	179	0.7%	7.4
Birchcliff Energy	0.7%	59	0.2%	1.7
3M Canada Company	0.7%	319	1.2%	4.0
Cara Operations Limited	0.7%	100	0.4%	12.8
Bell Canada	0.7%	80	0.3%	0.4
Co-operators General Insurance	0.6%	95	0.4%	6.6
Total	19.3%	3,261	12.7%	7.5

(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	3.2%	494	1.9%	8.2
Provincial Government	2.9%	461	1.8%	3.6
Civic or Municipal Government	0.5%	131	0.5%	11.3
Total	6.6%	1,086	4.2%	6.6
Weighted-average term to maturity (entire portfolio)				4.3

(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.

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	3.5%	0.4%	1.8%	0.3%	2.8%	*1.1%*	4.5%	0.2%	13.5%
2017	2.3%	0.8%	2.0%	1.3%	2.5%	*1.1%*	3.4%	1.2%	13.5%
2018	2.8%	0.5%	2.4%	0.7%	0.8%	*1.1%*	2.0%	0.7%	9.9%
2019	2.9%	1.0%	0.7%	0.3%	1.6%	*0.8%*	2.3%	1.0%	9.8%
2020	2.1%	0.4%	1.7%	0.2%	2.6%	*0.2%*	2.7%	0.7%	10.4%
2021	1.9%	—%	1.6%	0.3%	0.3%	*0.9%*	2.5%	0.7%	7.3%
2022 & later	7.3%	2.8%	3.3%	2.3%	3.0%	*2.7%*	5.3%	2.5%	26.5%
Month-to-month	0.2%	—%	0.1%	0.1%	0.1%	*0.1%*	0.1%	—%	0.6%
Vacant	2.4%	0.3%	1.3%	0.1%	1.1%	*1.7%*	1.2%	0.1%	6.5%
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, Twin Cities Area office, Greater Phoenix 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 three months ended March 31, 2016 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

The policies that the REIT's management believes are the most subject to estimation and judgment are set out in the REIT's Management Discussion and Analysis for the year ended December 31, 2015.

CHANGES IN ACCOUNTING POLICIES

New or Revised Accounting Standards Adopted During the Period

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

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

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

Future Changes in Accounting Policies

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.

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.

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 design of the REIT's internal controls over financial reporting (as defined in NI 52-109). Based on this evaluation, the CEO and CFO have concluded that, as at March 31, 2016, 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 March 31, 2016, 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 design 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 three months ended March 31, 2016.