



ARTIS
REIT



2016

ANNUAL REPORT

Properties Of Success



Production Court, Burnaby, BC



Artis is one of the largest diversified commercial real estate investment trusts in Canada. Since 2004, Artis has executed an aggressive but disciplined growth strategy, building a portfolio of office, retail and industrial properties in Canada and select markets in the United States (U.S.).

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 commercial real estate portfolio. Artis meets this objective through strategic asset ownership, a disciplined growth strategy and prudent financial management.

DISCLAIMER:

All figures are in Canadian dollars and are presented on a proportionate share basis unless otherwise noted. The information in this Annual Report should be read in conjunction with the REIT's audited annual consolidated financial statements and management's discussion and analysis for the years ended December 31, 2016, and 2015. These documents are available on SEDAR at www.sedar.com or on Artis' website at www.artisreit.com.

Financial Highlights

(In thousands, except per unit amounts)

YEAR ENDED DECEMBER 31	2016	2015
Revenue	\$572,515	\$552,502
Property Net Operating Income (Property NOI)	348,714	341,952
Funds from Operations (FFO)	219,492	210,564
FFO per Unit	1.50	1.49
FFO Payout Ratio	72.0%	72.5%
Distributions per Unit	\$1.08	\$1.08
Gross Book Value (GBV)	5,668,337	5,653,827
Secured Mortgages and Loans to GBV	40.6%	41.2%
Total Long-Term Debt and Bank Indebtedness to GBV	51.0%	52.4%

FFO, FFO per Unit and FFO Payout Ratio shown in the Financial Highlights and Growth Highlights are exclusive of lease termination income and non-recurring other income. Financial Highlights and Growth Highlights are inclusive of Artis' proportionate share of joint venture arrangements with the exception of Distributions per Unit.

ANNUAL GENERAL MEETING

Thursday, June 15, 2017 at 11:00 a.m. C.T.
Delmore Crewson Conference Centre,
360 Main Street, Winnipeg, Manitoba

Investor Highlights

CANADIAN COMMERCIAL REIT WITH 250 PROPERTIES TOTALING 25.7 MILLION SQUARE FEET OF LEASABLE AREA

DIVERSIFIED BY ASSET CLASS INCLUDING OFFICE, RETAIL AND INDUSTRIAL PROPERTIES, AND GEOGRAPHICALLY IN SELECT CANADIAN AND U.S. MARKETS

TRUST UNITS EARN A STABLE, RELIABLE, MONTHLY DISTRIBUTION OF \$1.08 PER UNIT PER ANNUM

PREFERRED UNITS EARN A STABLE QUARTERLY DISTRIBUTION



BBB (LOW) & PFD-3 (LOW) INVESTMENT GRADE CREDIT RATING FROM DBRS

Growth Highlights

(In millions)

Funds from Operations

\$219.5

Property NOI

\$348.7

Revenue

\$572.5

Total Assets

\$5664.9



2014	2015	2016
\$193.3	\$210.6	\$219.5

Funds from Operations

2014	2015	2016
\$317.4	\$342.0	\$348.7

Property NOI

2014	2015	2016
\$508.6	\$552.5	\$572.5

Revenue

2014	2015	2016
\$5546.0	\$5651.3	\$5664.9

Total Assets

Message from the President & Chief Executive Officer

Fellow Unitholders:

2016 has been another year of unique challenges for the REIT sector. The impact of global economic instability, political uncertainty and commodity price volatility continued to test the sector and reiterate the importance of a solid and effective diversification strategy. Accordingly, our strategy in 2016 has been conservative, yet deliberate and impactful. Our primary areas of focus for the year were: maintaining a high level of income, improving our balance sheet and key financial metrics, effectively managing our assets with a specific focus on leasing and tenant retention, and improving the overall quality of our portfolio through capital recycling initiatives, redevelopment and new development projects. Successful execution of these goals requires the expertise, patience and diligence of an experienced Board of Trustees and management team. We are pleased to demonstrate to our Unitholders our ability to adapt to the demands of our environment. Our 2016 annual results are reflective of this and our many achievements throughout the year.

The improvements we made to our balance sheet were the cumulative result of many key decisions throughout the year. To highlight a few significant events, we completed the early redemption of the Series F convertible debentures, completed (subsequent to the end of the year) the early redemption our Series G convertible debentures, completed numerous asset sales using the proceeds to pay down debt, and increased our unsecured revolving term credit facilities to \$500 million. This resulted in a significant decrease in higher interest rate debt while providing us with access to a flexible source of capital at a low interest rate.

Also during 2016, we continued to demonstrate our ability to effectively recycle capital, acquiring a portfolio of office properties in Madison, Wisconsin, while disposing of 18 non-core assets in both Canada and the U.S. This portfolio acquisition provided us with a unique opportunity to acquire 16 Class A state-of-the-art office properties with a property management platform already in place, while further improving our diversification and providing an entry point to a thriving secondary market with a stable economy and strong office market - a natural fit for Artis' portfolio. The exceptional calibre of this real estate combined with the strategic disposition of non-core assets (collectively at prices in excess of the fair values recorded at the time of disposition) has improved the overall quality and resiliency of our portfolio. Additionally, we are continuously improving our portfolio through strategic redevelopment and new development projects. We have six new development projects underway and an impressive pipeline of projects at various stages of planning for future development which will add brand new real estate to our portfolio while enhancing our future growth potential.

Our solid operating income and impressive results, despite the difficult economic climate, continue to demonstrate the advantage of being a diversified REIT. With the experience and dedication of our management team, a portfolio that is aligned with our strategy, and a strong balance sheet, we look forward to delivering another year of continuous improvement in 2017.



Armin Martens

Armin Martens, P.Eng., MBA
President & C.E.O.

Real Estate Performance

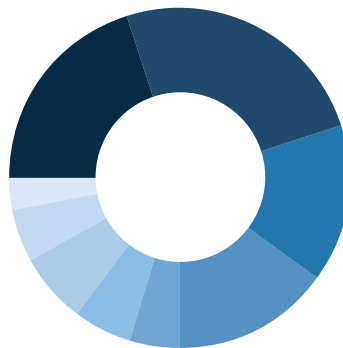
Artis concluded 2016 with a diversified portfolio of 250 properties, totaling 25.7 million square feet of gross leasable area. Artis' portfolio is strategically located in two countries, across five Canadian provinces and six U.S. states. Canadian assets represent 60.6% of the portfolio by gross leasable area, while U.S. assets represent 39.4% of the portfolio by gross leasable area.

Artis' office portfolio represents its largest asset class by gross leasable area, followed by industrial and then retail.

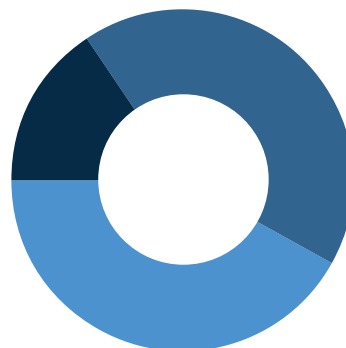
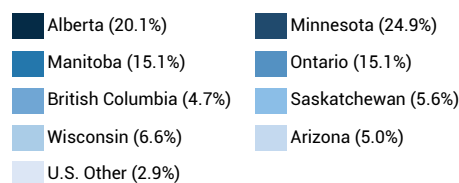
Portfolio diversification, both by geography and by asset class, is a core strategy of the REIT. Diversification provides stability and protection from risks associated with changes in economic conditions of a particular market or industry. In 2016, Artis' portfolio continued to show impressive occupancy levels, which remained consistently near or over 92% at all times throughout the year.

The REIT's entry into the U.S. market seven years ago significantly enhanced the diversification of Artis' portfolio and has provided a natural hedge against the recent volatility in the Canadian marketplace. During 2016, Artis continued to benefit from a stronger U.S. currency and capital appreciation of its U.S. assets. Accordingly, in 2016, Artis effectively recycled capital by disposing of non-core assets and used the proceeds to acquire 16 Class A office assets in Madison, Wisconsin, thereby increasing the REIT's U.S. weighting to 37.0% of property net operating income from 29.7% in 2015 (for the three months ended December 31, 2016 and December 31, 2015, respectively). During the year, Artis' Board of Trustees revised its U.S. target weighting to 50% of total property net operating income, an increase from the previous target of 35%.

Portfolio by
Gross Leasable Area



by Geographical Region



by Asset Class

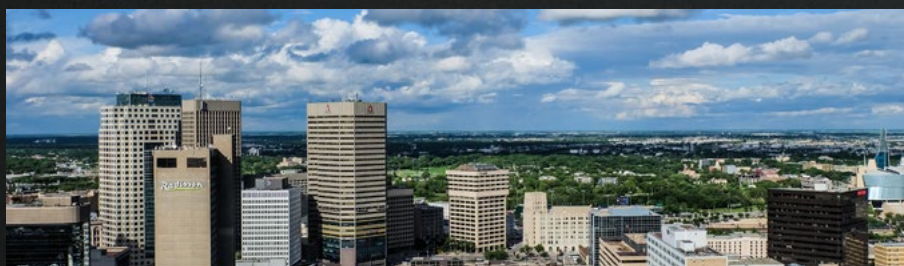
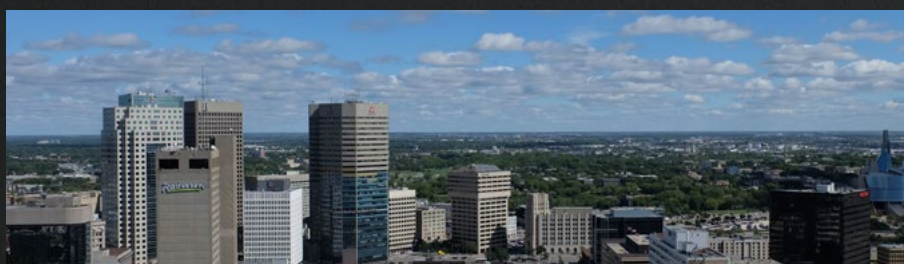
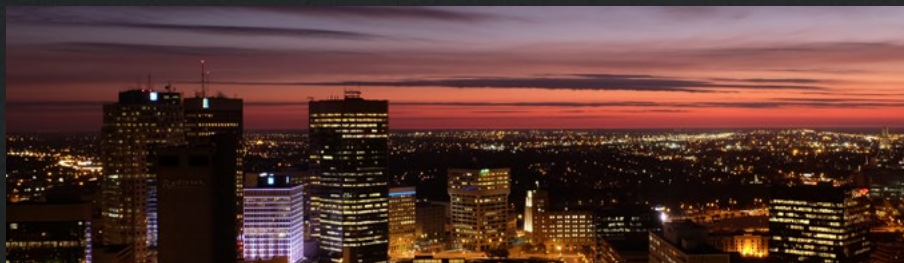


The performance of Artis' portfolio is dependent on effective asset and property management. To ensure the REIT's high standard of real estate performance is achieved, Artis employs an experienced management team with extensive knowledge of real estate, property management, tenant relations and leasing in Canada and the U.S. In 2016, Artis added a sixth property management office in Madison, Wisconsin, and prepared for the opening of a seventh office in Minneapolis, Minnesota, in early 2017. Across all offices, an impressive 4.2 million square feet of lease transactions (including new and renewal leases) were completed during the year. Looking ahead to 2017, a manageable 15.5% of Artis' gross leasable area expires, 38.5% of which was renewed or committed to new leases at the end of 2016. Artis' property managers build strong relationships with tenants and work with them to provide space that is aligned with their business strategy and needs to help them become successful, which impacts tenant retention, an essential factor in effective real estate management.

Corporate sustainability is a core value at Artis and is another factor by which to measure the effectiveness of the REIT's

property and asset management. As one of Canada's largest and most prominent landlords, we have a responsibility as both an employer and a member of the community, to set a high standard in sustainable practices and demonstrate the importance of environmental care and protection. At Artis, a corporate culture exists wherein sustainability is valued and prioritized. Accordingly, it is a priority for Artis to invest in, develop and manage buildings in an environmentally prudent and resource efficient manner. In 2016, Artis proudly published its second annual Sustainability Report, demonstrating an ongoing commitment to the accountability and transparency of its sustainability program, and reinforcing the REIT's dedication to continuous improvement in this field.

360 Main Street Curtain Wall Remediation Project Progress



In 2016, Artis announced and began a significant redevelopment project at its head office building at 360 Main Street in Winnipeg, Manitoba. The project includes a complete renewal of the curtain wall of this 30-storey Class A office property and a new and improved building entrance, all of which will improve not only the aesthetics and functionality of the building, but also its energy efficiency. This two-year project is on schedule, with the curtain wall renewal complete on the west side of the building and the east side of the building scheduled to be completed by the end of 2017.

**December
2016**



**September
2016**



Meeting the 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.

Artis practices three core strategies to meet this objective:

- » **Strategic Ownership of Assets**
- » **Disciplined Growth**
- » **Prudent Financial Management**

Strategic Ownership of Assets

Artis' portfolio consists of quality office, retail and industrial real estate that is strategically and diversely located in select primary and secondary markets in Canada and the U.S. To maximize the potential of its portfolio, management conducts ongoing analysis of relevant economic fundamentals of its target markets and the performance of its assets, while continuously seeking opportunities to make accretive acquisitions, develop new generation real estate and dispose of assets that are not aligned with its long-term strategy.

Capitalization rates have compressed in some of Artis' target markets and a conservative sentiment in the real estate industry towards raising capital through the issuance of new trust units continues; therefore, Artis has adapted and focused on capital recycling and other growth opportunities. Effective capital recycling creates an opportunity to make select accretive acquisitions by using existing resources along with funds that are generated by selling non-core assets at attractive capitalization rates.

During the year, Artis demonstrated its ability to effectively recycle capital, acquiring a portfolio of office properties in the U.S. for US\$260.0 million, while disposing of 18 non-core assets in both Canada and the U.S. for aggregate sale prices of \$349.4 million and US\$16.6 million.

Acquisitions

In a two-stage closing that occurred in June and August of 2016, Artis acquired a portfolio of 16 Class A office properties in Madison, Wisconsin, making Artis one of the largest office landlords in the city. Madison, which is the capital of Wisconsin, is a thriving secondary market in the U.S. and is home to the largest university in the state, the University of Wisconsin-Madison. The portfolio is located on the west side of Madison and

comprises approximately 1.7 million square feet of gross leasable area and an additional 8.3 acres of development land. The properties, which range from one to 12 stories in height and 14,000 to 360,000 square feet in size, are leased to over 130 diverse tenants including Telephone Data Systems, Inc. and TDS Telecom ("TDS"), Catalent Pharma Solutions, LLC, University of Wisconsin Hospitals and Clinics Authority, West Bend Mutual Insurance Company and Humana Insurance Company.

These assets have been an excellent addition to the REIT's portfolio. From June 30, 2016 to December 31, 2016, occupancy (including commitments) for this portfolio has increased from 87.2% to 94.5%, with an increase in rental rates and lease term as well, while the value of the portfolio has increased by US\$15.2 million since its acquisition.

Dispositions

During 2016, Artis disposed of 18 non-core properties, which included 16 properties in Canada and two properties in the U.S., collectively at prices in excess of the fair values recorded at the time of disposition.

The 16 Canadian asset sales during the year included one office complex, six retail assets and nine industrial properties. All 16 assets were located in Western Canada; three in British Columbia and the remaining 13 located in Alberta. The weighted-average capitalization rate for these sales was 6.4%. The aggregate sale price for these properties was \$349.4 million.

The two U.S. assets sold in 2016 were industrial properties located in the Twin Cities Area, Minnesota. Both of these assets were outliers that were not part of Artis' long-term strategy. These properties were sold to owner-occupiers for an aggregate sale price of US\$16.6 million.

These 2016 transactions demonstrate management's ability to prudently recycle capital by disposing of non-core assets at attractive capitalization rates and strategically redeploy the proceeds to high-quality, accretive acquisitions in the REIT's target markets. The outstanding calibre of real estate acquired in 2016 improves the diversity, stability and quality of Artis' overall portfolio. Management is confident in the real estate fundamentals in all of Artis' asset classes and markets and will continue to evaluate and pursue opportunities for continued growth in its target markets.

Disciplined Growth

Organic Growth

Artis' organic growth strategy is designed to identify and extract value from all assets in the portfolio. Achieving maximum financial return from the existing portfolio is accomplished through diligent and effective management of assets, by capitalizing on increases in renewal rents and by realizing the gain between in-place or expiring rental rates and market rental rates through leasing activities.

During 2016, Artis' management team successfully renewed 2.8 million square feet of gross leasable area, reporting a weighted-average increase on renewal rates of 3.3%. This demonstrates an exceptional rate of organic growth. In addition to this impressive increase in renewal rental rates, Artis reported that same property net operating income in Canadian dollars, exclusive of the Calgary office portfolio, increased by 2.1% year-over-year (or relatively consistent year-over-year at -0.6% when calculated inclusive of the Calgary office portfolio). Management estimates that, exclusive of the Calgary office portfolio, market rents are 2.6% above in-place rents across the portfolio (or 0.9% above in-place rents when calculated inclusive of the Calgary office portfolio). These metrics are indicative of potential revenue growth to be gained from future leasing activities.

Value Creation

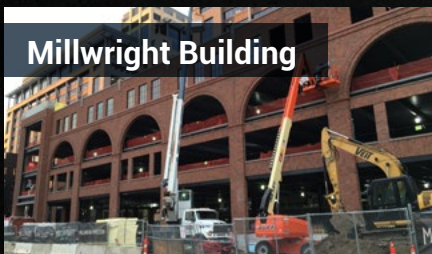
Over the last several years, value creation has become an increasingly important component of Artis' growth strategy. With aggressive capitalization rates in many of Artis' target markets, and thus, fewer viable opportunities to acquire real estate, value creation through development and redevelopment projects provides a compelling opportunity to achieve growth at attractive yields. New development projects also increase the leasable area of Artis' portfolio, which correspondingly increases revenue potential and asset value. Value creation projects improve both the quality and aesthetics of Artis' assets, while simultaneously increasing the energy efficiency and growth potential of its buildings.

Artis has numerous new development projects underway at various stages of completion, including Millwright Building, Park Lucero Phase II, Park Lucero Phase III, 175 Westcreek Boulevard, Park 8Ninety Phase I and 169 Inverness Drive West Phase I.

Millwright Building is an office development project located in Minneapolis, Minnesota. This project, a new best-in-class mid-rise office building, is located in close proximity to the new US Bank Stadium, home of the Minnesota Vikings, in the Downtown East office market. Artis has an 80% ownership interest in this project, which is expected to comprise approximately 174,000 square feet of leasable area. Millwright Building is 35.0% leased, and construction is expected to be complete in early 2017.

Park Lucero Phase II and III are part of a four phase industrial development on a 48 acre parcel of land in the Greater Phoenix Area, Arizona. Phase

New Developments in Process



During Q3-16, Artis entered into a joint venture arrangement for an 80% ownership interest in the Millwright Building, an office development project located in the Minneapolis, Minnesota. This project, a new best-in-class mid-rise office building, is located in close proximity to the new US Bank Stadium, home of the Minnesota Vikings, in the Downtown East office market. The building is expected to comprise approximately 174,000 square feet and base-building construction is expected to be complete in early 2017.



Artis has a 90% ownership interest (in the form of joint venture arrangements) in Park Lucero, a four phase industrial development on a 48 acre parcel of land in the Greater Phoenix Area, Arizona. Park Lucero Phase I is complete and consists of three industrial buildings totaling 208,000 square feet. Construction of Park Lucero Phase II is underway and is expected to comprise 132,000 square feet and be complete in early 2017. All four phases are anticipated to total approximately 580,000 square feet when the development is complete.



Artis has a 90% ownership interest (in the form of joint venture arrangements) in Park Lucero, a four phase industrial development on a 48 acre parcel of land in the Greater Phoenix Area, Arizona. Park Lucero Phase I is complete and consists of three industrial buildings totaling 208,000 square feet. Construction of Park Lucero Phase III is underway and is expected to comprise 147,000 square feet and be complete in the first half of 2017. All four phases are anticipated to total approximately 580,000 square feet when the development is complete.

I of this project was substantially complete in 2015 and consists of three state-of-the-art industrial buildings totaling 208,000 square feet of leasable area. Phase II and Phase III are under construction and are expected to comprise 132,000 and 147,000 square feet of leasable area, respectively. Construction of both phases is expected to be complete in the first half of 2017. The entire project, when complete, is expected to total 580,000 square feet of leasable area. Artis has a 90% ownership interest in Park Lucero.

175 Westcreek Boulevard is a new industrial development in the Greater Toronto Area, Ontario, on 10 acres of excess land which was acquired by Artis in 2011. Construction of a 130,000 square foot multi-tenant building is underway, and is expected to be complete in the first half of 2017. Artis has secured a lease with a national tenant for 40.6% of this new development.

Park 8Ninety Phase I is part of a multi-phase development project on a 127 acre parcel of land located in the Southwest industrial submarket in Houston, Texas. Construction of Phase I of this project is underway and anticipated to be complete in the second half of 2017, comprising four state-of-the-art industrial buildings totaling approximately 440,000 square feet of leasable area. Artis has a 95% ownership interest in Park 8Ninety Phase I.

169 Inverness Drive West Phase I is an office development in the Greater Denver Area, Colorado, situated on a 10 acre parcel of land adjacent to the AT&T Building, an office building acquired by Artis in 2013. Phase

I of this multi-phase project includes a Class A office building totaling approximately 120,000 square feet of leasable area. The site is located on the I-25 with immediate connectivity to the light rail transit system. Construction of 169 Inverness Drive West Phase I is expected to be complete near the end of 2017.

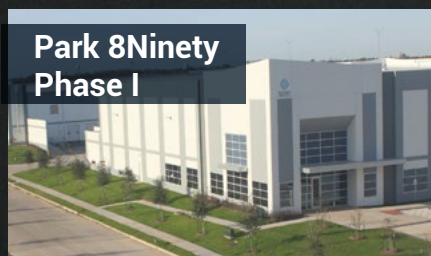
In addition to the above ongoing development projects, Artis has numerous projects at various stages of planning in its development pipeline. These value creation projects include an opportunity for an office development on excess land in the Twin Cities Area, Minnesota, a residential densification opportunity in Toronto, Ontario, and a residential/commercial densification opportunity and a retail development opportunity in Winnipeg, Manitoba. Artis also has a partnership opportunity for a future office complex development in Houston, Texas.

Value creation can also be achieved through the redevelopment of existing assets within the portfolio, by capitalizing on opportunities to realize the highest and best use for a property, or by modernization to attract long-term credible tenants and remain competitive in the marketplace. Artis conducts ongoing strategic review of each asset in its portfolio to identify such opportunities. Artis had four properties held for redevelopment at the end of 2016, including three industrial properties and one office property.

The success of Artis' redevelopment projects to date demonstrates the value that can be created from reinvesting in and improving the calibre of assets in Artis' existing portfolio.



In 2011, Artis acquired 201 Westcreek Boulevard, a 300,000 square foot industrial building with 10 acres of excess land available for future development in the Greater Toronto Area, Ontario. Construction of 175 Westcreek Boulevard, a new 130,000 square foot building which can accommodate one to three tenants has commenced on this land and is expected to be complete in the first half of 2017. Artis has negotiated a new lease with a national tenant for 40.6% of the building.



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 Park 8Ninety Phase I (in the form of a joint venture arrangement), which is under construction and expected to comprise four buildings totaling approximately 440,000 square feet. Construction of Park 8Ninety Phase I is anticipated to be complete in the second half of 2017.

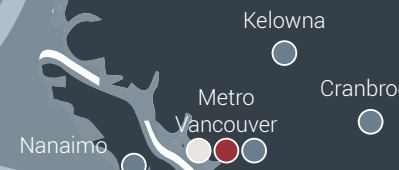
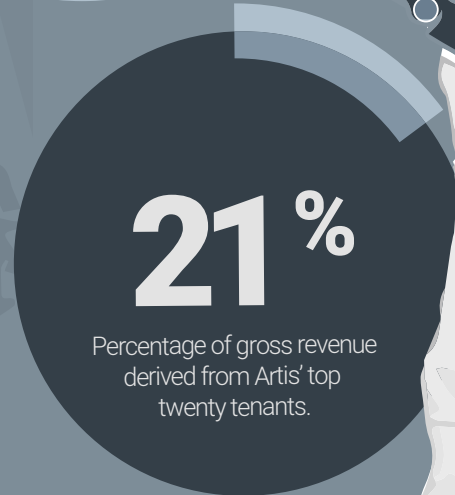
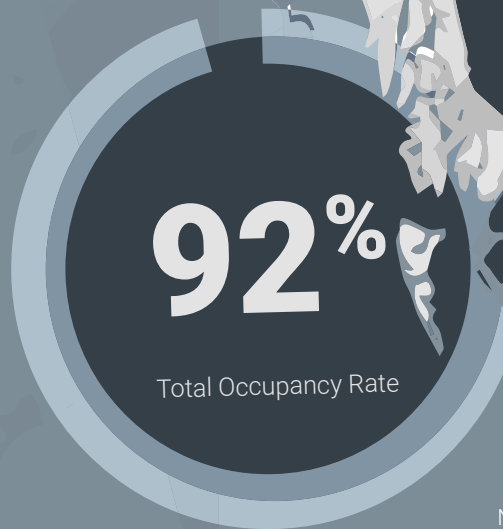


Artis has commenced construction of 169 Inverness Drive West Phase I, an office development situated on a 10 acre parcel of land adjacent to the AT&T Building in the Greater Denver Area, Colorado. Phase I of this project includes the development of a 120,000 square foot Class A office building. The site, which can accommodate a total development of 320,000 square feet and is located on the I-25 with immediate connectivity to the light rail transit system. Construction of 169 Inverness Drive West Phase I is expected to be complete at the end of 2017.

Portfolio Map

















A Canadian commercial REIT with 250 properties totaling 25.7 million square feet of gross leasable area.

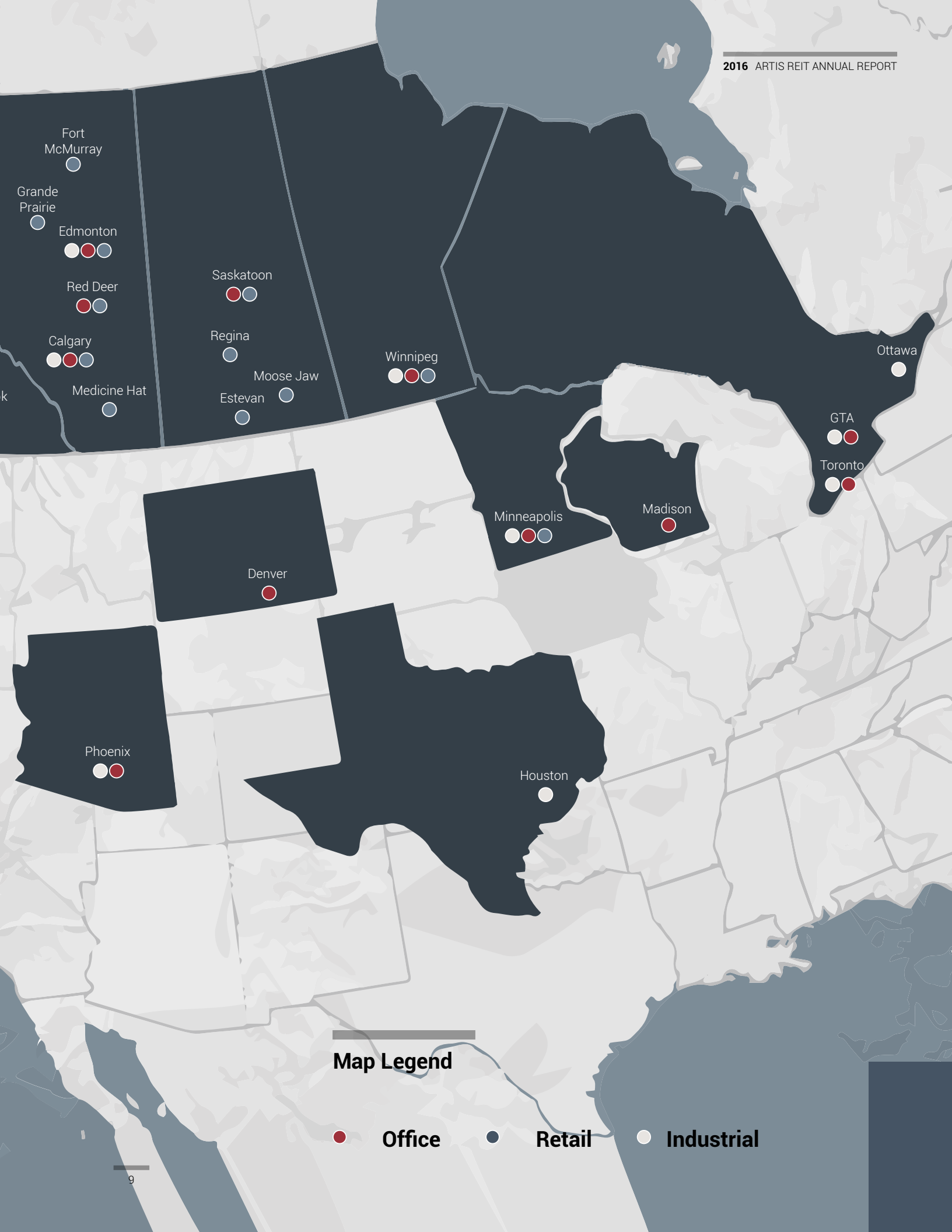
Diversified by asset class including office, retail and industrial properties, and geographically in select Canadian and U.S. markets.



Top Ten Tenants

by percentage of gross revenue in Canadian and US dollars

		2.0%
		1.6%
		1.4%
		1.3%
		1.2%
		1.0%
		1.0%
		1.0%
		1.0%
		1.0%



Map Legend



Office



Retail



Industrial

Prudent Financial Management

During 2016, Artis delivered solid overall performance and made several improvements to key financial metrics. At year end, Artis had a healthy balance sheet and ample liquidity, including \$59.0 million of cash on hand and unsecured revolving term credit facilities totaling \$500.0 million, of which \$230.3 million was available. Additionally, Artis maintained a healthy pool of unencumbered assets, totaling 58 properties and six parcels of development land, representing a fair value of \$998.8 million. At December 31, 2016, Artis' unencumbered assets to unsecured debt ratio was 2.1 times.

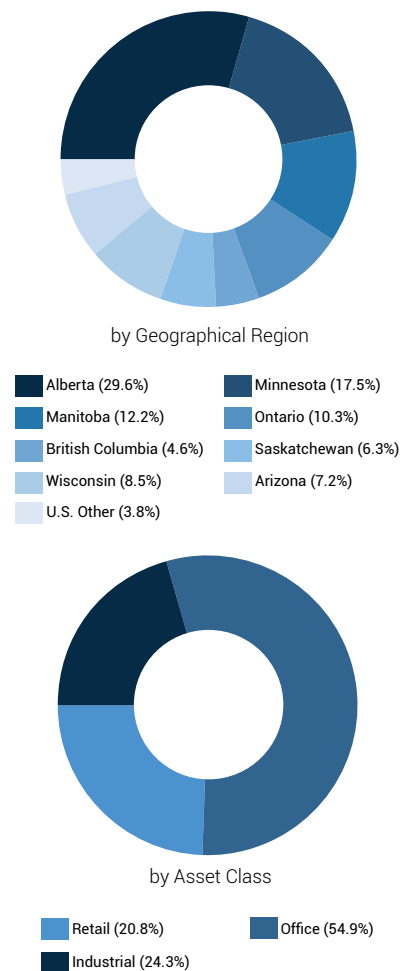
The success of Artis' growth strategy and effective financial and operational management is reflected in revenue growth, which increased 3.6% year-over-year, and property net operating income, which increased 2.0% year-over-year. In the real estate industry, other key performance indicators include funds from operations and adjusted funds from operations. In 2016, funds from operations increased 4.2% from \$210.6 million to \$219.5 million year-over-year (exclusive of lease termination income and non-recurring other income). On a per unit basis, funds from operations increased to \$1.50 from \$1.49 year-over-year. Since December 31, 2015, Artis increased its leasing cost reserve from 4.0% to 6.5% to more accurately align with current market conditions. Consequently, adjusted funds from operations decreased from \$180.3 million to \$176.9 million year-over-year (exclusive of lease termination income and non-recurring other income). This translates to a per unit decrease in adjusted funds from operations from \$1.30 to \$1.22. The decrease in adjusted funds from operations can be primarily attributed to the increase in the leasing cost reserve.

At December 31, 2016, Artis is pleased to report that secured mortgages and loans to gross book value improved to 40.6% from 41.2%, and total long-term debt and bank indebtedness to gross book value improved to 51.0% from 52.4%. Concurrently, the REIT reported a decrease in the weighted-average effective rate of interest on mortgages and other loans secured by properties to 3.74% from 3.93% at December 31, 2015 and improved the interest coverage ratio to 2.99 times for the year, compared to 2.92 times reported for 2015.

In accordance with Artis' objective to provide a stable, reliable and tax-efficient monthly cash distribution, Artis paid its Unitholders a monthly distribution of \$0.09 per unit in 2016 (\$1.08 per annum). Artis' funds from operations payout ratio and adjusted funds from operations payout ratio, which are key financial metrics used to determine the sustainability of a real estate investment trust's distribution payments, were 72.0% and 88.5%, respectively (exclusive of lease termination income and non-recurring other income).

In addition to these achievements, Artis continued to maintain its investment grade credit rating from DBRS Limited of BBB (low) and Pfd-3 (low). This rating is highly respected in the real estate industry, where only select real estate investment trusts and real estate operating companies have been awarded an investment grade credit rating. Artis earned this rating as a result of its impressive financial profile and credit matrix, along with its fully diversified commercial portfolio by geography and asset class, and reliable tenant mix with national and government tenants accounting for 56.8% of gross revenue. Artis' top 20 tenants account for 20.6% of total gross revenue.

Portfolio by
Net Operating Income
(Q4-16)



Development Pipeline



300 Main Street

Artis owns a strategically located parcel of land at 300 Main Street in Winnipeg, Manitoba, adjacent to its head office at 360 Main Street and located above the Shops of Winnipeg Square and adjoining parkade, which are also owned by Artis. Planning is underway for a new 40-storey mixed-use commercial/residential building offering best-in-class amenities and an unbeatable downtown location with connectivity to the city's skywalk system.



801 Carlson Parkway

801 Carlson Parkway, located at the intersection of I-394 and I-494 in the Twin Cities Area, Minnesota, is a future 10-storey office development anticipated to comprise over 300,000 square feet of leasable area with an executive lobby and climate controlled parking. This project offers a unique opportunity for new Class A office space in the west I-394 market.



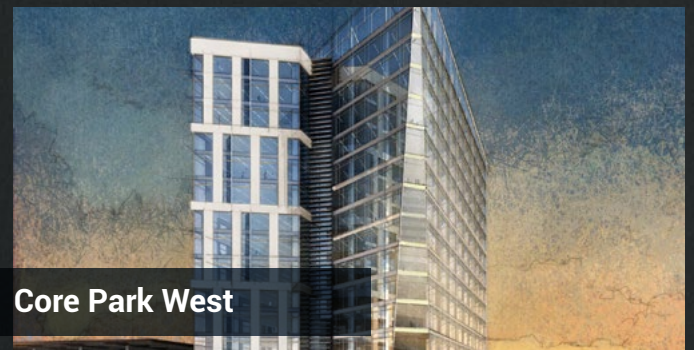
415 Yonge Street

415 Yonge Street is a 19-storey office building situated in a prime location in downtown Toronto, Ontario, across from College Park station and in close proximity to the University of Toronto and Ryerson University. Preliminary plans are underway for the construction of an additional 50 floors of apartment units above this office tower.



1630 Aspen Commons

1630 Aspen Commons is a future office development located in Madison, Wisconsin. Artis acquired the land as part of the acquisition of a portfolio of 16 Class A office properties in 2016. This development is anticipated to comprise 120,000 square feet of Class A office space with best-in-class amenities.



Core Park West

Core Park West is a parcel of land being held for a future office development located in Houston, Texas. This future project is anticipated to be developed in several phases totaling approximately 1.6 million square feet. Artis has a 90% ownership interest in this project.

Outlook

Artis' objective is to provide a stable, reliable and tax-efficient monthly cash distribution to Unitholders and long-term appreciation in the value of Artis' units through the accumulation and effective management of a quality portfolio of commercial real estate. Looking forward to 2017, Artis' experienced and dedicated team will continue to diligently execute its core strategies to meet this objective.

Artis will strive to maximize returns through its disciplined management and growth strategy. This involves creating value by strategically redeveloping and repositioning assets to improve the overall quality of the buildings and undertaking high-yield densification and new development projects. It also involves capitalizing on opportunities to realize the gain between in-place rents and market rents and maintaining stable occupancy levels through tenant retention and new leasing initiatives.

Management is confident in the future potential of Artis' diversified target markets, and feels they will continue to perform well collectively over the short and long term. Management anticipates that the commodity markets will continue to show modest sign of improvement over the following 12 to 24 months, eventually having a positive impact on the real estate markets in commodity driven regions. In the meantime, the U.S. economy continues to show solid growth, providing Artis' Unitholders with a natural hedge as a result of a strong US dollar and continued capital appreciation of Artis' U.S. assets.

In accordance with Artis' strategic ownership strategy, management will continue to conduct ongoing review of current assets to identify opportunities to maximize value from assets that are aligned with Artis' long-term strategy, identify non-core assets and capitalize on strategic opportunities to recycle capital.

Artis is pleased to demonstrate to Unitholders its ability to produce results that are reflective of the focus and dedication of its experienced management team, strong earnings, a healthy balance sheet and significant cash liquidity. With these and other valuable resources, the REIT is well positioned for another successful year and will strive to deliver strong results for Unitholders again in 2017.

All metrics are either as at December 31, 2016, or for the 12 months ended December 31, 2016, unless otherwise noted.

Readers are cautioned that this Annual Report may contain forward-looking statements. Artis cannot assure investors that actual results will be consistent with any forward-looking statements and 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 Annual Report are qualified by this cautionary statement. Refer to Artis' management's discussion and analysis for a full forward-looking disclaimer.

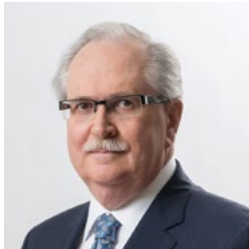


Executive Team

Armin Martens
President and
Chief Executive Officer



Jim Green
Chief Financial Officer



Dave Johnson
Executive Vice-President
Asset Management
(Central Region)



Philip Martens
Executive Vice-President
Asset Management
(U.S. Region)



Frank Sherlock
Executive Vice-President
Property Management



Dennis Wong
Executive Vice-President
Asset Management
(Western Region)



Marie Dunn
Senior Vice-President
Asset Management
(U.S. Region)



Brad Goerzen
Senior Vice-President
Leasing
(Central Region)



John Mah
Senior Vice-President
Asset Management
(Eastern Region)



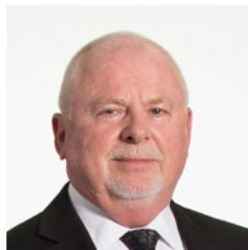
Greg Moore
Vice-President
Asset Management
(Western Region)



Bruce Nimmo
Vice-President
Leasing
(Western Region)



Kim Riley
Senior Vice-President
Acquisitions
and Due Diligence



Ron Wieler
Senior Vice-President
Development
(U.S. Region)



Leon Wilkosz
Senior Vice-President
Property Management
(Midwest)



Canadian Pacific Plaza, Minneapolis, MN

Corporate Sustainability

Artis is committed to minimizing its carbon footprint and promoting the use of energy efficient tenant practices in its buildings. At Artis, energy certification is considered an asset, both with respect to our existing portfolio and when acquiring new properties. The three major certifications pursued are:



LEED

(Leadership in Energy & Environmental Design)

LEED or Leadership in Energy & Environmental Design is a green building tool that addresses the entire building lifecycle, recognizing best-in-class building strategies.



ENERGY STAR

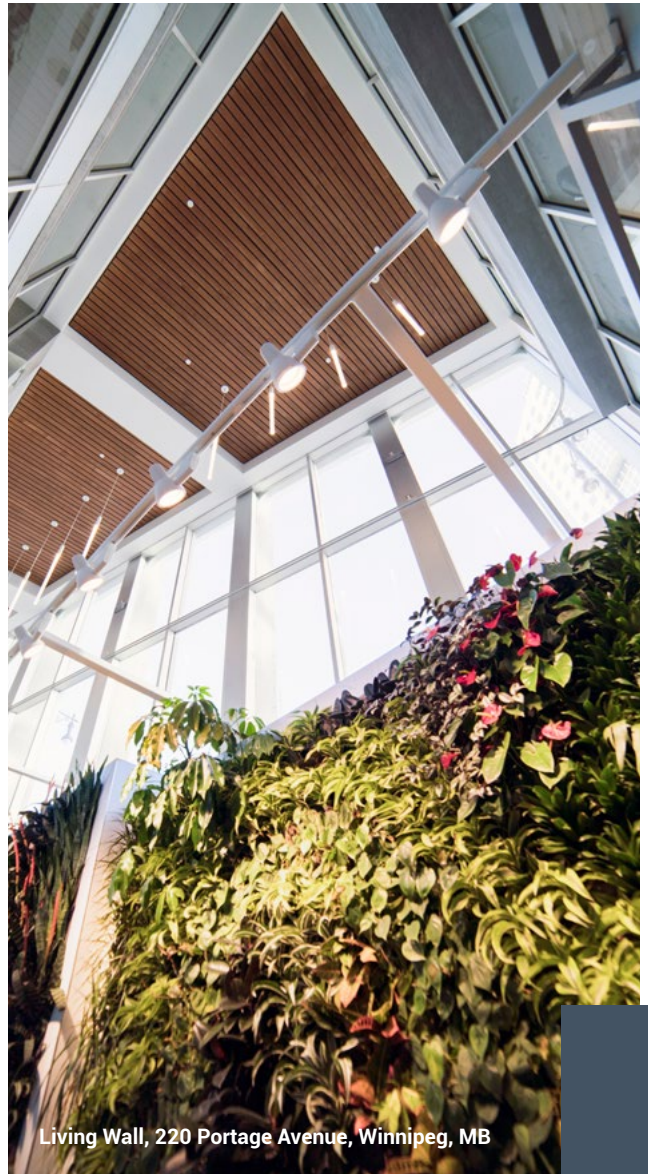
Energy Star is a voluntary U.S. Environmental Protection Agency (EPA) program that certifies buildings in the U.S. for superior energy performance.



BOMA BEST

(Building Owners and Managers Association Building Environmental Standards)

BOMA or the Building Owners and Managers Association promotes energy efficiency and sustainability for new and existing buildings by assigning certification levels based on achievement of energy targets.



Living Wall, 220 Portage Avenue, Winnipeg, MB

Corporate Governance

Board of Trustees

As at December 31, 2016



Armin Martens
President and
Chief Executive
Officer

*Disclosure
Subcommittee*



**Edward
Warkentin**
Chairman

*Investment
Committee
Governance &
Compensation
Committee
Disclosure
Subcommittee*



**Delmore
Crewson**

*Audit
Committee*



**Cornelius
Martens**



Ron Rimer

*Audit Committee
Investment
Committee*



Patrick Ryan

*Audit Committee
Investment
Committee*



**Victor
Thielmann**

*Audit Committee
Governance &
Compensation
Committee*



**Wayne
Townsend**

*Investment
Committee
Governance &
Compensation
Committee*

Artis' Trustees are proven business leaders with a significant breadth of experience in the areas of real estate, finance, securities, investments and law. They also collectively have extensive public company board experience.

Artis' Board of Trustees believe that sound governance practices are essential to the long-term interests of Artis and the enhancement of value for all of its Unitholders. The Board of Trustees recognizes that proper and effective corporate governance is a top priority for investors and other stakeholders.

The Board of Trustees has three committees which, at December 31, 2016, were structured as follows: the Audit Committee (Chaired by

Delmore Crewson, FCA), the Governance and Compensation Committee (Chaired by Edward Warkentin, LL.B.) and the Investment Committee (Chaired by Wayne Townsend, CFP). Each of the committee's members are independent of management. The Disclosure Committee is a subcommittee of the Governance and Compensation Committee (also Chaired by Edward Warkentin LL.B.).

Additional information about Artis' Board, Trustees and Committees, as well as key governance documents such as the Code of Conduct, Whistleblower Policy, Board Mandate, and Declaration of Trust, can be downloaded from Artis' website at:

www.artisreit.com/about-us/corporate-governance/

Corporate Information

Investor Relations

investorinquiries@artisreit.com
Phone: 1.800.941.4751

Transfer Agent

CST Trust Company
Phone: 1.416.682.3860 or
1.800.387.0825
Toll Free throughout North America
Fax 1.888.249.6189
www.canstockta.com

Auditors

Deloitte LLP

Indenture Trustee

BNY Trust Company of Canada
Phone 1.800.254.2826
Fax 1.416.360.1711
www.bnymellon.com

Legal Counsel

MLT Aikins LLP

Toronto Stock Exchange Listings

Trust Units

AX.UN

Preferred Units

AX.PR.A	Series A	\$0.328125 per unit per quarter
AX.PR.U	Series C	US\$0.328125 per unit per quarter
AX.PR.E	Series E	\$0.296875 per unit per quarter
AX.PR.G	Series G	\$0.3215 per unit per quarter

2016 Distributions

\$0.09 per unit per month

Convertible Debentures

AX.DB.U Series G



Delmore (Del) C.W. Crewson, FCA 1942 - 2017

It is with great sadness that Artis Real Estate Investment Trust announces the passing of a trusted colleague, Del Crewson on February 22, 2017. Del served on Artis' Board as an independent Trustee and Chair of the Audit Committee since 2006. Del was an insightful and strong leader, and contributed invaluable knowledge, education and experience to the Board that were pivotal in the growth of Artis over the last 10 years. He was a person of integrity, good conscience and character, key attributes for his role as Audit Committee Chair.

Del's lengthy and extensive career included many executive roles, including most recently his position as Office Managing Partner and Vice-Chair of an internationally recognized audit, tax, consulting and financial advisory services firm. Del also served on the board of numerous public and private companies, and chaired the Audit Committee of several others. He was a member of, and had an active role in a variety of professional and recreational associations.

Del was a friend and a dedicated and diligent trustee. He will be dearly missed by the trustees and employees at Artis, as well as his friends and colleagues throughout the industry and our community.

As a permanent memorial to Del and an expression of our gratitude for his contribution to Artis, we have renamed the conference centre at 360 Main Street in Winnipeg, Manitoba, the "Delmore Crewson Conference Centre".



WINNIPEG HEAD OFFICE

300 - 360 Main Street
Winnipeg, Manitoba R3C 3Z3
T 204.947.1250
F 204.947.0453

www.artisreit.com
AX.UN - TSX

CALGARY

Suite 660,
1509 Centre Street SW
Calgary, Alberta T2G 2E6
T 403.705.3535
F 403.444.5053

EDMONTON

Suite 101,
13245-140th Avenue NW
Edmonton, Alberta T6V 0E4
T 780.702.3066
F 780.702.3070

TORONTO

Suite 2000,
415 Yonge Street
Toronto, Ontario M5B 2E7
T 647.955.3755
F 647.977.9072

PHOENIX

Suite 280,
16220 N. Scottsdale Road
Scottsdale, Arizona 85254
T 480.483.4111
F 480.556.9987

MADISON

Suite 1600,
708 Heartland Trail
Madison, Wisconsin 53717
T 608.830.6300
F 608.662.0500