



## Artis Real Estate Investment Trust

Debt Investor  
Presentation  
Q2 – 2016

PROPERTIES OF  
SUCCESS



## FORWARD-LOOKING STATEMENTS

This presentation may contain 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. Without limiting the foregoing, the words “expects”, “anticipates”, “intends”, “estimates”, “projects”, and similar expressions are intended to identify forward-looking statements. All forward-looking statements in this presentation are made as of June 30, 2016.

Although the forward-looking statements contained or incorporated by reference herein are based upon what management believes to be reasonable assumptions, Artis cannot assure investors that actual results will be consistent with these 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. 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 presentation are qualified by this cautionary statement.

Additional information about Artis, including risks and uncertainties that could cause actual results to differ from those implied or inferred from any forward-looking statements in this presentation, are contained in our various securities filings, including our current Annual Information Form, our interim filings dated June 30, 2016 and 2015, our 2015 annual earnings press release dated February 29, 2016, and our audited annual consolidated financial statements for the years ended December 31, 2015, and 2014 which are available on SEDAR at [www.sedar.com](http://www.sedar.com) or on our company website at [www.artisreit.com](http://www.artisreit.com).



# OUR STRATEGY AND BUSINESS MODEL

## 1. GEOGRAPHIC DIVERSIFICATION

- Canada and select U.S. markets

## 2. PRODUCT DIVERSIFICATION

Commercial real estate only

- Office
- Retail
- Industrial

## 3. INTERNAL GROWTH

- Results driven active asset management and new developments
- Increasing same property NOI growth
- Accretive recycling of capital
- Accretive refinancing of existing debt



## PORTFOLIO OVERVIEW



**JUNE 30, 2016**

263 properties  
27.1 million square feet of GLA  
77 office, 62 retail, 124 industrial  
BC, AB, SK, MB, ON, and select  
U.S. markets



**DECEMBER 31, 2015**

252 properties  
26.2 million square feet of GLA  
63 office, 64 retail, 125 industrial  
BC, AB, SK, MB, ON, and select  
U.S. markets



**DECEMBER 31, 2014**

246 properties  
25.8 million square feet of GLA  
64 office, 66 retail, 116 industrial  
BC, AB, SK, MB, ON, and select  
U.S. markets



**DECEMBER 31, 2013**

232 properties  
24.8 million square feet of GLA  
59 office, 61 retail, 112 industrial  
BC, AB, SK, MB, ON, and select  
U.S. markets



**DECEMBER 31, 2012**

220 properties  
23.4 million square feet of GLA  
49 office, 59 retail, 112 industrial  
BC, AB, SK, MB, ON, and select U.S. markets

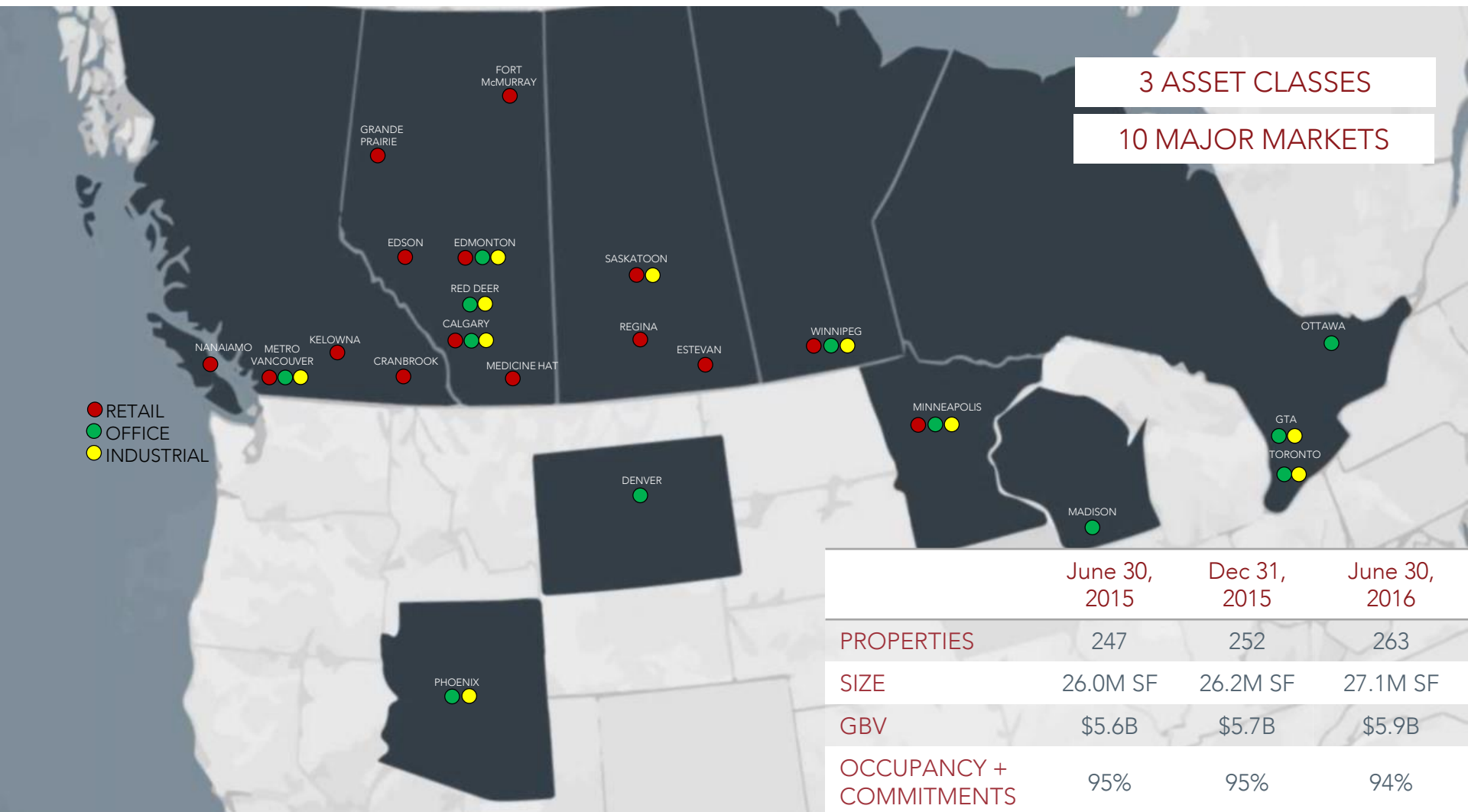


**NOVEMBER 8, 2004  
INCEPTION**

First property acquired  
Sunridge Home Outfitters



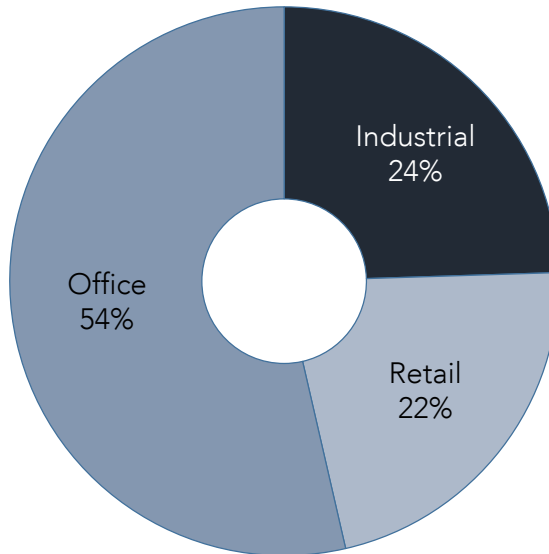
# PORTFOLIO OVERVIEW



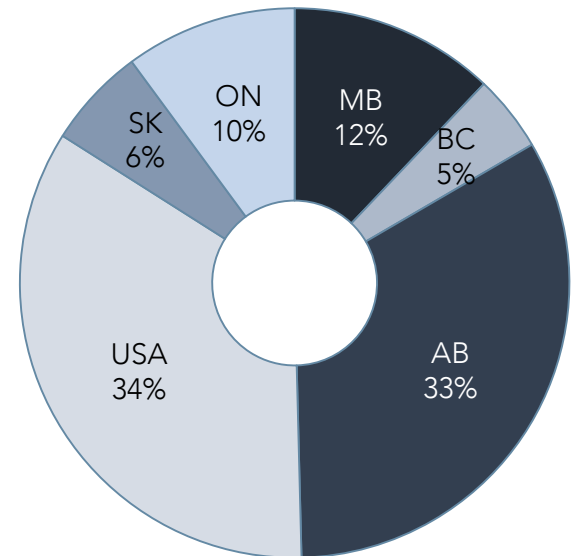
Information on this slide is inclusive of Artis' proportionate share of its joint venture arrangements. Occupancy plus commitments excludes properties held for redevelopment

## PORTFOLIO DIVERSIFICATION

NOI By Asset Class:



NOI By Geographical Region:



8333 Greenway, Madison WI








## SELECT OFFICE ASSETS

Property	360 Main Street	Two Marketpointe	MAX at Kierland	Stampede Station	GSA Professional Office Building
LEED/BOMA Status	LEED Gold	LEED Gold	LEED Gold	LEED Silver	LEED Gold
Location	Winnipeg, Manitoba	Minneapolis, Minnesota	Scottsdale, Arizona	Calgary, Alberta	Phoenix, Arizona
GLA	600,499 square feet	241,443 square feet	258,732 square feet	162,502 square feet	210,202 square feet
Year Built/ Renovated	1979	2008	2008	2009	2012
Major Tenants	Federal Government, Canadian National Railway Company, Deloitte Management Services, Aikins Law	CB Richard Ellis, Inc., Rasmussen, Inc	Universal Technical Institute, Inc., APL Limited, UMB Bank Arizona	IHS Energy Canada, ATB Financial	Government Services Agency



## SELECT RETAIL AND INDUSTRIAL ASSETS

Property	Westbank Hub Centre North	Westbank Hub Shopping Centre	Southview Centre	Fourell Business Park	3M Distribution Facility
					
Location	West Kelowna, British Columbia	West Kelowna, British Columbia	Medicine Hat, Alberta	Edmonton, Alberta	Milton, Ontario
GLA	192,617 square feet <sup>(1)</sup>	134,317 square feet <sup>(1)</sup>	162,062 square feet	499,721 square feet	318,805 square feet
Year Built/ Renovated	2008	2006	2000	2008/2012/2014	2009
Major Tenants	CIBC, Walmart, London Drugs, HSBC	Home Depot, Canadian Tire, Sleep Country Canada	The Brick, London Drugs, JYSK, Michaels, Reitmans, Giant Tiger, Tim Hortons, TD Bank	Kuehne + Nagel Ltd., Bunzl Canada	3M Canada

<sup>(1)</sup> Artis owns a 75% share of the leasehold interest in this property. This square footage represents Artis' owned share of the GLA



## TENANT DIVERSIFICATION

### Top Ten Tenants

**MTS** **GRAHAM**



**Stantec**



**WorleyParsons**

**TransAlta**

**TELVENT**

**bellatrix**  
EXPLORATION LTD



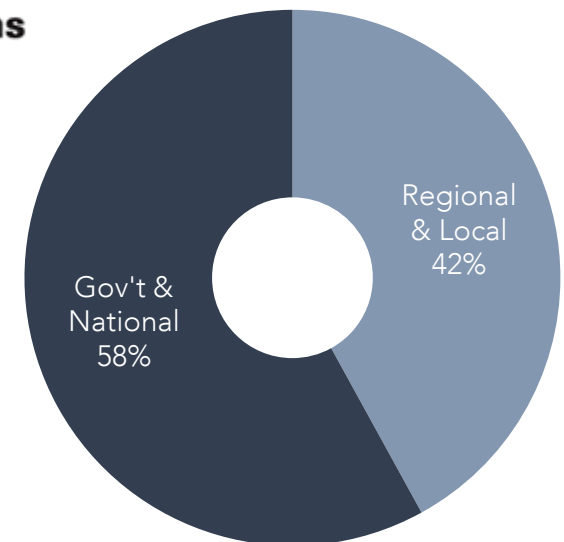
**Canada Trust**

**SHOPPERS**  
DRUG MART



Artis' top 10 and  
top 20 tenants account  
for 11.6% and 19.3% of gross  
revenue, respectively

58% of Artis' tenants  
are government  
or national

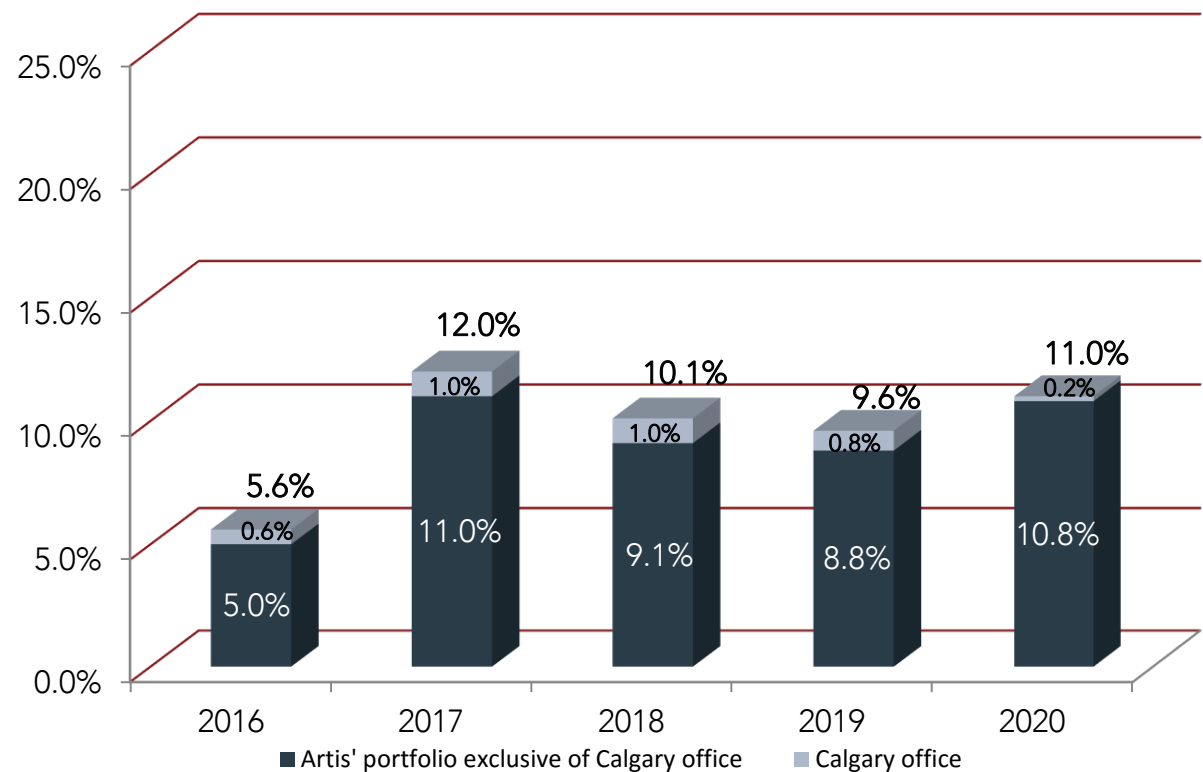




Hudson's Bay Centre, Denver CO

## LEASE EXPIRATION SCHEDULE

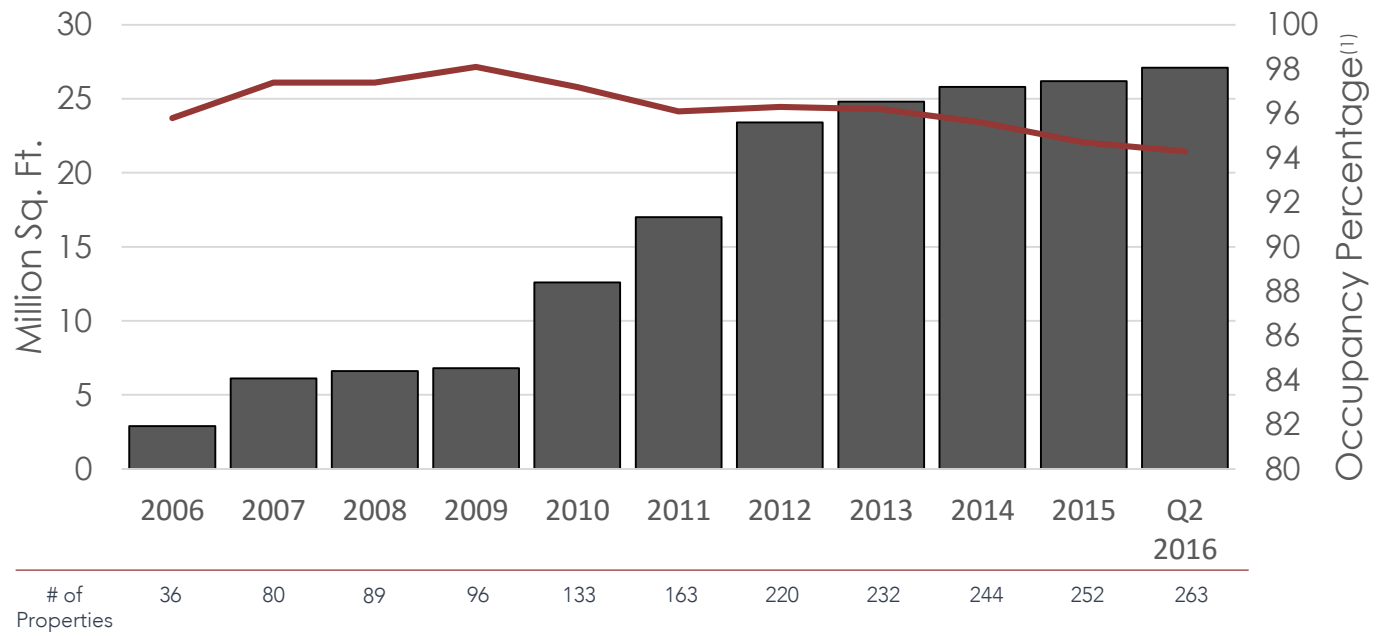
- 47.9% of 2016 expiries have been renewed or committed to new tenants
- Weighted-average rental increase on renewals in YTD-2016 was 4.4%
- YTD-2016 Same Property NOI growth was 0.2% over the same period in 2015



The chart above reflects the percentage of Artis' total GLA expiring in the year indicated, exclusive of GLA that has been renewed or committed to new tenants at June 30, 2016

## PORTFOLIO OCCUPANCY

- Artis closely monitors occupancy across the portfolio. Total portfolio occupancy (including commitments) has remained strong, approximately 95% since 2006
- Occupancy has been impacted by acquisitions during the period, as well as from leasing activity



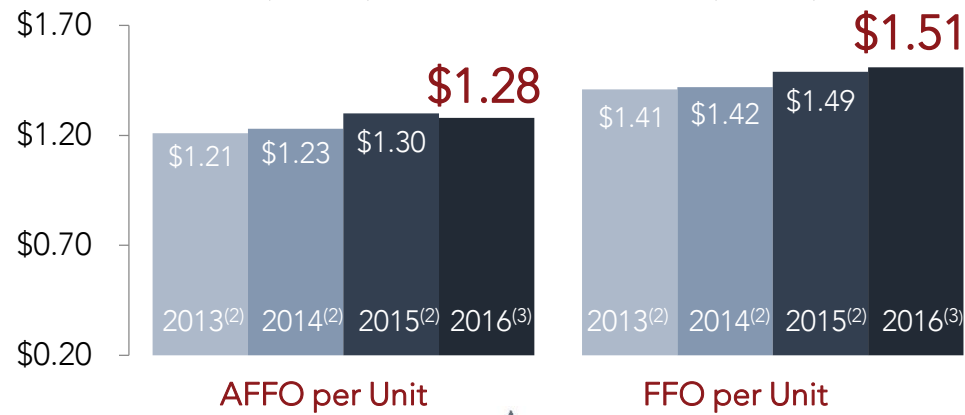
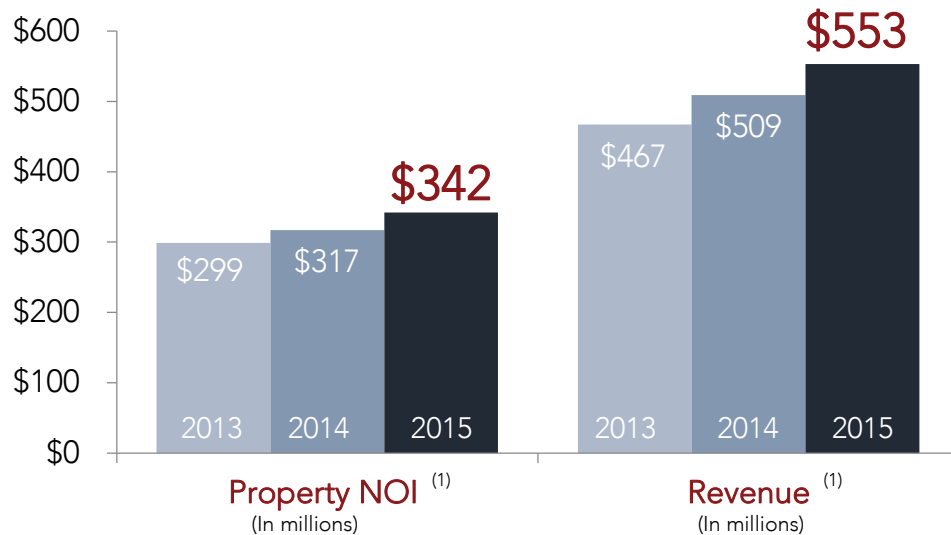




800 5th Ave, Calgary AB

## ARTIS REAL ESTATE INVESTMENT TRUST

# SELECT FINANCIAL INFORMATION



(1) Inclusive of Artis' proportionate share of its joint venture arrangements

(2) Excluding lease termination and non-recurring other income

(3) 2016 numbers are consensus analyst projections from

most recent research reports. Artis does not endorse analyst projections. The above information represents the views of the particular analyst and not necessarily those of Artis. An investor should review the entire report of the analyst prior to making any investment decisions.



## MARKET AND ANALYST INFORMATION

Information as of August 2016:

Unit price: \$13.25

Distribution per unit: \$1.08

Yield: 8.2%

Market cap: \$2.0B

### Analyst Consensus Information <sup>(1)</sup>

	Consensus	2016		2017	
		AFFO	FFO	AFFO	FFO
Target price: \$14.25					
Net Asset Value: \$14.81	Per Unit	\$1.28	\$1.51	\$1.30	\$1.53
Implied cap rate: 7.0%	Pay-Out Ratio	84.4%	71.8%	83.1%	70.5%
	Unit Price Multiple	10.4x	8.8x	10.2x	8.7x
	Yield	9.7%	11.4%	9.8%	11.5%



(1) Consensus analyst projections from most recent research reports. Artis does not endorse analyst projections. The above information represents the views of the particular analyst and not necessarily those of Artis. An investor should review the entire report of the analyst prior to making any investment decisions.

## CAPITAL STRUCTURE

### Mortgages and Unsecured Credit Facilities<sup>(1)</sup>

Mortgages payable = \$2,391.5M

Amount drawn on credit facilities = \$300.0M

out of a total \$500.0M credit facilities

### Convertible Debentures<sup>(1)</sup>

Series F<sup>(2)</sup> - due June 2020 = \$86.2M

- 6.00% coupon (conversion = \$15.50)

Series G<sup>(2)</sup> - due June 2018 = \$114.5M (US\$88.0M)

- 5.75% coupon (conversion = US\$18.96)

### Senior Unsecured Debentures<sup>(1)</sup>

Series A<sup>(3)</sup> - due March 2019 = \$200.0M

- 3.753% coupon

### Equity Capitalization<sup>(1)</sup>

Trust Units – 148,873,156 = \$2,009.8M

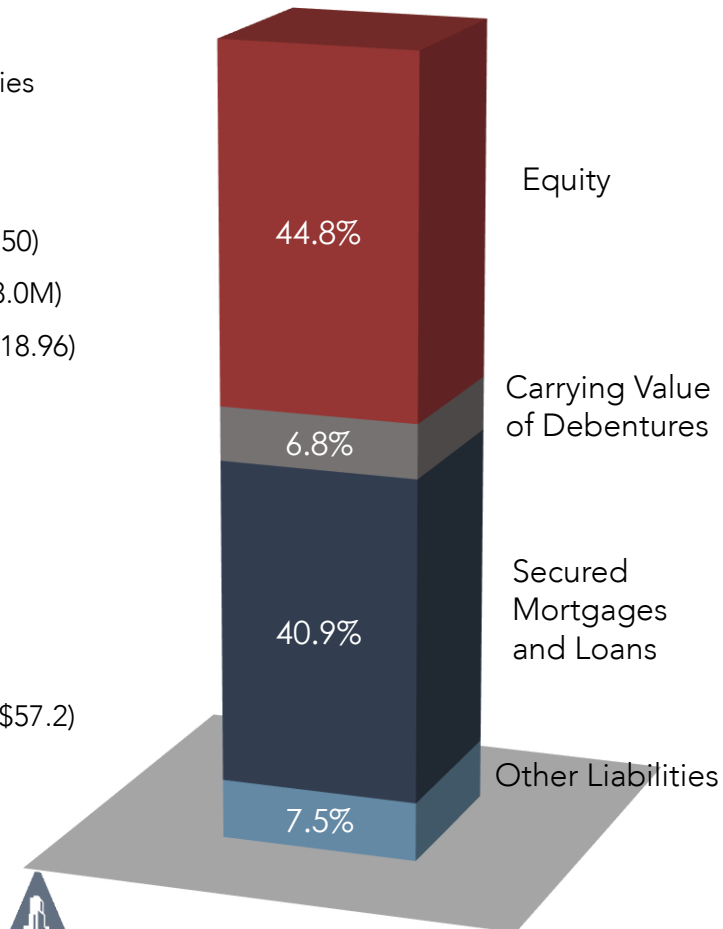
Series A preferred units - 3,450,000 = \$61.1M

Series C preferred units - 3,000,000 = \$74.3M (US\$57.2)

Series E preferred units - 4,000,000 = \$59.2M

Series G preferred units - 3,200,000 = \$49.3M

Gross Book Value = \$5.9B<sup>(1)</sup>



(1) At June 30, 2016, inclusive of Artis' proportionate share of joint ventures

(2) Redeemable for cash or units

(3) Redeemable for cash only



## LEVERAGE PROFILE

Healthy Balance Sheet and Liquidity

Fiscal quarter ending:	June 30, 2015	December 31, 2015	June 30, 2016
Debt: GBV	49.0%	52.4%	52.9%
Secured mortgages and loans: GBV	39.9%	41.2%	40.9%
Unencumbered assets	\$985 million	\$1,060 million	\$1,035 million
EBITDA interest coverage	3.10	2.98	3.04
Net Debt: EBITDA <sup>(1)</sup>	7.79	8.49	8.57

Cash and cash equivalents at June 30, 2016: \$155 million

Availability on unsecured credit facilities: \$200 million



Centrepoint, Winnipeg MB



(1) Debt at most recent quarter divided by income on an annualized basis

Information on this slide is inclusive of Artis' proportionate share of its joint venture arrangements

## DBRS INVESTMENT GRADE RATING

DBRS highlighted Artis' strengths as being a reasonably scaled REIT with a mid-size portfolio that continues to improve in quality with new property additions; as well as having a well-diversified portfolio by asset type and geography; a diverse tenant roster including a number of government and other investment-grade tenants; and an improving financial profile and credit metrics

Artis has an investment-grade credit rating from DBRS



## RECENTLY COMPLETED DEVELOPMENT PROJECTS





# CURRENT AND FUTURE DEVELOPMENT PROJECTS



801 Carlson, Minneapolis, MN



Park 8Ninety, Houston, TX



Park Lucero, Phoenix, AZ



360 Main Street, Winnipeg MB

## DRIVERS OF GROWTH

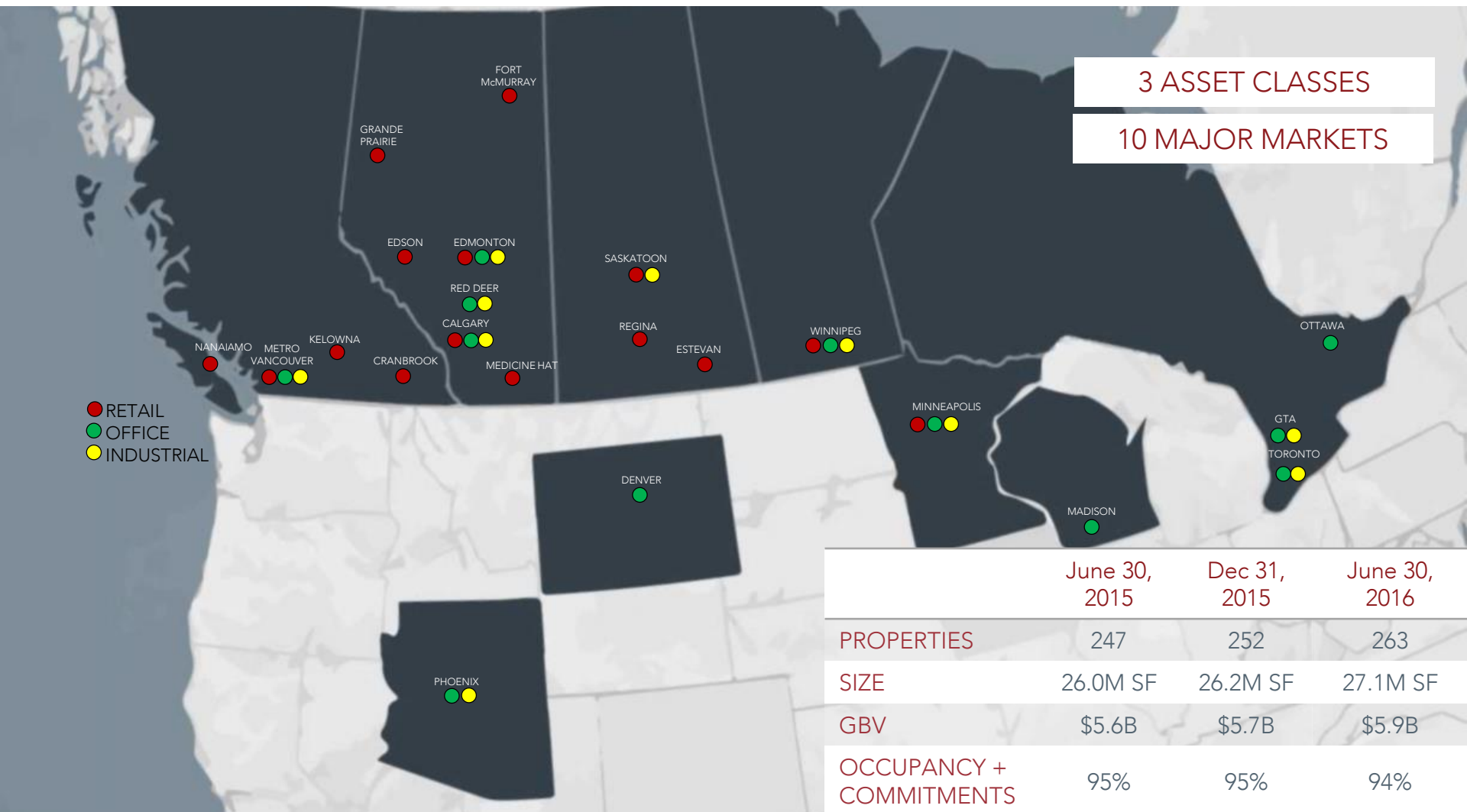
Artis' portfolio is well diversified in strong markets with healthy economic growth and real estate fundamentals. Artis' key drivers of growth include maintaining high occupancy levels, realizing the gap between in-place and market rents, achieving healthy same property NOI growth (SPNOIG) and accretive recycling of capital.

### Growth Strategy for 2016

- **Maintain high occupancy levels and bring in-place rents up to market rent levels**
  - Artis has a long-standing track record of maintaining occupancy levels in the range of 94 to 96%
  - Achieving the ~3% expected rent growth in the US will provide a strong base of NOI improvement
  - Long standing track record of being in the top percentile for Canadian REITs for SPNOIG
- **Accretive recycling of capital**
  - Disposition of \$400-600 million of non-core properties at cap rates below implied unit cap rate
  - Recycling funds into newer, higher yielding acquisitions or developments
- **Accretive renewal of mortgage and debenture debt at lower rates**
  - \$442 million of debt coming available in 2016 with a good opportunity to realize cost savings by achieving lower rates

	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16
Weighted Average Rental Increase on Renewals	12.0%	3.0%	-0.1%	5.9%	1.6%
Same Property NOI Growth	3.5%	5.5%	4.0%	0.7%	-0.3%

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