• 2017 •

ARTIS REIT

FINANCIAL REPORT

PROPERTIES OF SUCCESS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED FINANCIAL STATEMENTS

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Artis Real Estate Investment Trust should be read in conjunction with the REIT's audited annual consolidated financial statements for the years ended December 31, 2017 and 2016, 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 March 1, 2018. 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 held in its investments in joint ventures, which are 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, cyber security, 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

The following measures 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"). These non-GAAP measures are not defined under IFRS and 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 operations or other measures of financial performance calculated in accordance with IFRS. Readers should be further cautioned that the following measures as calculated by Artis may not be comparable to similar measures presented by other issuers.

Property Net Operating Income ("Property NOI")

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 or other expenses not specific to the day-to-day operation of the REIT's properties. Management considers Property NOI to be a valuable measure for evaluating the operating performance of the REIT's properties. Refer to the Revenue and Property NOI section of this MD&A for further discussion and calculation of this measure.

Same Property NOI

Artis calculates Same Property NOI by including Property NOI for investment properties that were owned for a full quarterly reporting period in both the current and comparative year, and excludes properties held for (re)development. Adjustments are made to this measure to exclude non-cash revenue items and other non-recurring revenue amounts such as lease termination income. Management considers Same Property NOI to be a valuable measure for evaluating the operating performance of the REIT's properties. Refer to the Same Property NOI Analysis section of this MD&A for further discussion and calculation of this measure.

Funds from Operations ("FFO")

Artis calculates FFO substantially in accordance with the guidelines set out by the Real Property Association of Canada ("REALpac"), as issued in February 2017. These guidelines include certain adjustments to FFO under IFRS from the previous definition of FFO, as issued in April 2014. These adjustments did not materially impact the REIT's calculation of FFO and have been applied consistently to all comparative periods included in this MD&A. Management considers FFO to be a valuable measure for evaluating the REIT's operating performance in achieving its objectives. Refer to the FFO and AFFO section of this MD&A for further discussion and calculation of this measure.

Adjusted Funds from Operations ("AFFO")

Artis calculates AFFO substantially in accordance with new guidelines set out by REALpac, as issued in February 2017. Q1-17 was the first quarter the REIT presented AFFO in accordance with these guidelines. AFFO has been revised to comply with these guidelines for the comparative periods in 2016. The REIT did not revise its AFFO amounts for 2015 as disclosed in the Selected Financial Information of this MD&A. Management considers AFFO to be a valuable measure for evaluating the REIT's operating performance in achieving its objectives. Refer to the FFO and AFFO section of this MD&A for further discussion and calculation of this measure.

Proportionate Share

Artis accounts for its joint ventures using the equity method in its consolidated financial statements in accordance with IFRS. Amounts presented on a Proportionate Share basis include Artis' interest in properties held in its joint ventures based on its percentage of ownership in these properties in addition to the amounts per its consolidated financial statements. Management considers Proportionate Share to be representative of how Artis manages its properties. Refer to the Analysis of Operating Results and Analysis of Financial Position sections of this MD&A for calculation of this measure.

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") Interest Coverage Ratio

Artis calculates EBITDA as Property NOI, adjusted for interest income, corporate expenses and all non-cash revenue and expense items. Management considers this ratio to be a valuable measure of Artis' ability to service the interest requirements on its outstanding debt. Refer to the Interest Expense section of this MD&A for further discussion and calculation of this measure.

Debt to Gross Book Value ("GBV")

Artis calculates GBV based on the total consolidated assets of the REIT, adding back the amount of accumulated depreciation of property and equipment. The REIT has adopted debt to GBV as an indebtedness ratio guideline used to measure its leverage. Refer to the Liabilities section of this MD&A for further discussion and calculation of this measure.

Debt to EBITDA Ratio

Artis calculates debt to EBITDA based on annualizing the current quarter's EBITDA as defined above and comparing that balance to Artis' total outstanding debt. Management considers this ratio to be a valuable measure of Artis' leverage. Refer to the Liabilities section of this MD&A for further discussion and calculation of this measure.

Net Asset Value ("NAV") per Unit

Artis calculates NAV per unit as its unitholders' equity, adjusted for the outstanding face value in Canadian dollars of its preferred units, divided by its total number of dilutive units outstanding. Management considers this metric to be a valuable measure of the REIT's residual equity available to its common unitholders. Refer to the Unitholders' Equity section of this MD&A for further discussion and calculation of this measure.

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 July 20, 2016 (the "Declaration of Trust").

Certain of the REIT's securities are listed on the Toronto Stock Exchange ("TSX"). The REIT's trust units ("units") trade under the symbol AX.UN and the REIT's preferred units trade under the symbols AX.PR.A, AX.PR.U, AX.PR.E, AX.PR.G and AX.PR.I. As at March 1, 2018, there were 150,610,627 units, 18,650,000 preferred units, 475,919 restricted units and 86,747 deferred units of Artis outstanding (refer to the Outstanding Unit Data section of this MD&A 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 Board of Trustees (the "Board" or "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.

- **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.

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

BOARD RENEWAL AND CORPORATE GOVERNANCE

On November 22, 2017, on the recommendation of the Governance and Compensation Committee of the Board, the Trustees approved the following governance and compensation policies and initiatives:

- the adoption of a diversity policy that incorporates various initiatives for promoting diversity on the Board as well as in the workplace;
- subject to regulatory and unitholder approval, as applicable, the introduction of performance units for executives which will be subject to objectively measurable criteria;
- the adoption of a policy that employment contracts of new executives who join Artis or its subsidiaries contain a "double trigger" provision in the event of a "change of control", with a maximum severance multiplier of 2.0 of base salary and bonuses;
- the submission to unitholders of a "say on pay" vote on an annual basis commencing no later than Artis' 2019 annual general meeting with respect to compensation practices for the 2018 year;
- an ongoing commitment to board renewal through: (i) a diversity policy; (ii) the gradual replacement of Trustees who have served as members of the Board since Artis' inception; (iii) a policy regarding maximum term limits whereby new trustees may serve on the Board for a period not to exceed 10 years; and,
- a restructuring of the committees of the Board.

Further information about the above policies and initiatives can be found in the Governance and Compensation Policies and Initiatives document, which was filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com.

The Trustees continue to discuss the vision and long-term strategic direction of Artis and the important oversight role that the Board plays, and to consider corporate governance and compensation changes to better align with industry best practices.

Artis has retained Kingsdale Advisors to assist in this initiative.

2017 OVERVIEW

Our objective in 2017, as in 2016, was to steadily improve our key financial metrics, effectively manage our assets, and improve the overall quality of our portfolio through capital recycling initiatives, redevelopment and new development projects.

Accordingly, we have made notable improvements to our financial metrics during the year. Our total long-term debt and credit facilities to GBV decreased to 49.3% from 51.0% year-over-year, and secured mortgages and loans to GBV decreased to 31.9% from 40.6%. Also noteworthy, our unencumbered assets increased significantly from $998,770 at December 31, 2016, to $1,687,754 at December 31, 2017. Our new unsecured non-revolving term credit facilities in the aggregate amount of $300,000 support our objective by providing us access to capital that can be utilized for general corporate and working capital purposes, property acquisitions and development financing.

In 2017, we completed 1.2 million square feet of new lease transactions and 2.4 million square feet of lease renewal transactions. The weighted-average increase on renewal rents achieved was 4.9% excluding Calgary office renewals (2.3% including Calgary office renewals). Our leasing team continues to work diligently on our 2018 leasing program. At December 31, 2017, 32.7% of 2018 expiries had been renewed or committed to new tenants.

During the year, we acquired four industrial properties, the remaining 10% interest in three phases of an industrial development project and a parkade for aggregate purchase prices of $13,850 and US$69,140, and disposed of 23 non-core assets in both Canada and the U.S. for aggregate sale prices of $353,068 and US$70,600. Of these 23 dispositions, 11 properties were located in Alberta, five of which were Calgary office assets. We also made substantial progress on our new development and redevelopment projects. Most notably, we completed the development of 175 Westcreek Boulevard, Park Lucero Phase II and Phase III, Park 8Ninety Phase I and Millwright Building. 175 Westcreek Boulevard and Park Lucero Phase III were fully leased upon completion and provide an excellent example of the value that can be created from strategic development projects. In December, we announced that a long-term lease has been negotiated for 131,796 square feet at Park Lucero II, marking the fifth fully-leased building at Park Lucero, and leaving only one slab-ready pad for future development. In 2017, we invested $83,511 in our (re)development projects.

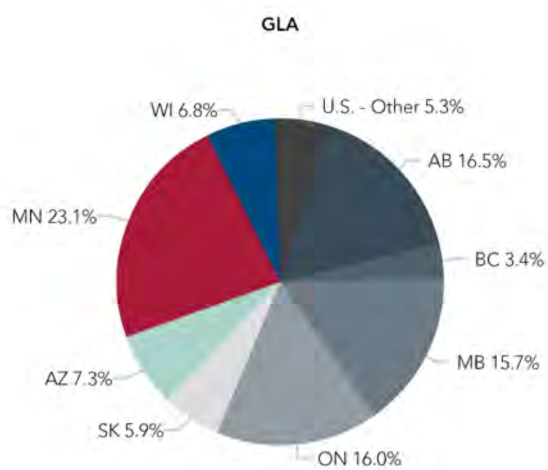
Corporate Sustainability Progress

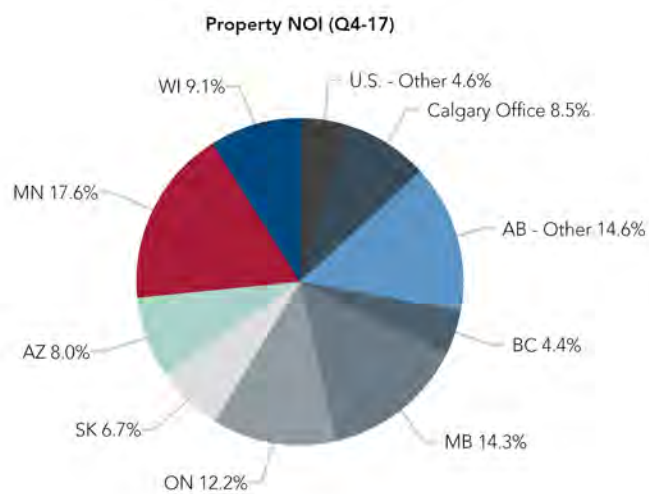
Corporate sustainability is a high priority for Artis. We are committed to improving the energy efficiency of our properties and reducing our environmental footprint. At December 31, 2017, we had 19 properties with a LEED certification, 18 properties with a Building Owners and Managers Association (BOMA) Building Environmental Standards (BEST) certification and 19 properties with an Energy Star certification.

PORTFOLIO SUMMARY

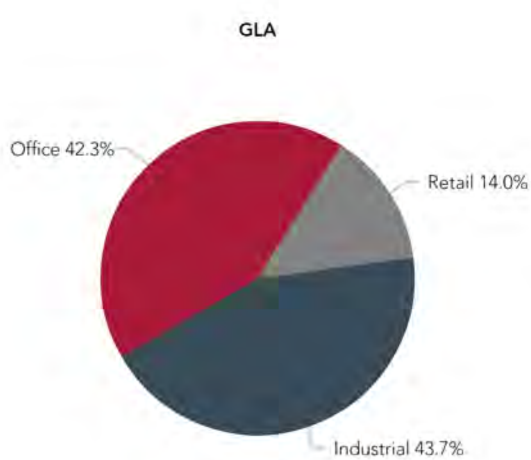
At December 31, 2017, the REIT's portfolio was comprised of 237 commercial properties totalling approximately 24.8 million square feet ("S.F.") of gross leasable area ("GLA").

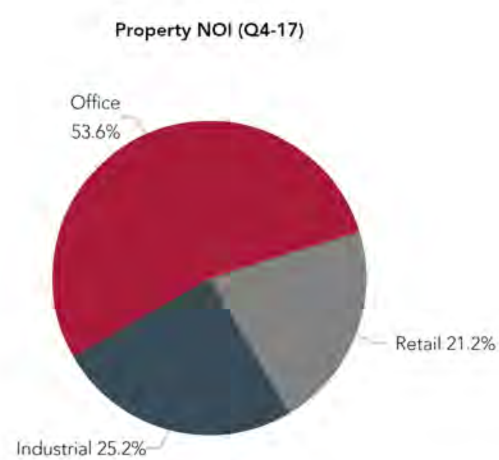
Diversification by Geographical Region



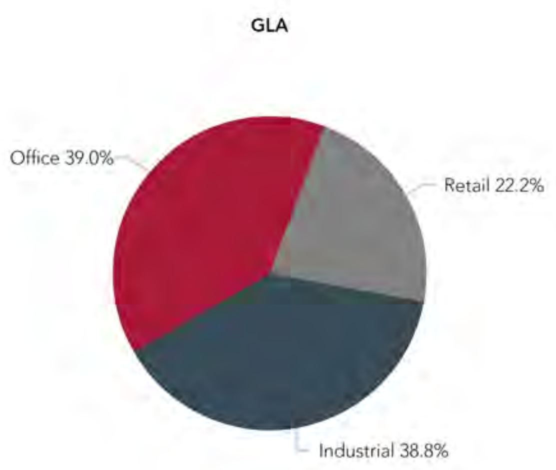


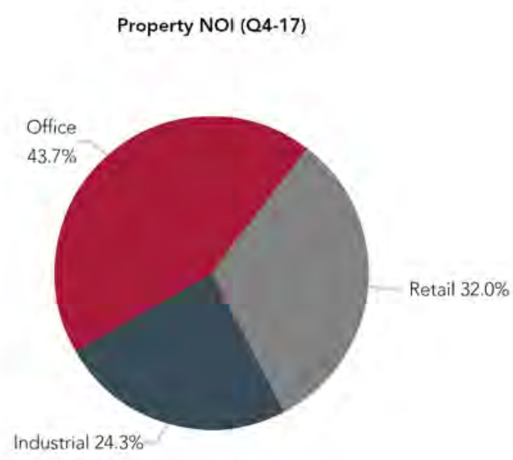
Diversification by Asset Class - ***Total Canadian and U.S. Portfolio***



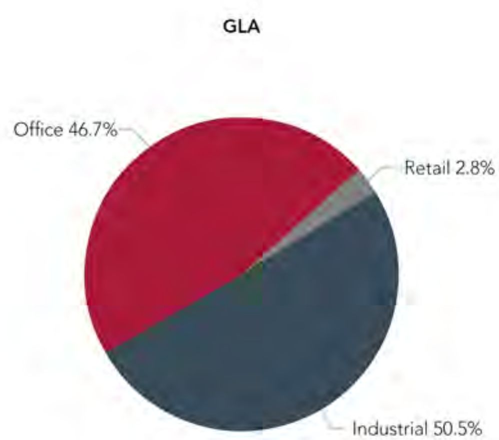


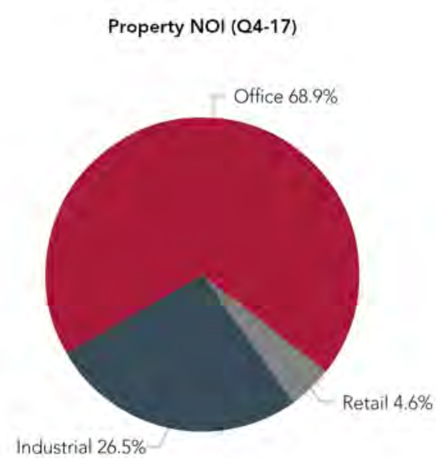
Diversification by Asset Class - *Canadian Portfolio*





Diversification by Asset Class - *U.S. Portfolio*





(In thousands of Canadian dollars, unless otherwise noted)

Portfolio by Asset Class (1)

Asset class	City	Province / State	Property count	Owned share of GLA (000's of S.F.)	% of portfolio GLA	% Occupied	% Committed (2)
Canadian portfolio:							
Office	Calgary	AB	14	1,947	7.9 %	73.9 %	79.8 %
	Greater Edmonton Area	AB	1	48	0.2 %	91.7 %	96.8 %
	Greater Toronto Area	ON	7	1,085	4.4 %	85.2 %	87.2 %
	Greater Vancouver Area	BC	3	462	1.9 %	98.1 %	98.1%
	Nanaimo	BC	1	38	0.2 %	100.0 %	100.0 %
	Ottawa	ON	2	287	1.2 %	96.7 %	96.7 %
	Saskatoon	SK	1	64	0.3 %	100.0 %	100.0 %
	Winnipeg	MB	10	1,518	6.1 %	85.5 %	91.0 %
Office total			39	5,449	22.2 %	83.3 %	87.4 %
Retail	Calgary	AB	5	345	1.4 %	97.7 %	99.6 %
	Estevan	SK	2	175	0.7 %	93.6 %	93.6 %
	Fort McMurray	AB	8	194	0.8 %	97.0 %	97.5 %
	Grande Prairie	AB	5	362	1.5 %	68.3 %	68.3 %
	Greater Edmonton Area	AB	5	440	1.8 %	97.7 %	99.0 %
	Greater Vancouver Area	BC	1	165	0.7 %	97.9%	99.0 %
	Nanaimo	BC	3	74	0.3 %	58.4 %	61.3 %
	Regina	SK	8	533	2.2 %	95.3 %	95.5 %
	Saskatoon	SK	3	219	0.9 %	99.3 %	99.3 %
	Winnipeg	MB	7	649	2.5 %	96.7 %	98.0 %
Retail total			47	3,156	12.8 %	92.6 %	93.5 %
Industrial	Calgary	AB	6	362	1.5 %	84.2 %	85.0 %
	Greater Edmonton Area	AB	3	156	0.6 %	100.0 %	100.0 %
	Greater Toronto Area	ON	29	2,581	10.3 %	98.6 %	98.7 %
	Greater Vancouver Area	BC	2	98	0.4 %	100.0 %	100.0 %
	Red Deer	AB	1	126	0.5 %	97.1 %	97.1 %
	Regina	SK	2	143	0.6 %	49.4 %	74.6 %
	Saskatoon	SK	5	327	1.3 %	100.0 %	100.0 %
	Winnipeg	MB	29	1,713	6.9 %	96.0 %	96.2 %
Industrial total			77	5,506	22.1 %	95.7 %	96.5 %
Total Canadian portfolio			163	14,111	57.1 %	90.2 %	92.3 %
U.S. portfolio:							
Office	Greater Denver Area	CO	4	634	2.6 %	91.2 %	91.6 %
	Greater Phoenix Area	AZ	6	1,002	4.0 %	89.9 %	94.0 %
	Madison	WI	16	1,695	6.8 %	92.3 %	92.3 %
	New Hartford	NY	1	123	0.5 %	100.0 %	100.0 %
	Twin Cities Area	MN	5	1,338	5.3 %	91.8 %	94.6 %
Office total			32	4,792	19.2 %	91.7 %	93.4 %
Retail	Twin Cities Area	MN	7	298	1.2 %	92.4 %	92.4 %
Industrial	Greater Denver Area	CO	1	138	0.6 %	100.0 %	100.0 %
	Greater Phoenix Area	AZ	5	694	2.8 %	95.4 %	95.4 %
	Twin Cities Area	MN	25	3,952	15.9 %	95.4 %	95.9 %
Industrial total			31	4,784	19.3 %	95.5 %	95.9 %
Total U.S. portfolio			70	9,874	39.7 %	93.6 %	94.6 %
Total Canadian and U.S. portfolio			233	23,985	96.8 %	91.6 %	93.2 %

(1) Information is as at December 31, 2017, and excludes properties listed in the Property Held for Redevelopment table and the New Development Activity table on the following page.
(2) Percentage committed is based on occupancy at December 31, 2017, plus commitments on vacant space.

Property Held for Redevelopment

Asset class	City	Province / State	Property count	Owned share of GLA (000's of S.F.)	% of portfolio GLA	Property	% Committed (1)
Office	Calgary	AB	1	92	0.4%	Sierra Place	22.6%

(1) Percentage committed is based on occupancy at December 31, 2017, plus commitments on vacant space.

(In thousands of Canadian dollars, unless otherwise noted)

Redevelopment in Process:

Redevelopment plans are underway to convert Sierra Place, located in Calgary, Alberta, from an office property to a residential property. The building, which is conveniently located downtown on a light rail transit (LRT) line and provides access to the Plus 15 walkway system, will have approximately 100 suites upon completion of the redevelopment. Redevelopment work is anticipated to begin in early 2018.

Completed Redevelopments:

220 Portage Avenue, an office property in Winnipeg, Manitoba, has undergone an extensive redevelopment to modernize both the exterior and interior of the building. Some of the upgrades included new exterior LED lighting, new building signage, new finishes to the exterior podium, revitalization of the main floor and lower level common areas (new elevator cabs and controls, flooring, wall tile, lighting), as well as considerable upgrades to office space throughout the building (new ceiling grid and tile, new mechanical systems ducted to multiple zones, new LED lighting with daylight harvesting). These upgrades will improve the energy efficiency, functionality and aesthetics of the property. 220 Portage Avenue has achieved LEED platinum certification. Redevelopment work was completed in Q4-17; therefore, the property is no longer considered held for redevelopment.

Sunridge Pointe, a retail property located in Calgary, Alberta, has been redeveloped to accommodate a grocery store tenant with a long-term lease which commenced in Q4-17. Redevelopment work is now complete; therefore, the property is no longer considered held for redevelopment.

Redevelopment Initiatives:

Artis is exploring an opportunity to convert 2145-2155 Dunwin Drive, located in the Greater Toronto Area, Ontario, to office condominiums. The property is a 52,969 square foot two-storey flex industrial/office complex that is located just minutes from Queen Elizabeth Way and Highway 403. Additional information about this redevelopment will be released as progress is made and key milestones are achieved.

New Development Activity

Asset class	City	Province / State	Property count	Owned share of GLA (000's of S.F.) (1)	% of portfolio GLA	Property	% Completed	% Committed (2)
Office	Minneapolis	MN	1	139	0.6%	Millwright Building	100.0%	35.0%
Industrial	Greater Phoenix Area	AZ	1	119	0.5%	Park Lucero Phase II	100.0%	100.0%
Industrial	Houston	TX	1	418	1.7%	Park 8Ninety Phase I	100.0%	59.0%
Office	Greater Denver Area	CO	—	—	—	169 Inverness Drive West Phase I	98.0%	—%
Total completed new developments			3	676	2.8%			

(1) Owned share of GLA includes only properties where construction is 100% completed.
(2) Percentage committed is based on occupancy at December 31, 2017, plus commitments on vacant space.

Completed New Developments:

In Q3-16, Artis entered into a joint venture arrangement for an 80% ownership interest in the Millwright Building, 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. Base-building construction of this new development, which comprises approximately 174,000 square feet, was completed in Q1-17.

In Q3-17, Artis bought the remaining 10% interest in Phase I, III and IV of Park Lucero, an industrial project located in the Greater Phoenix Area, Arizona. Construction of Park Lucero Phase I was completed in 2015. Construction of Park Lucero Phase II, in which Artis still has a 90% ownership interest as a joint venture arrangement, comprising 132,000 square feet was completed in Q1-17. Construction of Park Lucero Phase III, which is 100% leased and comprises 147,000 square feet, was completed in Q2-17. The entire project is expected to total approximately 580,000 square feet.

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 comprises four buildings totalling approximately 440,000 square feet. Construction of Park 8Ninety Phase I was completed in Q2-17.

New Development in Process:

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, is well underway. Phase I of this project includes the development of a Class A office building expected to comprise approximately 118,000 square feet. The site 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 in Q1-18. Leasing at this project is under way.

New Development Initiatives

New Development Initiatives - Early Planning Stages:

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. This densification opportunity is located at 300 Main Street, which is adjacent to Artis' office tower located at 360 Main Street.

Artis owns a 12 acre parcel of land in Winnipeg, Manitoba, called Linden Ridge Shopping Centre Phase II, which is located adjacent to Linden Ridge Shopping Centre, a retail property also owned by Artis. Lowe's is leasing nine acres of the land at the site pursuant to a land lease which commenced in Q2-17. Artis has the potential to build an additional 30,000 square foot building on the remaining three acres of land.

Artis is exploring opportunities for a densification project at 415 Yonge Street in Toronto, Ontario. 415 Yonge Street is in a prime location in downtown Toronto, across from the College Station subway stop and in close proximity to the University of Toronto and Ryerson University. Preliminary plans to build approximately 400 apartment units above this 19-storey office building are underway. Additional information about this development will be released as progress is made and key milestones are achieved.

(In thousands of Canadian dollars, unless otherwise noted)

Artis is exploring opportunities for a densification project at Concorde Corporate Centre in the Greater Toronto Area, Ontario. The site provides direct access to Don Valley Parkway and convenient access to other major thoroughfares in the Greater Toronto Area. Preliminary plans are underway to build 500 apartment units on the site. Additional information about this development will be released as progress is made and key milestones are achieved.

Development plans are underway to rezone the Stampede Station II site on Macleod Trail in Calgary, Alberta, from the current 300,000 square feet office project to a 30-storey multi-family project with 300 suites. Additional information will be released as key milestones are achieved.

New Development Initiatives - Early Planning Stages and Future Development:

Asset class	City	Province / State	Estimated owned share of GLA (000's of S.F.)	Property
Residential	Winnipeg	MB	612	300 Main
Retail	Winnipeg	MB	30	Linden Ridge Shopping Centre Phase III
Residential	Toronto	ON	403	415 Yonge Street Apartments
Residential	Greater Toronto Area	ON	800	Concorde Apartments
Residential	Calgary	AB	315	Stampede Station Apartments
Industrial	Greater Phoenix Area	AZ	95	Park Lucero Phase IV
Industrial	Houston	TX	1,358	Park 8Ninety - Future Phases
Office	Houston	TX	1,458	Corridor Park
Office	Twin Cities Area	MN	335	801 Carlson Parkway
Office	Greater Denver Area	CO	120	Inverness Drive West Phase II
Retail	Greater Denver Area	CO	20	Inverness Drive West Phase III
Office	Madison	WI	130	Aspen Land (1)
Office	Madison	WI	120	Greenway Land
Office	Madison	WI	165	Heartland Trail Land

(1) Artis has an option to purchase this land.

2017 ANNUAL HIGHLIGHTS

PORTFOLIO ACTIVITY

During 2017, Artis acquired four industrial properties and the remaining interest in three properties held in joint venture arrangements, disposed of 23 properties and completed the development of six properties.

	Office		Retail		Industrial		Total	
	Property count	S.F. (000's) (1)	Property count	S.F. (000's) (1)	Property count	S.F. (000's) (1)	Property count	S.F. (000's) (1)
Portfolio properties, December 31, 2016	79	10,996	58	4,037	113	10,659	250	25,692
Acquisitions	—	—	—	—	4	817	4	817
New developments	1	139	1	n/a (2)	4	799	6	938
Dispositions	(7)	(663)	(5)	(583)	(11)	(1,448)	(23)	(2,694)
Portfolio properties, December 31, 2017	73	10,472	54	3,454	110	10,827	237	24,753

(1) Based on owned share of total leasable area.
(2) A new land lease on a previously vacant parcel of land commenced.

Property Acquisitions

Property	Property count	Location	Acquisition date	Asset class	Owned share of GLA	Purchase price
U.S. Industrial Portfolio	3	Various cities in the U.S. (1)	December 11, 2017	Industrial	377,956	$ US40,000
Clearwater Creek Distribution Center	1	Twin Cities Area, MN	December 20, 2017	Industrial	402,522	US26,850

(1) Two of the properties are located in the Greater Phoenix Area, Arizona and the third property is located in the Greater Denver Area, Colorado.

On September 7, 2017, the REIT acquired the remaining 10% interest in each of Park Lucero I, Park Lucero III and Park Lucero IV, phases of the Park Lucero industrial project located in the Greater Phoenix Area, Arizona, for total consideration of US$2,290. Refer to the Portfolio Summary section of this MD&A for further discussion of this project.

On September 29, 2017, the REIT also acquired a parkade that is ancillary to an existing office property in Winnipeg, Manitoba for $13,850.

(In thousands of Canadian dollars, unless otherwise noted)

Property Dispositions

Property	Property count	Location	Disposition date	Asset class	Owned share of GLA	Sale price
Airdrie Flex Industrial	1	Airdrie, AB	February 6, 2017	Industrial	27,535	$ 5,432
Southview Centre	1	Medicine Hat, AB	March 10, 2017	Retail	162,062	28,100
Westbank Hub Shopping Centre and Westbank Hub Centre North [(1)]	2	Westbank, BC	March 15, 2017	Retail	326,934	80,100
Ford Tower and Alpine Building	2	Calgary, AB	March 30, 2017	Office	201,349	37,500
Edson Shoppers	1	Edson, AB	April 7, 2017	Retail	20,405	7,025
Horizon Heights	1	Calgary, AB	July 5, 2017	Retail	73,428	34,000
Sherwood Centre	1	Edmonton, AB	August 15, 2017	Industrial	162,975	13,500
6075 Kestrel Road	1	Greater Toronto Area, ON	September 1, 2017	Industrial	32,281	5,400
Quarry Park Portfolio	3	Calgary, AB	September 15, 2017	Office	282,327	98,000
488 Albert Street	1	Nanaimo, BC	October 10, 2017	Office	30,278	7,950
Twin Cities Industrial Portfolio	7	Twin Cities Area, MN	November 17, 2017	Industrial	1,204,612	US70,600
Millennium Centre	1	Red Deer, AB	December 7, 2017	Office	148,871	33,000
12 Indell Lane	1	Greater Toronto Area, ON	December 21, 2017	Industrial	20,752	3,061

(1) The REIT disposed of its 75% interest in these properties.

During 2017, Artis repaid $108,323 and US$47,573 of mortgage debt related to the disposition of the above properties.

FINANCING ACTIVITIES

Early Redemption of Series G Convertible Debentures

On February 28, 2017, Artis completed the early redemption of the outstanding Series G convertible debentures with a face value of US$87,975.

Credit Facilities

In 2017, the REIT entered into two five-year unsecured non-revolving term credit facilities in the aggregate amount of $300,000, which can be utilized for general corporate and working capital purposes, property acquisitions and development financing. The first facility matures on July 6, 2022 and the REIT entered into an interest rate swap to effectively lock the interest rate on this facility at 3.57%. The second facility matures on July 18, 2022 and the REIT entered into an interest rate swap to effectively lock the interest rate on this facility at 3.50%. Both facilities were fully drawn at December 31, 2017.

During 2017, Artis drew a net balance of $162,500 on its unsecured revolving term credit facilities. Proceeds of the credit facilities were primarily used for repayment of maturing mortgages and for ongoing development expenditures.

Debt Financing and Repayment Activity

During 2017, Artis repaid 17 maturing mortgages in the aggregate amount of $391,811. Artis refinanced one maturing mortgage, received upward financing on one mortgage and new financing on one property, net of financing costs, in the aggregate amount of $39,633. In 2017, Artis drew on development loans, net of financing costs, in the amount of $57,349.

Short Form Base Shelf Prospectus

On August 8, 2016, the REIT issued a short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of $2,000,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. As at December 31, 2017, the REIT had not issued any securities under this short form base shelf prospectus.

Distribution Reinvestment and Unit Purchase Plan ("DRIP")

On January 13, 2017, Artis announced the suspension of its DRIP until further notice.

Series A Preferred Units Distribution Rate Reset

On September 30, 2017, the annual distribution rate was reset for the Series A preferred units. The REIT did not exercise its right to redeem any of the Series A preferred units and none of these units were reclassified to Series B preferred units. Accordingly, all 3,450,000 Series A preferred units remain issued and outstanding for the subsequent five-year period commencing October 1, 2017. During this period, Series A preferred unitholders will be entitled to receive a cumulative distribution yield of 5.662% per annum, payable quarterly, if, as and when declared by the Board of Trustees.

DISTRIBUTIONS

Artis declared distributions of $181,052 to unitholders in 2017, which included distributions to preferred unitholders in the amount of $18,418.

(In thousands of Canadian dollars, unless otherwise noted)

SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	2017	Year ended December 31, 2016	Change	% Change	Year ended December 31, 2015
Revenue	$ 542,929	$ 572,515	$ (29,586)	(5.2)%	$ 552,502
Property NOI	325,645	348,714	(23,069)	(6.6)%	341,952
Net income (loss)	234,435	115,935	118,500	102.2 %	(175,699)
Basic income (loss) per common unit	1.43	0.67	0.76	113.4 %	(1.41)
Diluted income (loss) per common unit	1.43	0.67	0.76	113.4 %	(1.41)
Distributions to common unitholders	$ 162,634	$ 157,018	$ 5,616	3.6 %	$ 148,709
Distributions per common unit	1.08	1.08	—	— %	1.08
FFO (1)	$ 215,360	$ 225,876	$ (10,516)	(4.7)%	$ 215,648
FFO per unit	1.43	1.55	(0.12)	(7.7)%	1.53
FFO payout ratio (1)	75.5%	69.7%		5.8 %	70.6%
AFFO (2)	$ 157,467	$ 168,748	$ (11,281)	(6.7)%	$ 186,450
AFFO per unit (2)	1.04	1.16	(0.12)	(10.3)%	1.34
AFFO payout ratio (2)	103.8%	93.1%		10.7 %	80.6%
Interest coverage ratio	3.05	2.99	0.06	2.0 %	2.92
EBITDA interest coverage ratio	3.24	3.11	0.13	4.2 %	3.04

(1) The 2016 and 2015 comparative information has been revised to reflect the impact of the new FFO guidelines as issued by REALpac in February 2017. Please refer to the FFO and AFFO section of this MD&A for a comparison of the revised 2016 amounts to previously disclosed amounts.
(2) The 2016 comparative information has been revised to reflect the impact of the new AFFO guidelines as issued by REALpac in February 2017. Please refer to the FFO and AFFO section of this MD&A for a comparison of the revised 2016 amounts to previously disclosed amounts. The REIT did not revise is AFFO amounts for 2015.

Revenue, Property NOI, FFO and AFFO were impacted by acquisitions, dispositions, completed (re)developments, lease termination income received from tenants and the impact of foreign exchange in 2016 and 2017.

000's, except per unit amounts	December 31, 2017	December 31, 2016	% Change	December 31, 2015
Consolidated financial statements debt to GBV:				
Secured mortgages and loans to GBV	29.9%	39.1%	(9.2)%	39.9%
Total long-term debt and credit facilities to GBV	47.9%	49.8%	(1.9)%	51.4%
Proportionate Share debt to GBV:				
Secured mortgages and loans to GBV	31.9%	40.6%	(8.7)%	41.2%
Total long-term debt and credit facilities to GBV	49.3%	51.0%	(1.7)%	52.4%
Total long-term debt and credit facilities to EBITDA	8.4	8.4	— %	8.7
NAV per unit	$ 14.86	$ 15.00	(0.9)%	$ 15.78
Fair value of unencumbered properties	$ 1,687,754	$ 998,770	69.0 %	$ 1,059,792
Total assets	$ 5,382,008	$ 5,664,907	(5.0)%	$ 5,651,280
Total non-current financial liabilities	1,807,853	1,962,023	(7.9)%	2,227,769

(In thousands of Canadian dollars, unless otherwise noted)

ANALYSIS OF OPERATING RESULTS

The following provides a reconciliation of the consolidated statements of operations as prepared in accordance with IFRS in the REIT's consolidated financial statements to its Proportionate Share:

	Three months ended December 31,					
	2017			2016		
	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share
Revenue	$ 126,256	$ 6,827	$ 133,083	$ 140,663	$ 5,715	$ 146,378
Expenses:						
Property operating	32,222	2,038	34,260	36,334	1,957	38,291
Realty taxes	19,092	1,017	20,109	21,249	892	22,141
	51,314	3,055	54,369	57,583	2,849	60,432
Net operating income	74,942	3,772	78,714	83,080	2,866	85,946
Other income (expenses):						
Corporate expenses	(3,332)	—	(3,332)	(3,234)	—	(3,234)
Interest expense	(23,462)	(1,613)	(25,075)	(26,340)	(1,223)	(27,563)
Interest income	307	3	310	286	1	287
Net income from investments in joint ventures	5,742	(5,742)	—	6,081	(6,081)	—
Fair value gain (loss) on investment properties	4,906	3,580	8,486	(97,291)	4,437	(92,854)
Foreign currency translation loss	(3,144)	—	(3,144)	(4,695)	—	(4,695)
Transaction costs	(543)	—	(543)	(9)	—	(9)
(Loss) gain on financial instruments	(1,420)	—	(1,420)	12,513	—	12,513
Income (loss) before income taxes	53,996	—	53,996	(29,609)	—	(29,609)
Income tax recovery (expense)	67	—	67	(683)	—	(683)
Net income (loss)	54,063	—	54,063	(30,292)	—	(30,292)
Other comprehensive income:						
Unrealized foreign currency translation gain	8,362	4,172	12,534	14,527	11,409	25,936
Unrealized foreign currency translation gain on joint ventures	4,172	(4,172)	—	11,409	(11,409)	—
Unrealized loss from remeasurements of net pension obligation	(33)	—	(33)	(4)	—	(4)
	12,501	—	12,501	25,932	—	25,932
Total comprehensive income (loss)	$ 66,564	$ —	$ 66,564	$ (4,360)	$ —	$ (4,360)

(1) Adjustment to reflect investments in joint ventures on a Proportionate Share basis.

(In thousands of Canadian dollars, unless otherwise noted)

	Year ended December 31, 2017			2016		
	Per consolidated financial statements	Adjustment (1)	Total Proportionate Share	Per consolidated financial statements	Adjustment (1)	Total Proportionate Share
Revenue	$ 516,328	$ 26,601	$ 542,929	$ 549,151	$ 23,364	$ 572,515
Expenses:						
Property operating	123,855	7,921	131,776	126,098	7,026	133,124
Realty taxes	81,249	4,259	85,508	86,937	3,740	90,677
	205,104	12,180	217,284	213,035	10,766	223,801
Net operating income	311,224	14,421	325,645	336,116	12,598	348,714
Other income (expenses):						
Corporate expenses	(13,778)	—	(13,778)	(13,322)	—	(13,322)
Interest expense	(96,496)	(6,210)	(102,706)	(108,138)	(4,579)	(112,717)
Interest income	1,148	8	1,156	1,210	5	1,215
Net income from investments in joint ventures	21,280	(21,280)	—	13,367	(13,367)	—
Fair value gain (loss) on investment properties	4,694	13,061	17,755	(114,757)	5,343	(109,414)
Foreign currency translation loss	(267)	—	(267)	(2,345)	—	(2,345)
Transaction costs	(1,110)	—	(1,110)	(1,105)	—	(1,105)
Gain on financial instruments	7,421	—	7,421	5,592	—	5,592
Income before income taxes	234,116	—	234,116	116,618	—	116,618
Income tax recovery (expense)	319	—	319	(683)	—	(683)
Net income	234,435	—	234,435	115,935	—	115,935
Other comprehensive loss:						
Unrealized foreign currency translation loss	(60,530)	(11,853)	(72,383)	(25,508)	4,863	(20,645)
Unrealized foreign currency translation (loss) gain on joint ventures	(11,853)	11,853	—	4,863	(4,863)	—
Unrealized loss from remeasurements of net pension obligation	(111)	—	(111)	(34)	—	(34)
	(72,494)	—	(72,494)	(20,679)	—	(20,679)
Total comprehensive income	$ 161,941	$ —	$ 161,941	$ 95,256	$ —	$ 95,256

(1) Adjustment to reflect investments in joint ventures on a Proportionate Share basis.

(In thousands of Canadian dollars, unless otherwise noted)

REVENUE AND PROPERTY NOI

	Three months ended December 31, 2017	2016	Change	% Change	Year ended December 31, 2017	2016	Change	% Change
Revenue:								
Basic rent, parking and other revenue	$ 90,514	$ 98,189	$ (7,675)		$ 374,452	$ 388,379	$ (13,927)	
Operating cost and realty tax recoveries	44,733	50,751	(6,018)		177,602	189,277	(11,675)	
Tenant inducements amortized to revenue	(4,750)	(4,873)	123		(18,598)	(17,752)	(846)	
Straight-line rent adjustments	1,925	1,743	182		7,413	6,194	1,219	
Lease termination income	661	568	93		2,060	6,417	(4,357)	
	133,083	146,378	(13,295)	(9.1)%	542,929	572,515	(29,586)	(5.2)%
Expenses:								
Property operating	34,260	38,291	(4,031)		131,776	133,124	(1,348)	
Realty taxes	20,109	22,141	(2,032)		85,508	90,677	(5,169)	
	54,369	60,432	(6,063)	(10.0)%	217,284	223,801	(6,517)	(2.9)%
Property NOI	$ 78,714	$ 85,946	$ (7,232)	(8.4)%	$ 325,645	$ 348,714	$ (23,069)	(6.6)%

Basic rent, parking and other revenue, as well as 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 steps 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, insurance, utilities and property management expenses.

SAME PROPERTY NOI ANALYSIS

Same Property NOI comparison includes investment properties that were owned for a full quarterly reporting period in both the current and comparative year, and excludes properties held for (re)development.

	Three months ended December 31, 2017	2016	Change	% Change	Year ended December 31, 2017	2016	Change	% Change
Revenue (1)	$ 129,533	$ 132,603			$ 501,590	$ 509,783		
Add (deduct) non-cash revenue adjustments:								
Tenant inducements amortized to revenue	4,360	4,212			17,317	15,686		
Straight-line rent adjustments	(1,656)	(1,848)			(5,403)	(5,694)		
	132,237	134,967			513,504	519,775		
Property operating and realty tax expenses	53,076	55,559			202,483	207,907		
Same Property NOI	$ 79,161	$ 79,408	$ (247)	(0.3)%	$ 311,021	$ 311,868	$ (847)	(0.3)%

(1) Adjusted for non-recurring revenue amounts such as lease termination income.

Lease termination income related to significant tenants of $1,834 (Q4-17 - $613) in 2017, compared to $2,187 (Q4-16 - $413) in 2016, has been excluded, other than the portion that covers lost revenue due to vacancy, for purposes of the Same Property NOI calculation.

(In thousands of Canadian dollars, unless otherwise noted)

Same Property NOI by Asset Class

	Three months ended December 31, 2017	2016	Change	% Change	Year ended December 31, 2017	2016	Change	% Change
Canada:								
Office	$ 22,423	$ 21,670	$ 753	3.5 %	$ 94,874	$ 95,193	$ (319)	(0.3)%
Retail	14,999	14,726	273	1.9 %	60,198	59,408	790	1.3 %
Industrial	11,143	11,195	(52)	(0.5)%	44,968	43,570	1,398	3.2 %
Total Canada	48,565	47,591	974	2.0 %	200,040	198,171	1,869	0.9 %
U.S.:								
Office	17,221	17,461	(240)	(1.4)%	57,125	57,361	(236)	(0.3)%
Retail	1,211	979	232	23.7 %	4,448	4,580	(132)	(0.2)%
Industrial	5,630	5,408	222	4.1 %	24,169	23,840	329	0.4 %
Total U.S.	24,062	23,848	214	0.9 %	85,742	85,781	(39)	— %
Total in functional currency	72,627	71,439	1,188	1.7 %	285,782	283,952	1,830	0.6 %
Foreign exchange	6,534	7,969	(1,435)	(18.0)%	25,239	27,916	(2,677)	(9.6)%
Total in Canadian dollars	$ 79,161	$ 79,408	$ (247)	(0.3)%	$ 311,021	$ 311,868	$ (847)	(0.3)%

Artis' Canadian office segment decreased year-over-year primarily due to increased vacancy and lower rents in Calgary, Alberta. Excluding the impact of the Calgary office properties, the Canadian office segment increased $1,985 (Q4-17 - increased $1,192) or increased 3.5% (Q4-17 - increased 8.8%) in 2017.

Same Property Occupancy Report

Geographical Region	As at December 31, 2017	2016
Alberta	83.1%	85.4%
British Columbia	94.8%	90.4%
Manitoba	94.2%	93.8%
Ontario	94.6%	93.1%
Saskatchewan	92.4%	97.6%
Arizona	92.3%	93.4%
Minnesota	93.9%	93.2%
Wisconsin	92.3%	89.7%
U.S. - Other	92.7%	93.8%
Total	91.9%	91.9%

Asset Class	As at December 31, 2017	2016
Office	87.9 %	89.2 %
Retail	91.6 %	91.8 %
Industrial	96.1 %	94.8 %
Total	91.9 %	91.9 %

(In thousands of Canadian dollars, unless otherwise noted)

Same Property NOI by Geographical Region and stabilized Same Property NOI

	Three months ended December 31, 2017	2016	Change	% Change	Year ended December 31, 2017	2016	Change	% Change
Alberta	$ 18,521	$ 19,086	$ (565)	(3.0)%	$ 82,166	$ 84,275	$ (2,109)	(2.5)%
British Columbia	3,835	3,461	374	10.8 %	14,494	13,920	574	4.1 %
Manitoba	11,673	10,799	874	8.1 %	45,470	42,993	2,477	5.8 %
Ontario	9,364	8,966	398	4.4 %	37,019	36,323	696	1.9 %
Saskatchewan	5,172	5,279	(107)	(2.0)%	20,891	20,660	231	1.1 %
Arizona	4,738	5,032	(294)	(5.8)%	19,743	19,832	(89)	(0.4)%
Minnesota	10,838	10,781	57	0.5 %	44,552	45,507	(955)	(2.1)%
Wisconsin	5,603	5,013	590	11.8 %	9,843	8,612	1,231	14.3 %
U.S. - Other	2,883	3,022	(139)	(4.6)%	11,604	11,830	(226)	(1.9)%
Total Same Property NOI in functional currency	72,627	71,439	1,188	1.7 %	285,782	283,952	1,830	0.6 %
Less: properties planned for disposition	*(1,918)*	*(1,548)*	*(370)*	*23.9 %*	*(10,756)*	*(10,822)*	*66*	*(0.6)%*
Less: properties planned for re-purposing	*—*	*—*	*—*	*— %*	*(203)*	*(731)*	*528*	*(72.2)%*
Less: Calgary office segment	*(7,714)*	*(8,153)*	*439*	*(5.4)%*	*(35,812)*	*(38,036)*	*2,224*	*(5.8)%*
Stabilized Same Property NOI in functional currency	*62,995*	*61,738*	*1,257*	*2.0 %*	*239,011*	*234,363*	*4,648*	*2.0 %*
Foreign exchange	*6,119*	*7,532*	*(1,413)*	*(18.8)%*	*22,636*	*25,036*	*(2,400)*	*(9.6)%*
Stabilized Same Property NOI in Canadian dollars	*$ 69,114*	*$ 69,270*	*$ (156)*	*(0.2)%*	*$ 261,647*	*$ 259,399*	*$ 2,248*	*0.9 %*

The REIT has presented a stabilized Same Property NOI calculation which excludes properties planned for disposition, those undergoing plans for re-purposing and the Calgary office segment.

During 2017, management made the strategic decision to list all seven Minnesota retail properties for sale. Subsequent to Q4-17, the REIT sold the Humana Building, an office building in the Greater Phoenix Area, Arizona. The REIT has also listed for sale Centrepoint, an office building in Winnipeg, Manitoba. These properties are part of a capital recycling program to acquire newer generation real estate in Artis' target markets.

The Calgary office segment has been considered a non-stabilized segment as the volatility of oil prices on Alberta's economy has created non-stabilized results. Management has been proactive in new leasing and tenant retention initiatives, and is focused on minimizing risk wherever possible. During 2017, the REIT sold five Calgary office properties.

PROPERTY NOI BY ASSET CLASS

Canadian Portfolio:

In Q4-17, Property NOI decreased in the office segment due to dispositions in 2016 and 2017. The office segment continues to decline due to increased vacancy and lower rents in Calgary, Alberta. The retail segment decreased due to dispositions in 2016 and 2017, partially offset by a land lease commencing on the Linden Ridge Shopping Centre Phase II development lands and lease termination fee income received in Q4-17. The industrial segment also decreased due to dispositions in 2016 and 2017.

	Three months ended December 31, 2017			2016		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	$ 39,159	$ 23,377	$ 17,108	$ 46,657	$ 25,297	$ 18,715
Property operating and realty tax expenses	18,294	8,071	5,504	22,032	8,752	5,733
Property NOI	$ 20,865	$ 15,306	$ 11,604	$ 24,625	$ 16,545	$ 12,982
Share of Property NOI	*43.7%*	*32.0%*	*24.3%*	*45.4%*	*30.6%*	*24.0%*

(In thousands of Canadian dollars, unless otherwise noted)

U.S. Portfolio:

In Q4-17, Property NOI decreased in the office segment in comparison to 2016, primarily due to the effect of foreign exchange. The industrial segment increased primarily due to completion of the Park 8Ninety Phase I and Park Lucero Phase III developments, and increased occupancy at Park Lucero Phase I, partially offset by dispositions in 2017 and the effect of foreign exchange.

	Three months ended December 31,					
	2017			2016		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	$ 38,770	$ 2,310	$ 12,339	$ 40,645	$ 2,231	$ 12,785
Property operating and realty tax expenses	17,464	891	4,145	18,070	951	4,894
Property NOI	$ 21,306	$ 1,419	$ 8,194	$ 22,575	$ 1,280	$ 7,891
Share of Property NOI	*68.9%*	*4.6%*	*26.5%*	*71.1%*	*4.0%*	*24.9%*

Total Canadian and U.S. Portfolio:

	Three months ended December 31,					
	2017			2016		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	$ 77,929	$ 25,687	$ 29,447	$ 87,302	$ 27,528	$ 31,500
Property operating and realty tax expenses	35,758	8,962	9,649	40,102	9,703	10,627
Property NOI	$ 42,171	$ 16,725	$ 19,798	$ 47,200	$ 17,825	$ 20,873
Share of Property NOI	*53.6%*	*21.2%*	*25.2%*	*54.9%*	*20.8%*	*24.3%*

Canadian Portfolio:

	Year ended December 31,					
	2017			2016		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	$ 167,145	$ 91,741	$ 68,361	$ 186,332	$ 110,172	$ 80,876
Property operating and realty tax expenses	76,096	30,271	22,115	83,333	34,094	25,113
Property NOI	$ 91,049	$ 61,470	$ 46,246	$ 102,999	$ 76,078	$ 55,763
Share of Property NOI	*45.8%*	*30.9%*	*23.3%*	*43.9%*	*32.4%*	*23.7%*

U.S. Portfolio:

	Year ended December 31,					
	2017			2016		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	$ 157,781	$ 9,024	$ 48,539	$ 135,389	$ 9,741	$ 49,770
Property operating and realty tax expenses	67,735	3,577	17,490	58,487	3,835	18,939
Property NOI	$ 90,046	$ 5,447	$ 31,049	$ 76,902	$ 5,906	$ 30,831
Share of Property NOI	*71.2%*	*4.3%*	*24.5%*	*67.7%*	*5.2%*	*27.1%*

(In thousands of Canadian dollars, unless otherwise noted)

Total Canadian and U.S. Portfolio:

	Year ended December 31, 2017			2016		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	$ 324,926	$ 100,765	$ 116,900	$ 321,721	$ 119,913	$ 130,646
Property operating and realty tax expenses	143,831	33,848	39,605	141,820	37,929	44,052
Property NOI	$ 181,095	$ 66,917	$ 77,295	$ 179,901	$ 81,984	$ 86,594
Share of Property NOI	*55.7%*	*20.6%*	*23.7%*	*51.7%*	*23.5%*	*24.8%*

PROPERTY NOI BY GEOGRAPHICAL REGION

In Q4-17, Property NOI decreased in Alberta, British Columbia and Minnesota due to dispositions in 2016 and 2017. Increased vacancy and lower rents in the Calgary office segment also contributed to the decrease in Alberta. The U.S. region has also been impacted by the effect of foreign exchange.

Three months ended December 31, 2017	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Revenue	$ 28,906	$ 5,668	$ 21,067	$ 15,993	$ 8,010	$ 9,625	$ 24,604	$ 12,975	$ 6,215
Property operating and realty tax expenses	10,722	2,168	9,828	6,395	2,756	3,326	10,756	5,789	2,629
Property NOI	$ 18,184	$ 3,500	$ 11,239	$ 9,598	$ 5,254	$ 6,299	$ 13,848	$ 7,186	$ 3,586
Share of Property NOI	*23.1 %*	*4.4 %*	*14.3 %*	*12.2 %*	*6.7%*	*8.0 %*	*17.6 %*	*9.1 %*	*4.6 %*

Three months ended December 31, 2016	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Revenue	$ 40,218	$ 6,805	$ 20,327	$ 15,369	$ 7,950	$ 9,547	$ 26,859	$ 13,509	$ 5,746
Property operating and realty tax expenses	14,819	2,776	9,870	6,526	2,526	3,349	11,816	6,242	2,508
Property NOI	$ 25,399	$ 4,029	$ 10,457	$ 8,843	$ 5,424	$ 6,198	$ 15,043	$ 7,267	$ 3,238
Share of Property NOI	*29.6%*	*4.6%*	*12.2%*	*10.3%*	*6.3%*	*7.2%*	*17.5%*	*8.5%*	*3.8%*

Year ended December 31, 2017	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Revenue	$ 132,424	$ 23,060	$ 78,400	$ 62,127	$ 31,236	$ 38,522	$ 100,102	$ 52,036	$ 24,684
Property operating and realty tax expenses	49,562	8,953	34,409	25,521	10,037	12,875	43,810	21,734	10,383
Property NOI	$ 82,862	$ 14,107	$ 43,991	$ 36,606	$ 21,199	$ 25,647	$ 56,292	$ 30,302	$ 14,301
Share of Property NOI	*25.5%*	*4.3%*	*13.5%*	*11.3%*	*6.5%*	*7.8%*	*17.3%*	*9.3%*	*4.5%*

Year ended December 31, 2016	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Revenue	$ 173,383	$ 33,539	$ 77,812	$ 61,750	$ 30,896	$ 38,382	$ 105,686	$ 26,515	$ 24,317
Property operating and realty tax expenses	61,732	11,198	34,330	25,562	9,718	13,002	46,353	11,737	10,169
Property NOI	$ 111,651	$ 22,341	$ 43,482	$ 36,188	$ 21,178	$ 25,380	$ 59,333	$ 14,778	$ 14,148
Share of Property NOI	*32.0%*	*6.4%*	*12.5%*	*10.4%*	*6.1%*	*7.3%*	*17.0%*	*4.2%*	*4.1%*

(In thousands of Canadian dollars, unless otherwise noted)

PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at December 31, 2017, and the previous four periods, were as follows:

Occupancy Report by Asset Class (1)

	Q4-17 % Committed (2)	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16
Office	90.2%	87.2%	88.5%	89.2%	88.7%	89.1%
Retail	93.4%	92.6%	96.1%	93.9%	93.1%	93.0%
Industrial	96.2%	95.6%	94.9%	92.5%	92.9%	94.2%
Total portfolio	93.2%	91.6%	92.4%	91.3%	91.1%	91.9%

(1) Based on properties included in the Portfolio Summary - Portfolio by Asset Class table.
(2) Percentage committed is based on occupancy at December 31, 2017, plus commitments on vacant space.

Occupancy Report by Geographical Region (1)

	Q4-17 % Committed (2)	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16
Canada:						
Alberta	85.5%	82.1%	87.7%	86.2%	88.0%	86.4%
British Columbia	95.3%	94.8%	94.7%	93.3%	89.6%	92.4%
Manitoba	94.4%	92.0%	93.5%	93.8%	94.2%	93.8%
Ontario	95.4%	94.8%	94.7%	93.2%	93.2%	93.2%
Saskatchewan	95.0%	92.4%	92.8%	92.5%	97.8%	97.6%
U.S.:						
Arizona	94.6%	92.2%	93.1%	96.6%	92.6%	93.4%
Minnesota	95.4%	94.3%	92.8%	90.4%	89.4%	92.9%
Wisconsin	92.3%	92.3%	92.0%	92.2%	87.5%	89.7%
Other	94.0%	93.8%	92.4%	92.6%	93.8%	93.8%
Total portfolio	93.2%	91.6%	92.4%	91.3%	91.1%	91.9%

(1) Based on properties included in the Portfolio Summary - Portfolio by Asset Class table.
(2) Percentage committed is based on occupancy at December 31, 2017, plus commitments on vacant space.

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary

	Three months ended December 31, 2017	2016	Year ended December 31, 2017	2016
Leasable area renewed (in S.F.)	594,559	627,649	2,373,422	2,807,867
Increase in weighted-average rental rate	1.6%	2.6%	2.3%	3.3%

Excluding the impact of Calgary office segment lease renewals, Artis' increase in the weighted-average rental rate year-to-date was 4.9% (Q4-17 - increase of 2.8%).

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.

(In thousands of Canadian dollars, unless otherwise noted)

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

	Current vacancy	Monthly tenants (2)	2018	2019	2020	2021	2022 & later	Total
Office - uncommitted	1,004,863	61,626	873,477	1,119,868	1,144,334	1,285,855	3,587,268	9,077,291
Office - committed	303,297	—	358,145	120,710	102,006	31,248	248,231	1,163,637
Total office	1,308,160	61,626	1,231,622	1,240,578	1,246,340	1,317,103	3,835,499	10,240,928
Retail - uncommitted	228,513	19,522	404,552	290,317	416,651	457,470	1,475,975	3,293,000
Retail - committed	26,819	—	91,729	13,933	2,320	—	26,581	161,382
Total retail	255,332	19,522	496,281	304,250	418,971	457,470	1,502,556	3,454,382
Industrial - uncommitted	387,708	37,758	696,698	1,211,935	1,187,661	1,311,336	4,761,754	9,594,850
Industrial - committed	65,702	—	508,786	20,582	28,354	—	71,428	694,852
Total industrial	453,410	37,758	1,205,484	1,232,517	1,216,015	1,311,336	4,833,182	10,289,702
Total - uncommitted	1,621,084	118,906	1,974,727	2,622,120	2,748,646	3,054,661	9,824,997	21,965,141
Total - committed	395,818	—	958,660	155,225	132,680	31,248	346,240	2,019,871
Total portfolio	2,016,902	118,906	2,933,387	2,777,345	2,881,326	3,085,909	10,171,237	23,985,012

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

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

In-Place Rents

In-place rents reflect the weighted-average net annual rental rate per square foot as at December 31, 2017, 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:

	2018	2019	2020	2021	2022 & later	Total
Office:						
In-place rents	$ 18.20	$ 15.54	$ 15.99	$ 17.31	$ 17.15	$ 16.93
Market rents	15.17	13.14	16.12	16.55	19.02	16.71
Change	(16.6)%	(15.4)%	0.8 %	(4.4)%	10.9 %	(1.3)%
Revenue impact (2)	$ (1,987)	$ (1,777)	$ 69	$ (604)	$ 3,312	$ (987)
Retail:						
In-place rents	$ 22.17	$ 25.43	$ 23.48	$ 24.02	$ 20.27	$ 21.96
Market rents	22.99	25.84	23.66	24.92	20.76	22.51
Change	3.7 %	1.6 %	0.8 %	3.8 %	2.4 %	2.5 %
Revenue impact (2)	$ 396	$ 119	$ 61	$ 334	$ 696	$ 1,606
Industrial:						
In-place rents	$ 5.68	$ 7.33	$ 7.83	$ 7.38	$ 9.56	$ 8.35
Market rents	5.94	7.31	7.70	7.52	9.54	8.37
Change	4.6 %	(0.3)%	(1.7)%	1.9 %	(0.2)%	0.2 %
Revenue impact (2)	$ 193	$ (8)	$ (121)	$ 69	$ (39)	$ 94
Total Canadian portfolio:						
In-place rents	$ 14.30	$ 15.36	$ 13.27	$ 15.87	$ 14.40	$ 13.00
Market rents	13.55	14.18	13.27	15.75	15.07	13.05
Change	(5.2)%	(7.7)%	— %	(0.8)%	4.7 %	0.4 %
Revenue impact (2)	$ (1,398)	$ (1,666)	$ 9	$ (201)	$ 3,969	$ 713

(In thousands of Canadian dollars, unless otherwise noted)

U.S. Portfolio:

	2018	2019	2020	2021	2022 & later	Total
Office:						
In-place rents	$ 17.14	$ 21.75	$ 18.89	$ 14.72	$ 18.19	$ 18.17
Market rents	16.66	22.67	18.80	15.10	19.04	18.64
Change	(2.9)%	4.2 %	(0.5)%	2.6 %	4.7%	2.6%
Revenue impact (2)	$ (275)	$ 458	$ (63)	$ 194	$ 1,759	$ 2,073
Retail:						
In-place rents	$ 21.85	$ 19.13	$ 12.96	$ 17.14	$ 12.80	$ 14.85
Market rents	20.43	19.78	14.60	16.71	13.26	15.32
Change	(6.5)%	3.4 %	12.7 %	(2.5)%	3.6%	3.2%
Revenue impact (2)	$ (16)	$ 8	$ 137	$ (38)	$ 37	$ 128
Industrial:						
In-place rents	$ 5.06	$ 5.44	$ 6.11	$ 5.36	$ 5.87	$ 5.63
Market rents	5.13	5.41	6.28	5.57	6.08	5.78
Change	1.4 %	(0.6)%	2.8 %	3.9 %	3.6%	2.7%
Revenue impact (2)	$ 33	$ (26)	$ 56	$ 175	$ 445	$ 683
Total U.S. portfolio:						
In-place rents	$ 11.85	$ 11.54	$ 14.79	$ 9.48	$ 11.99	$ 11.87
Market rents	11.61	11.87	14.90	9.71	12.52	12.18
Change	(2.0)%	2.9 %	0.7 %	2.4 %	4.4%	2.6%
Revenue impact (2)	$ (258)	$ 440	$ 130	$ 331	$ 2,241	$ 2,884

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(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.

Total Canadian and U.S. Portfolio (1):

	2018	2019	2020	2021	2022 & later	Total
Office:						
In-place rents	$ 17.71	$ 18.04	$ 17.68	$ 16.29	$ 17.71	$ 17.54
Market rents	15.87	16.98	17.69	15.98	19.03	17.66
Change	(10.4)%	(5.9)%	0.1 %	(1.9)%	7.5%	0.7%
Revenue impact (2)	$ (2,262)	$ (1,319)	$ 6	$ (410)	$ 5,071	$ 1,086
Retail:						
In-place rents	$ 22.16	$ 25.19	$ 21.38	$ 22.71	$ 20.04	$ 21.44
Market rents	22.93	25.60	21.85	23.35	20.54	22.00
Change	3.5 %	1.6 %	2.2 %	2.8 %	2.5%	2.6%
Revenue impact (2)	$ 380	$ 127	$ 198	$ 296	$ 733	$ 1,734
Industrial:						
In-place rents	$ 5.44	$ 6.03	$ 7.37	$ 6.12	$ 7.95	$ 7.08
Market rents	5.63	6.00	7.32	6.30	8.04	7.16
Change	3.5 %	(0.5)%	(0.7)%	2.9 %	1.1%	1.1%
Revenue impact (2)	$ 226	$ (34)	$ (65)	$ 244	$ 406	$ 777
Total Canadian and U.S. portfolio:						
In-place rents	$ 13.42	$ 13.49	$ 13.87	$ 12.92	$ 13.38	$ 13.40
Market rents	12.86	13.05	13.92	12.96	14.00	13.57
Change	(4.2)%	(3.3)%	0.4 %	0.3 %	4.6%	1.3%
Revenue impact (2)	$ (1,656)	$ (1,226)	$ 139	$ 130	$ 6,210	$ 3,597
Total Canadian and U.S. portfolio excluding Calgary office segment:						
In-place rents	*$ 12.69*	*$ 12.90*	*$ 13.83*	*$ 12.34*	*$ 13.25*	*$ 13.09*
Market rents	*12.98*	*13.13*	*13.87*	*12.43*	*13.61*	*13.34*
Change	*2.3 %*	*1.8 %*	*0.3 %*	*0.7 %*	*2.7%*	*1.9%*
Revenue impact (2)	*$ 813*	*$ 598*	*$ 91*	*$ 238*	*$ 3,415*	*$ 5,155*

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(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.

(In thousands of Canadian dollars, unless otherwise noted)

Market rents at December 31, 2017 were estimated to be 1.3% above in-place rents across the portfolio, compared to 0.7% at September 30, 2017 and 0.9% at December 31, 2016. Today's market rents for the 2018 and 2019 lease expiries are estimated to be 4.2% and 3.3% below in-place rents, respectively. The retail segment is expected to be the strongest contributor to incremental rental revenue over the long-term.

Market rents in certain years are estimated to be below in-place rents due to the impact of the Calgary office segment. Excluding the Calgary office segment, today's market rents for the 2018 and 2019 lease expiries are estimated to be 2.3% and 1.8% above in-place rents, respectively.

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

	Current vacancy	Monthly tenants (2)	2018	2019	2020	2021	2022 & later	Total
AB - uncommitted	577,873	45,334	435,018	319,777	263,961	577,437	1,591,760	3,811,160
AB - committed	134,694	—	20,425	2,638	—	5,700	6,074	169,531
Total Alberta	712,567	45,334	455,443	322,415	263,961	583,137	1,597,834	3,980,691
BC - uncommitted	39,374	10,569	98,364	196,340	44,880	45,379	372,227	807,133
BC - committed	3,897	—	1,039	5,271	8,037	—	12,844	31,088
Total British Columbia	43,271	10,569	99,403	201,611	52,917	45,379	385,071	838,221
MB - uncommitted	215,409	13,508	404,737	354,254	479,879	550,495	1,257,437	3,275,719
MB - committed	93,959	—	385,897	7,454	100,282	—	16,225	603,817
Total Manitoba	309,368	13,508	790,634	361,708	580,161	550,495	1,273,662	3,879,536
ON - uncommitted	181,650	23,373	280,227	349,411	777,219	375,064	1,779,491	3,766,435
ON - committed	23,905	—	50,579	104,431	5,731	—	2,000	186,646
Total Ontario	205,555	23,373	330,806	453,842	782,950	375,064	1,781,491	3,953,081
SK - uncommitted	73,006	6,171	97,029	66,532	61,231	107,960	870,405	1,282,334
SK - committed	37,358	—	108,239	11,295	1,252	—	18,838	176,982
Total Saskatchewan	110,364	6,171	205,268	77,827	62,483	107,960	889,243	1,459,316
AZ - uncommitted	92,438	3,562	34,660	146,108	252,532	197,932	791,607	1,518,839
AZ - committed	40,518	—	9,882	20,582	—	—	106,418	177,400
Total Arizona	132,956	3,562	44,542	166,690	252,532	197,932	898,025	1,696,239
MN - uncommitted	257,220	8,199	310,220	834,019	578,762	1,080,806	2,173,122	5,242,348
MN - committed	59,280	—	196,911	3,554	11,900	—	74,071	345,716
Total Minnesota	316,500	8,199	507,131	837,573	590,662	1,080,806	2,247,193	5,588,064
WI - uncommitted	130,790	6,848	139,775	151,083	230,864	76,196	672,288	1,407,844
WI - committed	—	—	147,065	—	5,478	25,548	109,770	287,861
Total Wisconsin	130,790	6,848	286,840	151,083	236,342	101,744	782,058	1,695,705
U.S. - Other - uncommitted	53,324	1,342	174,697	204,596	59,318	43,392	316,660	853,329
U.S. - Other - committed	2,207	—	38,623	—	—	—	—	40,830
Total U.S. - Other	55,531	1,342	213,320	204,596	59,318	43,392	316,660	894,159
Total - uncommitted	1,621,084	118,906	1,974,727	2,622,120	2,748,646	3,054,661	9,824,997	21,965,141
Total - committed	395,818	—	958,660	155,225	132,680	31,248	346,240	2,019,871
Total portfolio	2,016,902	118,906	2,933,387	2,777,345	2,881,326	3,085,909	10,171,237	23,985,012

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.
(2) Includes holdovers and renewals where term has not been negotiated.

(In thousands of Canadian dollars, unless otherwise noted)

Market Rents by Geographical Region [(1)]

	2018	2019	2020	2021	2022 & later	Total
Alberta:						
In-place rents	$ 23.98	$ 26.30	$ 21.91	$ 20.00	$ 19.11	$ 20.94
Market rents	19.43	21.13	21.92	20.56	21.16	20.86
Change	(19.0)%	(19.7)%	— %	2.8 %	10.7 %	(0.4)%
Revenue impact [(2)]	$ (2,075)	$ (1,665)	$ 4	$ 327	$ 3,170	$ (239)
British Columbia:						
In-place rents	$ 21.85	$ 16.98	$ 18.54	$ 19.42	$ 16.11	$ 17.42
Market rents	22.11	17.51	19.28	18.12	16.73	17.86
Change	1.2 %	3.1 %	4.0 %	(6.6)%	3.8 %	2.5 %
Revenue impact [(2)]	$ 25	$ 107	$ 39	$ (59)	$ 236	$ 348
Manitoba:						
In-place rents	$ 8.80	$ 8.54	$ 13.22	$ 14.32	$ 14.88	$ 12.53
Market rents	9.43	8.85	13.42	13.26	14.89	12.57
Change	7.2 %	3.6 %	1.5 %	(7.4)%	0.1 %	0.3 %
Revenue impact [(2)]	$ 492	$ 109	$ 115	$ (588)	$ 14	$ 142
Ontario:						
In-place rents	$ 9.74	$ 11.16	$ 9.32	$ 9.64	$ 9.82	$ 9.85
Market rents	10.44	10.88	9.06	10.06	10.09	10.00
Change	7.2 %	(2.5)%	(2.8)%	4.4 %	2.7 %	1.5 %
Revenue impact [(2)]	$ 234	$ (125)	$ (199)	$ 157	$ 473	$ 540
Saskatchewan:						
In-place rents	$ 17.64	$ 22.02	$ 22.29	$ 21.58	$ 13.90	$ 15.95
Market rents	17.29	20.84	23.08	21.23	13.99	15.89
Change	(2.0)%	(5.4)%	3.5 %	(1.6)%	0.6 %	(0.4)%
Revenue impact [(2)]	$ (74)	$ (92)	$ 50	$ (38)	$ 76	$ (78)
Arizona:						
In-place rents	$ 23.18	$ 22.42	$ 19.67	$ 14.18	$ 16.91	$ 17.78
Market rents	24.45	24.45	21.24	15.62	18.34	19.29
Change	5.5 %	9.1 %	8.0 %	10.2 %	8.5 %	8.5 %
Revenue impact [(2)]	$ 56	$ 339	$ 397	$ 284	$ 1,280	$ 2,356
Minnesota:						
In-place rents	$ 7.64	$ 6.33	$ 11.69	$ 7.88	$ 8.48	$ 8.29
Market rents	7.52	6.20	11.45	7.84	8.33	8.16
Change	(1.6)%	(2.1)%	(2.1)%	(0.5)%	(1.8)%	(1.6)%
Revenue impact [(2)]	$ (63)	$ (107)	$ (144)	$ (45)	$ (350)	$ (709)
Wisconsin:						
In-place rents	$ 16.00	$ 15.65	$ 16.34	$ 15.00	$ 14.31	$ 15.10
Market rents	15.12	15.89	15.97	15.86	15.70	15.66
Change	(5.5)%	1.5 %	(2.3)%	5.7 %	9.7 %	3.7 %
Revenue impact [(2)]	$ (249)	$ 35	$ (89)	$ 88	$ 1,084	$ 869
U.S. - Other:						
In-place rents	$ 13.93	$ 21.01	$ 18.58	$ 14.88	$ 17.19	$ 17.27
Market rents	13.92	21.86	18.00	14.96	17.91	17.71
Change	(0.1)%	4.0 %	(3.1)%	0.5 %	4.2 %	2.5 %
Revenue impact [(2)]	$ (2)	$ 173	$ (34)	$ 4	$ 227	$ 368
Total portfolio:						
In-place rents	$ 13.42	$ 13.49	$ 13.87	$ 12.92	$ 13.38	$ 13.40
Market rents	12.86	13.05	13.92	12.96	14.00	13.57
Change	(4.2)%	(3.3)%	0.4 %	0.3 %	4.6 %	1.3 %
Revenue impact [(2)]	$ (1,656)	$ (1,226)	$ 139	$ 130	$ 6,210	$ 3,597

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(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 six U.S. states, and across the office, retail and industrial asset classes. At December 31, 2017, the five largest segments of the REIT's portfolio (by Property NOI) were Madison office, Calgary office, Twin Cities Area industrial, Twin Cities Area office and Winnipeg office.

(In thousands of Canadian dollars, unless otherwise noted)

The Madison office segment represents 9.1% of the Q4-17 Property NOI and 6.8% of the overall portfolio by GLA. At December 31, 2017, the Madison office segment of Artis' portfolio was 92.3% occupied, compared to 92.0% at September 30, 2017. In 2018, 286,840 square feet comes up for renewal, which represents 1.2% of the total portfolio GLA; 51.3% was renewed or committed to new leases at December 31, 2017. Of the total Madison office GLA, 46.1% expires in 2022 or later.

The Calgary office segment represents 8.5% of the Q4-17 Property NOI and 8.3% of the overall portfolio by GLA. 41.6% of the total Calgary office GLA is located downtown, 28.1% is beltline and 30.3% is suburban. Overall direct vacancy in the Calgary office market, as reported by CBRE, was 17.2% at December 31, 2017, compared to 16.4% at September 30, 2017. At December 31, 2017, the Calgary office segment of Artis' portfolio was 73.9% occupied (excluding properties held for redevelopment), compared to 78.5% at September 30, 2017. In 2018, 201,872 square feet comes up for renewal, which represents 0.8% of the total portfolio GLA. Of Artis' Calgary office GLA, 33.6% expires in 2022 or later (excluding properties held for redevelopment). Artis' largest 10 Calgary office tenants by GLA lease over half of Artis' Calgary office space with a weighted-average lease term of 4.9 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)	2018	2019	2020	2021	2022 & later	Total
Downtown - uncommitted	333,915	18,086	82,060	83,834	9,692	44,633	141,805	714,025
Downtown - committed	36,909	—	—	—	—	5,700	—	42,609
Total downtown	370,824	18,086	82,060	83,834	9,692	50,333	141,805	756,634
Beltline - uncommitted	5,613	—	93,853	18,458	11,758	—	383,261	512,943
Beltline - committed	60,791	—	—	—	—	—	—	60,791
Total beltline	66,404	—	93,853	18,458	11,758	—	383,261	573,734
Suburban - uncommitted	53,042	3,040	25,321	33,149	34,511	320,091	128,050	597,204
Suburban - committed	18,474	—	638	—	—	—	1,070	20,182
Total suburban	71,516	3,040	25,959	33,149	34,511	320,091	129,120	617,386
Total - uncommitted	392,570	21,126	201,234	135,441	55,961	364,724	653,116	1,824,172
Total - committed	116,174	—	638	—	—	5,700	1,070	123,582
Total Calgary office	508,744	21,126	201,872	135,441	55,961	370,424	654,186	1,947,754

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.
(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)	2018	2019	2020	2021	2022 & later	Total
Other - uncommitted	612,293	40,500	672,243	984,427	1,088,373	921,131	2,934,152	7,253,119
Other - committed	187,123	—	357,507	120,710	102,006	25,548	247,161	1,040,055
Total other office	799,416	40,500	1,029,750	1,105,137	1,190,379	946,679	3,181,313	8,293,174

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.
(2) Includes holdovers and renewals where term has not been negotiated.

(In thousands of Canadian dollars, unless otherwise noted)

Market Rents for Calgary Office Segment [(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.

	2018	2019	2020	2021	2022 & later	Total
Downtown:						
In-place rents	$ 20.96	$ 25.79	$ 15.93	$ 14.77	$ 21.26	$ 21.20
Market rents	9.77	9.68	19.94	17.38	21.85	15.72
Change	(53.4)%	(62.5)%	25.2 %	17.7 %	2.8%	(25.8)%
Revenue impact [(2)]	$ (918)	$ (1,351)	$ 39	$ 131	$ 84	$ (2,015)
Beltline:						
In-place rents	$ 26.85	$ 35.97	$ 18.50	$ —	$ 14.86	$ 17.93
Market rents	11.53	16.67	17.00	—	21.66	19.49
Change	(57.1)%	(53.7)%	(8.1)%	— %	45.8%	8.7 %
Revenue impact [(2)]	$ (1,438)	$ (356)	$ (18)	$ —	$ 2,605	$ 793
Suburban:						
In-place rents	$ 18.19	$ 16.90	$ 14.45	$ 17.56	$ 10.17	$ 15.59
Market rents	13.83	13.37	15.25	16.81	10.99	14.97
Change	(24.0)%	(20.9)%	5.5 %	(4.3)%	8.1%	(4.0)%
Revenue impact [(2)]	$ (113)	$ (117)	$ 27	$ (239)	$ 106	$ (336)
Total Calgary Office:						
In-place rents	$ 23.34	$ 25.00	$ 15.56	$ 17.18	$ 15.32	$ 17.88
Market rents	11.11	11.54	16.43	16.89	19.59	16.78
Change	(52.4)%	(53.8)%	5.6 %	(1.7)%	27.9%	(6.2)%
Revenue impact [(2)]	$ (2,469)	$ (1,824)	$ 48	$ (108)	$ 2,795	$ (1,558)

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(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)]:

	2018	2019	2020	2021	2022 & later	Total
Other office:						
In-place rents	$ 16.60	$ 17.19	$ 17.78	$ 15.95	$ 18.20	$ 17.48
Market rents	16.80	17.64	17.75	15.63	18.92	17.83
Change	1.2%	2.6%	(0.2)%	(2.0)%	4.0%	2.0%
Revenue impact [(2)]	$ 207	$ 505	$ (42)	$ (302)	$ 2,276	$ 2,644

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.

(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 8.1% of the Q4-17 Property NOI and 15.9% of the overall portfolio by GLA. Direct vacancy in this industrial market, as reported by CBRE, remained unchanged from September 30, 2017, at 4.2% as of December 31, 2017, with 892,780 square feet of positive absorption reported for the quarter. The average asking market lease rate was $5.62 per square foot at December 31, 2017, compared to $6.07 per square foot at September 30, 2017. Occupancy in this segment of the portfolio was 95.4% at December 31, 2017, compared to 93.0% reported at September 30, 2017. In 2018, 397,268 square feet comes up for renewal, which represents 1.6% of the total portfolio GLA; 36.9% was renewed or committed to new leases at December 31, 2017. Of Artis' total Twin Cities Area industrial GLA, 40.6% expires in 2022 or later.

The Twin Cities Area office segment represents 7.8% of the Q4-17 Property NOI and 5.3% of the overall portfolio by GLA. Overall direct vacancy in the Twin Cities Area office market, as reported by CBRE, was 16.3% at December 31, 2017, compared to 16.8% at September 30, 2017. Occupancy in this segment of the portfolio was 91.8% at December 31, 2017 (excluding completed new developments), compared to 91.1% at September 30, 2017. In 2018, 98,890 square feet comes up for renewal, which represents 0.4% of the total portfolio GLA; 47.9% had been renewed or committed to new leases at December 31, 2017. Of Artis' total Twin Cities Area office GLA (excluding completed new developments), 42.0% expires in 2022 or later.

The Winnipeg office segment represents 7.6% of the Q4-17 Property NOI and 6.1% of the overall portfolio by GLA. Overall direct vacancy in the Winnipeg office market, as reported by CBRE, was 9.0% at December 31, 2017, compared to 8.5% at September 30, 2017. At December 31, 2017, the Winnipeg office segment of Artis' portfolio was 85.5% occupied, compared to 89.0% at September 30, 2017. In 2018, 204,841 square feet comes up for renewal, which represents 0.8% of the total portfolio GLA; 41.1% had been renewed or committed to new leases at December 31, 2017. Of Artis' Winnipeg office GLA, 32.3% expires in 2022 or later.

(In thousands of Canadian dollars, unless otherwise noted)

CORPORATE EXPENSES

	Three months ended December 31, 2017	2016	Change	% Change	Year ended December 31, 2017	2016	Change	% Change
Accounting, legal and consulting	$ 720	$ 476	$ 244	51.3 %	$ 2,579	$ 2,310	$ 269	11.6 %
Public company costs	283	308	(25)	(8.1)%	1,460	1,592	(132)	(8.3)%
Unit-based compensation	839	671	168	25.0 %	2,637	2,421	216	8.9 %
Salaries and benefits	675	1,027	(352)	(34.3)%	3,454	3,912	(458)	(11.7)%
Depreciation of property and equipment	235	215	20	9.3 %	911	859	52	6.1 %
General and administrative	580	537	43	8.0 %	2,737	2,228	509	22.8 %
Total corporate expenses	$ 3,332	$ 3,234	$ 98	3.0 %	$ 13,778	$ 13,322	$ 456	3.4 %

Corporate expenses in 2017 were $13,778 (Q4-17 - $3,332), or 2.5% (Q4-17 - 2.5%) of total revenues compared to $13,322 (Q4-16 - $3,234), or 2.3% (Q4-16 - 2.2%) of total revenues in 2016.

INTEREST EXPENSE

	Three months ended December 31, 2017	2016	Change	% Change	Year ended December 31, 2017	2016	Change	% Change
Mortgages and other loans [1]	$ 15,187	$ 20,008	$ (4,821)		$ 69,736	$ 81,188	$ (11,452)	
Debentures [1]	1,937	3,059	(1,122)		8,342	15,157	(6,815)	
Credit facilities [1]	5,959	2,010	3,949		16,001	7,553	8,448	
Preferred shares [1]	34	15	19		136	78	58	
	23,117	25,092	(1,975)	(7.9)%	94,215	103,976	(9,761)	(9.4)%
Foreign exchange	1,958	2,471	(513)		8,491	8,741	(250)	
Total interest expense	$ 25,075	$ 27,563	$ (2,488)	(9.0)%	$ 102,706	$ 112,717	$ (10,011)	(8.9)%

(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 and the disposition of investment properties in 2016 and 2017. Interest expense on debentures has decreased due to the redemption of the Series F convertible debentures in Q3-16 and the redemption of the Series G convertible debentures in Q1-17. Interest expense on credit facilities has increased due to the new non-revolving term credit facilities drawn in Q3-17 and additional amounts drawn on the revolving term credit facilities in 2017. Financing costs on mortgages and other loans, debentures and the non-revolving credit facilities are netted against the related debt, and amortized on an effective interest basis over the expected term of the debt.

The REIT's weighted-average effective rate at December 31, 2017, on mortgages and other loans secured by properties was 3.96%, compared to 3.74% at December 31, 2016. The weighted-average nominal interest rate on mortgages and other loans secured by properties at December 31, 2017, was 3.79%, compared to 3.69% at December 31, 2016.

The REIT's interest coverage ratio, as calculated in the following table, was 3.05 (Q4-17 - 3.02) for 2017, compared to 2.99 (Q4-16 - 3.01) for 2016.

	Three months ended December 31, 2017	2016	Change	% Change	Year ended December 31, 2017	2016	Change	% Change
Property NOI	$ 78,714	$ 85,946	$ (7,232)		$ 325,645	$ 348,714	$ (23,069)	
Interest income	310	287	23		1,156	1,215	(59)	
Corporate expenses	(3,332)	(3,234)	(98)		(13,778)	(13,322)	(456)	
	75,692	82,999	(7,307)	(8.8)%	313,023	336,607	(23,584)	(7.0)%
Interest expense	$ 25,075	$ 27,563	$ (2,488)	(9.0)%	$ 102,706	$ 112,717	$ (10,011)	(8.9)%
Interest coverage ratio	3.02	3.01	0.01	0.3 %	3.05	2.99	0.06	2.0 %

The REIT's EBITDA interest coverage ratio, as calculated in the following table, was 3.24 (Q4-17 - 3.23) for 2017, compared to 3.11 (Q4-16 - 3.17) for 2016.

(In thousands of Canadian dollars, unless otherwise noted)

	Three months ended December 31, 2017	2016	Change	% Change	Year ended December 31, 2017	2016	Change	% Change
Property NOI	$ 78,714	$ 85,946	$ (7,232)		$ 325,645	$ 348,714	$ (23,069)	
Add (deduct):								
Tenant inducements amortized to revenue	4,750	4,873	(123)		18,598	17,752	846	
Straight-line rent adjustments	(1,925)	(1,743)	(182)		(7,413)	(6,194)	(1,219)	
Interest income	310	287	23		1,156	1,215	(59)	
Corporate expenses	(3,332)	(3,234)	(98)		(13,778)	(13,322)	(456)	
Depreciation of property and equipment	235	215	20		911	859	52	
EBITDA	78,752	86,344	(7,592)	(8.8)%	325,119	349,024	(23,905)	(6.8)%
Interest expense	25,075	27,563	(2,488)		102,706	112,717	(10,011)	
Add (deduct):								
Amortization of financing costs	(943)	(1,115)	172		(3,788)	(3,675)	(113)	
Amortization of above- and below-market mortgages, net	233	584	(351)		1,132	2,194	(1,062)	
Accretion on liability component of debentures	54	241	(187)		333	851	(518)	
Adjusted interest expense	$ 24,419	$ 27,273	$ (2,854)	(10.5)%	$ 100,383	$ 112,087	$ (11,704)	(10.4)%
EBITDA interest coverage ratio	3.23	3.17	0.06	1.9 %	3.24	3.11	0.13	4.2 %

FAIR VALUE GAIN (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 consolidated statement of operations. Fair values of the investment properties are determined through either the discounted cash flow method or the overall capitalization method. External valuations are performed for a selection of properties representing various geographical regions and asset classes across the REIT's portfolio. In 2017, the fair value gain on investment properties was $17,755 (Q4-17 - gain of $8,486), compared to a loss of $109,414 (Q4-16 - loss of $92,854) in 2016. 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 gain in 2017 primarily reflects capitalization rate compression and higher expected market rents in the Ontario market.

FOREIGN CURRENCY TRANSLATION LOSS

In 2017, Artis held cash, deposits and a portion of its revolving term credit facilities in US dollars. These assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. This translation resulted in a foreign currency translation loss of $267 (Q4-17 - loss of $3,144), compared to a loss of $2,345 (Q4-16 - loss of $4,695) in 2016.

GAIN ON FINANCIAL INSTRUMENTS

Artis holds a number of interest rate swaps to effectively lock the interest rate on a portion of variable rate debt. The REIT recorded an unrealized gain on the fair value adjustment of the interest rate swaps outstanding of $11,926 (Q4-17 - gain of $4,461) in 2017, compared to an unrealized gain of $5,624 (Q4-16 - gain of $9,852) in 2016. The REIT anticipates holding the mortgages, non-revolving term credit facilities and related interest rate swap contracts until maturity.

INCOME TAX

The REIT currently qualifies as a mutual fund trust and a real estate investment trust 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. properties are owned by subsidiaries that are REITs for U.S. income tax purposes. These 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 federal U.S. income taxes on the taxable income earned by these subsidiaries. These U.S. subsidiaries are subject to certain state taxes and a 30% to 35% withholding tax on distributions to Canada. Any withholding taxes paid are recorded with the related distributions.

The REIT is subject to federal and state taxation in the U.S. on the taxable income earned by its U.S. management subsidiary.

The REIT has assessed the impact of the new U.S. legislation enacted on December 22, 2017 (the "U.S. Tax Reform"). As the REIT is not subject to federal taxation on the taxable income earned by its U.S. properties, the U.S. Tax Reform did not have a material impact for the year ended December 31, 2017.

OTHER COMPREHENSIVE LOSS

Other comprehensive loss includes the unrealized foreign currency translation loss of $72,383 (Q4-17 - gain of $12,534) in 2017, compared to a loss of $20,645 (Q4-16 - gain of $25,936) in 2016. Foreign currency translation gains and losses relate to the REIT's net investments in its U.S. subsidiaries.

(In thousands of Canadian dollars, unless otherwise noted)

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Artis calculates FFO and AFFO substantially in accordance with the guidelines set out by REALpac, as issued in February 2017. The comparative periods presented for FFO and AFFO have been revised to comply with these new guidelines. Revisions to AFFO included adjustments to the capital expenditures and leasing costs reserves, as well as removing the add back of unit-based compensation expense.

Reconciliation of Net Income to FFO and AFFO

000's, except per unit amounts	Three months ended December 31, 2017	Three months ended December 31, 2016	% Change	*Three months ended December 31, 2016* (1)	Year ended December 31, 2017	Year ended December 31, 2016	% Change	*Year ended December 31, 2016* (1)
Net income (loss)	$ 54,063	$ (30,292)		*$ (30,292)*	$ 234,435	$ 115,935		*$ 115,935*
Add (deduct):								
Fair value (gain) loss on investment properties	(8,486)	92,854		*92,854*	(17,755)	109,414		*109,414*
Tenant inducements amortized to revenue	4,750	4,873		*4,873*	18,598	17,752		*17,752*
Transaction costs on acquisitions	543	9		*9*	1,110	1,105		*1,105*
Foreign currency translation loss	3,144	4,695		*4,695*	267	2,345		*2,345*
Loss (gain) on financial instruments	1,420	(12,513)		*(12,513)*	(7,421)	(5,592)		*(5,592)*
Remeasurement component of unit-based compensation	289	(3)		—	470	(136)		—
Distributions on preferred shares treated as interest expense	43	20		—	177	103		—
Incremental leasing costs	1,252	1,406		*1,406*	3,897	3,382		*3,382*
Preferred unit distributions	(4,643)	(4,641)		*(4,641)*	(18,418)	(18,432)		*(18,432)*
FFO	$ 52,375	$ 56,408	(7.1)%	*$ 56,391*	$ 215,360	$ 225,876	(4.7)%	*$ 225,909*
Add (deduct):								
Amortization of recoverable capital expenditures	$ (3,407)	$ (3,846)		*$ —*	$ (10,030)	$ (10,334)		*$ —*
Non-recoverable property maintenance reserve	(950)	(650)		*(1,464)*	(3,250)	(2,600)		*(5,731)*
Leasing costs reserve	(8,100)	(9,500)		*(9,515)*	(37,200)	(38,000)		*(33,087)*
Straight-line rent adjustments	(1,925)	(1,743)		*(1,743)*	(7,413)	(6,194)		*(6,194)*
Unit-based compensation	—	—		*671*	—	—		*2,421*
AFFO	$ 37,993	$ 40,669	(6.6)%	*$ 44,340*	$ 157,467	$ 168,748	(6.7)%	*$ 183,318*
FFO per unit:								
Basic	$ 0.35	$ 0.38		*$ 0.38*	$ 1.43	$ 1.56		*$ 1.56*
Diluted	0.35	0.37		*0.37*	1.43	1.55		*1.55*
AFFO per unit:								
Basic	$ 0.25	$ 0.27		*$ 0.30*	$ 1.05	$ 1.16		*$ 1.26*
Diluted	0.25	0.27		*0.30*	1.04	1.16		*1.26*

(1) This column shows FFO and AFFO as previously disclosed for Q4-16.

FFO and AFFO were impacted by acquisitions, dispositions, completed (re)developments, lease termination income and the impact of foreign exchange in 2016 and 2017.

Actual capital expenditures are by nature variable and unpredictable. Recoverable capital expenditures are building improvement or property maintenance expenditures recovered from tenants over time. Management has deducted from AFFO the actual amortization of recoverable capital expenditures included in property operating expenses charged to tenants for the period. Approximately 82.9% of this amortization (Q4-17 - 82.6%) is recoverable from tenants in 2017, compared to 84.2% in 2016 (Q4-16 - 82.6%). The non-recoverable property maintenance reserve reflects management's estimate of a normalized expenditure using the 2016 and 2017 actual expenditures and the 2018 annual budgeted expenditures. Refer to the capital expenditures disclosure under the Assets section of this MD&A for further discussion of actual expenditures for the period.

Actual leasing costs, which are not related to (re)development projects and 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. In Q4-17, management changed the calculation of its leasing costs reserve applied in the calculation of AFFO to reflect the amortization of leasing costs over the related lease term. In the previously reported quarters for 2017, the leasing costs reserve applied in the calculation of AFFO reflected a rolling five-year average of actual leasing costs. Due to the leasing costs incurred in recent quarters related to leases with terms of 10 or more years and acquisition and disposition activity, management no longer believes that a rolling five-year average of actual leasing costs is an accurate reflection of leasing costs going forward and that using the amortization of leasing costs over the related lease term better matches these costs with the related revenue.

(In thousands of Canadian dollars, unless otherwise noted)

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

Diluted Common Units Reconciliation (in 000's)

	Three months ended December 31, 2017	2016
Basic units	150,594	149,937
Add:		
Debentures [1]	—	4,641
Restricted units [1]	346	300
Deferred units [1]	82	43
Diluted units	151,022	154,921

(1) Restricted and deferred units were dilutive in 2017. All convertible debenture series, restricted units and deferred units were dilutive in 2016.

Diluted FFO Reconciliation

	Three months ended December 31, 2017	2016
FFO	$ 52,375	$ 56,408
Add:		
Debentures [1]	—	1,506
Restricted units [1]	—	—
Deferred units [1]	—	—
Diluted FFO	$ 52,375	$ 57,914

Diluted Common Units Reconciliation (in 000's)

	Year ended December 31, 2017	2016
Basic units	150,578	144,918
Add:		
Debentures [1]	—	4,641
Restricted units [1]	309	258
Deferred units [1]	67	32
Diluted units	150,954	149,849

(1) Restricted units and deferred units were dilutive in 2017. All convertible debenture series, restricted units and deferred units were dilutive in 2016.

Diluted FFO Reconciliation

	Year ended December 31, 2017	2016
FFO	$ 215,360	$ 225,876
Add:		
Debentures [1]	—	5,938
Restricted units [1]	—	—
Deferred units [1]	—	—
Diluted FFO	$ 215,360	$ 231,814

(In thousands of Canadian dollars, unless otherwise noted)

ANALYSIS OF FINANCIAL POSITION

The following provides a reconciliation of the consolidated balance sheets as prepared in accordance with IFRS in the REIT's consolidated financial statements to its Proportionate Share.

	December 31, 2017			December 31, 2016		
	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share
ASSETS						
Non-current assets:						
Investment properties	$ 4,720,362	$ 332,359	$ 5,052,721	$ 4,991,825	$ 284,249	$ 5,276,074
Investment properties under development	79,701	—	79,701	65,199	92,305	157,504
Investments in joint ventures	200,383	(200,383)	—	213,565	(213,565)	—
Property and equipment	7,005	—	7,005	3,351	—	3,351
Notes receivable	12,982	—	12,982	12,972	—	12,972
	5,020,433	131,976	5,152,409	5,286,912	162,989	5,449,901
Current assets:						
Investment properties held for sale	110,188	26,187	136,375	119,178	—	119,178
Deposits on investment properties	5,081	—	5,081	369	—	369
Prepaid expenses and other assets	17,134	282	17,416	11,728	292	12,020
Notes receivable	2,322	—	2,322	2,815	—	2,815
Accounts receivable and other receivables	16,816	655	17,471	13,173	559	13,732
Cash held in trust	8,090	—	8,090	7,851	—	7,851
Cash	35,832	7,012	42,844	50,729	8,312	59,041
	195,463	34,136	229,599	205,843	9,163	215,006
	$ 5,215,896	$ 166,112	$ 5,382,008	$ 5,492,755	$ 172,152	$ 5,664,907
LIABILITIES AND UNITHOLDERS' EQUITY						
Non-current liabilities:						
Mortgages and loans payable	$ 1,190,525	$ 112,148	$ 1,302,673	$ 1,520,124	$ 117,804	$ 1,637,928
Senior unsecured debentures	199,854	—	199,854	199,740	—	199,740
Convertible debentures	—	—	—	119,358	—	119,358
Credit facilities	298,922	—	298,922	—	—	—
Other long-term liabilities	6,404	—	6,404	4,997	—	4,997
	1,695,705	112,148	1,807,853	1,844,219	117,804	1,962,023
Current liabilities:						
Mortgages and loans payable	370,508	46,484	416,992	627,838	34,709	662,547
Security deposits and prepaid rent	30,521	2,190	32,711	35,213	2,094	37,307
Accounts payable and other liabilities	75,570	5,290	80,860	88,439	17,545	105,984
Credit facilities	438,383	—	438,383	269,680	—	269,680
	914,982	53,964	968,946	1,021,170	54,348	1,075,518
	2,610,687	166,112	2,776,799	2,865,389	172,152	3,037,541
Unitholders' equity	2,605,209	—	2,605,209	2,627,366	—	2,627,366
	$ 5,215,896	$ 166,112	$ 5,382,008	$ 5,492,755	$ 172,152	$ 5,664,907

(1) Adjustment to reflect investments in joint ventures on a Proportionate Share basis.

ASSETS

	December 31, 2017	December 31, 2016	Change
Non-current assets:			
Investment properties and investment properties under development	$ 5,132,422	$ 5,433,578	$ (301,156)
Other non-current assets	19,987	16,323	3,664
Current assets:			
Investment properties held for sale	136,375	119,178	17,197
Other current assets	42,290	28,936	13,354
Cash and cash held in trust	50,934	66,892	(15,958)
	$ 5,382,008	$ 5,664,907	$ (282,899)

(In thousands of Canadian dollars, unless otherwise noted)

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, 2016	$ 5,276,074	$ 157,504	$ 119,178	$ 5,552,756
Additions:				
Acquisitions	102,820	414	—	103,234
Capital expenditures	43,828	67,474	562	111,864
Capitalized interest	—	575	—	575
Leasing commissions	14,598	583	245	15,426
Dispositions	(169,830)	—	(264,529)	(434,359)
Reclassification of investment properties under development	144,942	(144,942)	—	—
Reclassification of investment properties held for sale	(283,401)	—	283,401	—
Foreign currency translation loss	(137,323)	(6,506)	(1,672)	(145,501)
Straight-line rent adjustments	7,428	2	(17)	7,413
Tenant inducement additions, net of amortization	34,797	4,389	448	39,634
Fair value gain (loss)	18,788	208	(1,241)	17,755
Balance, December 31, 2017	$ 5,052,721	$ 79,701	$ 136,375	$ 5,268,797

Acquisitions:

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

	Three months ended December 31, 2017	2016	Change	% Change	Year ended December 31, 2017	2016	Change	% Change
Cash consideration	$ 84,999	$ 1,168	$ 83,831		$ 101,706	$ 161,258	$ (59,552)	
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	—	—	—		2,962	189,132	(186,170)	
Other net (assets) liabilities	(1,309)	—	(1,309)		(1,434)	326	(1,760)	
Total acquisitions	$ 83,690	$ 1,168	$ 82,522	7,065.2%	$ 103,234	$ 350,716	$ (247,482)	(70.6)%

Capital expenditures:

Building improvements are capital expenditures that increase the long-term value or revenue generating potential of the property. These expenditures include costs to modernize or upgrade existing properties. Property maintenance costs are capital expenditures to repair or replace components of existing properties such as roofs, HVAC units and parking lots.

In 2017, non-recoverable building improvements primarily consist of exterior and interior upgrades, including $9,216 (Q4-17 - $1,349) for the 360 Main curtain wall renewal.

	Three months ended December 31, 2017	2016	Change	% Change	Year ended December 31, 2017	2016	Change	% Change
New and (re)development expenditures	$ 7,254	$ 31,985	$ (24,731)		$ 67,474	$ 73,814	$ (6,340)	
Building improvements expenditures:								
Recoverable from tenants	2,522	4,136	(1,614)		7,357	14,395	(7,038)	
Non-recoverable	4,461	6,568	(2,107)		23,754	33,708	(9,954)	
Property maintenance expenditures:								
Recoverable from tenants	2,632	1,182	1,450		9,573	8,183	1,390	
Non-recoverable	850	1,386	(536)		3,706	2,600	1,106	
Total capital expenditures	$ 17,719	$ 45,257	$ (27,538)	(60.8)%	$ 111,864	$ 132,700	$ (20,836)	(15.7)%

(In thousands of Canadian dollars, unless otherwise noted)

Leasing costs:

Tenant inducements consist of 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 December 31, 2017	2016	Change	% Change	Year ended December 31, 2017	2016	Change	% Change
Investment property leasing costs:								
Tenant inducements	$ 15,554	$ 7,962	$ 7,592		$ 45,409	$ 39,075	$ 6,334	
Leasing commissions	3,311	3,970	(659)		12,212	14,913	(2,701)	
Investment property (re)development related leasing costs:								
Tenant inducements	179	1,025	(846)		12,823	6,625	6,198	
Leasing commissions	432	2,068	(1,636)		3,214	3,145	69	
Total leasing costs	$ 19,476	$ 15,025	$ 4,451	29.6 %	$ 73,658	$ 63,758	$ 9,900	15.5 %

Dispositions:

During 2017, Artis sold seven office, five retail and four industrial properties in Canada and seven industrial properties in the U.S. for an aggregate sale price of $442,836. The aggregate sale proceeds, net of costs of $9,302 and related debt of $168,734, were $264,800.

Investment properties held for sale:

At December 31, 2017, the REIT had two office properties and seven retail properties with an aggregate fair value of $136,375 classified as held for sale. These properties were either listed for sale with an external broker or held under unconditional sale agreements.

Foreign currency translation loss on investment properties:

In 2017, the foreign currency translation loss on investment properties was $145,501 (Q4-17 - gain of $10,849) due to the change in the period end US dollar to Canadian dollar exchange rate from 1.3427 at December 31, 2016, to 1.2545 at December 31, 2017.

Fair value gain (loss) on investment properties:

In 2017, the REIT recorded a gain on the fair value of investment properties of $17,755 (Q4-17 - gain of $8,486), compared to a loss of $109,414 (Q4-16 - loss of $92,854) in 2016. The fair value gain in 2017 primarily reflects capitalization rate compression and higher expected market rents in the Ontario market.

Artis determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method. 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 4.25% to 8.50%. Additional information on the average capitalization rates and ranges used for the portfolio properties, assuming all properties were valued using an overall capitalization method, broken out by asset class and country are set out in the table below.

	December 31, 2017			December 31, 2016		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-
Office:						
Canada	8.50 %	5.00 %	6.35%	8.75 %	5.00 %	6.60 %
U.S.	8.25 %	5.50 %	6.79%	8.25 %	5.50 %	6.79 %
Total office	8.50 %	5.00 %	6.54%	8.75 %	5.00 %	6.68 %
Retail:						
Canada	8.50 %	5.25 %	6.34%	8.50 %	5.25 %	6.38 %
U.S.	8.50 %	5.75 %	6.85%	8.50 %	5.75 %	6.87 %
Total retail	8.50 %	5.25 %	6.38%	8.50 %	5.25 %	6.41 %
Industrial:						
Canada	7.75 %	4.25 %	6.26%	7.75 %	4.50 %	6.41 %
U.S.	7.75 %	5.50 %	6.57%	7.75 %	5.75 %	6.89 %
Total industrial	7.75 %	4.25 %	6.38%	7.75 %	4.50 %	6.58 %
Total:						
Canadian portfolio	8.50 %	4.25 %	6.33%	8.75 %	4.50 %	6.49 %
U.S. portfolio	8.50 %	5.50 %	6.73%	8.50 %	5.50 %	6.82 %
Total portfolio	8.50 %	4.25 %	6.46%	8.75 %	4.50 %	6.59 %

(In thousands of Canadian dollars, unless otherwise noted)

Notes Receivable

In conjunction with the 2007 acquisition of TransAlta Place, the REIT acquired a note receivable in the amount of $31,000. The note bears interest at 5.89% per annum and is repayable in varying blended monthly installments of principal and interest. The note is transferable at the option of the REIT and matures in May 2023. The balance outstanding on all notes receivable at December 31, 2017 was $15,304, compared to $15,787 at December 31, 2016.

Cash

At December 31, 2017, the REIT had $42,844 of cash on hand, compared to $59,041 at December 31, 2016. 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 is held in current accounts.

LIABILITIES

	December 31, 2017	December 31, 2016	Change
Non-current liabilities:			
Mortgages and loans payable	$ 1,302,673	$ 1,637,928	$ (335,255)
Senior unsecured debentures	199,854	199,740	114
Convertible debentures	—	119,358	(119,358)
Credit facilities	298,922	—	298,922
Other non-current liabilities	6,404	4,997	1,407
Current liabilities:			
Mortgages and loans payable	416,992	662,547	(245,555)
Other current liabilities	113,571	143,291	(29,720)
Credit facilities	438,383	269,680	168,703
	$ 2,776,799	$ 3,037,541	$ (260,742)

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 GBV.

Artis' secured mortgages and loans to GBV ratio at December 31, 2017 was 31.9%, decreased from 40.6% at December 31, 2016.

	December 31, 2017	December 31, 2016	Change
GBV	$ 5,386,329	$ 5,668,337	$ (282,008)
Secured mortgages and loans	1,719,665	2,300,475	(580,810)
Secured mortgages and loans to GBV	31.9%	40.6%	(8.7)%
Preferred shares liability	$ 601	$ 599	$ 2
Carrying value of debentures	199,854	319,098	(119,244)
Credit facilities	737,305	269,680	467,625
Total long-term debt and credit facilities	$ 2,657,425	$ 2,889,852	$ (232,427)
Total long-term debt and credit facilities to GBV	49.3%	51.0%	(1.7)%

Artis' total long-term debt and credit facilities to EBITDA ratio at December 31, 2017 was 8.4, unchanged from December 31, 2016.

	December 31, 2017	December 31, 2016	Change
Total long-term debt and credit facilities	$ 2,657,425	$ 2,889,852	$ (232,427)
EBITDA (1)	315,008	345,376	(30,368)
Total long-term debt and credit facilities to EBITDA	8.4	8.4	—

(1) EBITDA, as calculated under the Interest Expense section of this MD&A, has been annualized for purposes of this ratio calculation.

(In thousands of Canadian dollars, unless otherwise noted)

Artis' unencumbered assets to unsecured debt ratio was 1.8 at December 31, 2017, compared to 2.1 at December 31, 2016.

	December 31, 2017	December 31, 2016	Change
Unencumbered assets	$ 1,687,754	$ 998,770	$ 688,984
Senior unsecured debentures	199,854	199,740	114
Unsecured credit facilities	737,305	269,680	467,625
Total unsecured debt	$ 937,159	$ 469,420	$ 467,739
Unencumbered assets to unsecured debt	1.8	2.1	(0.3)

Mortgages and Loans Payable

Mortgage financing:

Artis finances acquisitions and development projects 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 2017, $56,327 (Q4-17 - $11,903) of principal repayments were made compared to $61,974 in 2016 (Q4-16 - $16,143).

During 2017, Artis repaid 17 maturing mortgages in the aggregate amount of $391,811. Artis refinanced one maturing mortgage, received upward financing on one mortgage and new financing on one property, net of financing costs, in the amount of $39,633. In 2017, Artis drew on development loans, net of financing costs, in the amount of $57,349.

The weighted-average term to maturity on all mortgages and loans payable at December 31, 2017 was 3.6 years, compared to 3.8 years at December 31, 2016.

Unhedged variable rate mortgage debt:

Management believes that holding a percentage of variable rate debt is prudent in managing a portfolio of debt and provides the benefit of lower interest rates, while keeping the overall risk at a moderate level. All of the REIT's variable rate mortgage debt is term debt and cannot be called on demand. The REIT has the ability to refinance, or use interest rate swaps, at any given point without incurring penalties.

At December 31, 2017, the REIT was a party to $455,739 of unhedged variable rate mortgage debt, compared to $550,545 at December 31, 2016. The decrease is primarily due to the repayment of mortgages related to the sale of the Twin Cities Industrial Portfolio of $52,336, hedging a variable rate mortgage in the amount of $51,421 with an interest rate swap, the repayment of three maturing mortgages of $43,861, mortgage repayments of $11,400 and the impact of foreign exchange of $27,528. The decrease has been partially offset by draws on construction loans of $56,667 and a new mortgage of $35,073. The unhedged variable rate mortgage debt is 17.1% of total debt including credit facilities at December 31, 2017, compared to 19.0% at December 31, 2016.

Senior Unsecured Debentures

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

				December 31, 2017		December 31, 2016	
	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%	$ 199,854	$ 200,000	$ 199,740	$ 200,000

Convertible Debentures

Artis had no convertible debentures outstanding at December 31, 2017. On February 28, 2017, the REIT exercised its early redemption option and repaid the outstanding face value of the Series G convertible debentures in the amount of US$87,975.

				December 31, 2017		December 31, 2016	
	Issued	Maturity	Interest rate	Carrying value	Face value	Carrying value	Face value
Series G	21-Apr-11	30-June-18	5.75%	$ —	$ —	$ 119,358	$ 118,158

Credit Facilities

The REIT has unsecured revolving term credit facilities in the aggregate amount of $500,000. The first tranche of the credit facilities in the amount of $300,000 matures on December 15, 2018. The second tranche of the credit facilities matures on April 29, 2021. The REIT can draw on the facilities in Canadian or US dollars. Amounts drawn on the facilities in Canadian dollars bear interest at the bankers' acceptance rate plus 1.70% or at prime plus 0.70%. Amounts drawn on the facilities in US dollars bear interest at LIBOR plus 1.70% or at the U.S. base rate plus 0.70%. At December 31, 2017, there was $438,383 drawn on these facilities (December 31, 2016, $269,680).

The REIT entered into an unsecured non-revolving term credit facility on June 30, 2017 in the amount of $150,000, which matures on July 6, 2022. In Q3-17, the facility was fully drawn and the REIT entered into an interest rate swap to effectively lock the interest rate on this facility at 3.57%.

The REIT entered into a second new unsecured non-revolving term credit facility on July 18, 2017 for $150,000 and drew the full balance. The REIT also entered into an interest rate swap to effectively lock the interest rate on this facility at 3.50%.

(In thousands of Canadian dollars, unless otherwise noted)

Other Current Liabilities

Included in other current liabilities were accounts payable and other liabilities and security deposits and prepaid rent. Included in accounts payable and other liabilities was accrued distributions payable to unitholders of $14,217, which was paid subsequent to the end of the period.

UNITHOLDERS' EQUITY

Unitholders' equity decreased overall by $22,157 between December 31, 2016 and December 31, 2017. The decrease was primarily due to distributions made to unitholders of $187,413 and an unrealized foreign currency translation loss included in other comprehensive loss of $72,383. This decrease was partially offset by net income of $234,435 and the issuance of new units for $3,315.

Net Asset Value

Artis first presented a NAV calculation as a non-GAAP measure in its Q2-17 MD&A. Management considers this metric to be a valuable measure of the REIT's residual equity available to its common unitholders.

Artis' NAV per unit at December 31, 2017 was $14.86 compared to $15.00 at December 31, 2016.

000's, except unit and per unit amounts		December 31, 2017		December 31, 2016		Change
Unitholders' equity	$	2,605,209	$	2,627,366	$	(22,157)
Less value of preferred equity (1)		(360,338)		(366,953)		6,615
NAV attributable to common unitholders	$	2,244,871	$	2,260,413	$	(15,542)
Total number of dilutive units outstanding:						
Common units		150,599,666		150,333,077		266,589
Restricted units		394,040		359,819		34,221
Deferred units		81,635		43,250		38,385
		151,075,341		150,736,146		339,195
NAV per unit	$	14.86	$	15.00	$	(0.14)

(1) The value of preferred equity is calculated using the outstanding face value in Canadian dollars of preferred units at the end of the period.

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.

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

		Three months ended December 31, 2017		Year ended December 31, 2017		Year ended December 31, 2016		Year ended December 31, 2015
Cash flow from operations	$	52,783	$	214,005	$	251,820	$	220,601
Net income (loss)		54,063		234,435		115,935		(175,699)
Distributions declared		45,303		181,052		175,450		167,144
Excess of cash flow from operations over distributions declared		7,480		32,953		76,370		53,457
Excess (shortfall) of net income (loss) over distributions declared		8,760		53,383		(59,515)		(342,843)

Artis' primary objective is to provide stable, reliable and tax-efficient monthly cash distributions. Cash flow from operations has exceeded distributions declared since Q3-12.

CAPITAL RESOURCES

At December 31, 2017, Artis had $42,844 of cash 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 $500,000, which can be utilized for general corporate and working capital purposes, short term financing of investment property acquisitions and the issuance of letters of credit. At December 31, 2017, the REIT had $438,383 drawn on these facilities.

At December 31, 2017, the REIT had 82 unencumbered properties and seven unencumbered parcels of development land, representing a fair value of $1,687,754.

Artis is not in default or arrears on any of its obligations, including distributions to unitholders, interest or principal payments on debt or any debt covenants at December 31, 2017.

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 from cash on hand.

(In thousands of Canadian dollars, unless otherwise noted)

CONTRACTUAL OBLIGATIONS

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and other liabilities	$ 80,860	$ 80,860	$ —	$ —	$ —
Credit facilities	738,383	267,748	—	470,635	—
Senior unsecured debentures [1]	200,000	—	200,000	—	—
Mortgages and loans payable	1,722,074	352,391	484,837	569,774	315,072
Total contractual obligations	$ 2,741,317	$ 700,999	$ 684,837	$ 1,040,409	$ 315,072

(1) It is assumed that the outstanding debentures are not 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
2018	$ 309,224	20.7%	$ 43,167	$ 352,391	3.57%
2019	263,949	17.7%	40,586	304,535	3.93%
2020	146,689	9.8%	33,613	180,302	3.82%
2021	340,517	22.8%	23,834	364,351	3.60%
2022	187,630	12.6%	17,793	205,423	3.66%
2023 & later	245,229	16.4%	69,843	315,072	3.99%
Total	$ 1,493,238	100.0%	$ 228,836	$ 1,722,074	3.74%

SUMMARIZED QUARTERLY INFORMATION

$000's, except per unit amounts	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16
Revenue	$ 133,083	$ 134,091	$ 136,217	$ 139,538	$ 146,378	$ 148,925	$ 138,159	$ 139,053
Expenses:								
Property operating	34,260	32,126	31,746	33,644	38,291	34,298	30,098	30,437
Realty taxes	20,109	20,704	22,203	22,492	22,141	22,772	22,444	23,320
	54,369	52,830	53,949	56,136	60,432	57,070	52,542	53,757
Net operating income	78,714	81,261	82,268	83,402	85,946	91,855	85,617	85,296
Other income (expenses):								
Corporate expenses	(3,332)	(3,334)	(3,330)	(3,782)	(3,234)	(2,929)	(3,521)	(3,638)
Interest expense	(25,075)	(25,768)	(25,480)	(26,383)	(27,563)	(28,521)	(28,260)	(28,373)
Interest income	310	302	264	280	287	298	332	298
Fair value gain (loss) on investment properties	8,486	8,309	(16,801)	17,761	(92,854)	20,201	(21,640)	(15,121)
Foreign currency translation (loss) gain	(3,144)	(3,542)	1,552	4,867	(4,695)	206	(4,010)	6,154
Transaction costs	(543)	(567)	—	—	(9)	(195)	(862)	(39)
(Loss) gain on financial instruments	(1,420)	8,231	131	479	12,513	(4,039)	2,921	(5,803)
Income (loss) before income taxes	53,996	64,892	38,604	76,624	(29,609)	76,876	30,577	38,774
Income tax recovery (expense)	67	(89)	(51)	392	(683)	—	—	—
Net income (loss)	54,063	64,803	38,553	77,016	(30,292)	76,876	30,577	38,774
Other comprehensive income (loss):								
Unrealized foreign currency translation gain (loss)	12,534	(44,755)	(30,072)	(10,090)	25,936	9,877	4,066	(60,524)
Unrealized (loss) gain from remeasurements of net pension obligation	(33)	(70)	38	(46)	(4)	(4)	(35)	9
	12,501	(44,825)	(30,034)	(10,136)	25,932	9,873	4,031	(60,515)
Total comprehensive income (loss)	$ 66,564	$ 19,978	$ 8,519	$ 66,880	$ (4,360)	$ 86,749	$ 34,608	$ (21,741)
Net income (loss) per unit attributable to common unitholders:								
Basic	$ 0.33	$ 0.40	$ 0.23	$ 0.48	$ (0.23)	$ 0.48	$ 0.18	$ 0.25
Diluted	0.33	0.40	0.22	0.48	(0.23)	0.48	0.18	0.24
Secured mortgages and loans to GBV	31.9%	33.3%	38.9%	40.2%	40.6%	40.4%	40.9%	41.3%

The quarterly trend for revenue 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.

(In thousands of Canadian dollars, unless otherwise noted)

Reconciliation of Net Income (Loss) to FFO and AFFO

000's, except per unit amounts	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16 [1]	Q3-16 [1]	Q2-16 [1]	Q1-16 [1]
Net income (loss)	$ 54,063	$ 64,803	$ 38,553	$ 77,016	$ (30,292)	$ 76,876	$ 30,577	$ 38,774
Add (deduct):								
Fair value (gain) loss on investment properties	(8,486)	(8,309)	16,801	(17,761)	92,854	(20,201)	21,640	15,121
Tenant inducements amortized to revenue	4,750	4,689	4,544	4,615	4,873	4,456	4,349	4,074
Transaction costs on acquisitions	543	567	—	—	9	195	862	39
Foreign currency translation loss (gain)	3,144	3,542	(1,552)	(4,867)	4,695	(206)	4,010	(6,154)
Loss (gain) on financial instruments	1,420	(8,231)	(131)	(479)	(12,513)	4,039	(2,921)	5,803
Remeasurement component of unit-based compensation	289	76	(13)	118	(3)	(294)	148	13
Distributions on preferred shares treated as interest expense	43	43	45	46	20	28	27	28
Incremental leasing costs	1,252	1,058	792	795	1,406	806	623	547
Preferred unit distributions	(4,643)	(4,548)	(4,597)	(4,630)	(4,641)	(4,611)	(4,584)	(4,596)
FFO	$ 52,375	$ 53,690	$ 54,442	$ 54,853	$ 56,408	$ 61,088	$ 54,731	$ 53,649
Add (deduct):								
Amortization of recoverable capital expenditures	$ (3,407)	$ (2,196)	$ (2,137)	$ (2,290)	$ (3,846)	$ (2,331)	$ (2,116)	$ (2,041)
Non-recoverable property maintenance reserve	(950)	(950)	(700)	(650)	(650)	(650)	(650)	(650)
Leasing costs reserve	(8,100)	(10,000)	(9,600)	(9,500)	(9,500)	(9,500)	(9,500)	(9,500)
Straight-line rent adjustments	(1,925)	(1,954)	(1,871)	(1,663)	(1,743)	(1,979)	(1,276)	(1,196)
AFFO	$ 37,993	$ 38,590	$ 40,134	$ 40,750	$ 40,669	$ 46,628	$ 41,189	$ 40,262
FFO per unit:								
Basic	$ 0.35	$ 0.36	$ 0.36	$ 0.36	$ 0.38	$ 0.41	$ 0.39	$ 0.39
Diluted	0.35	0.36	0.36	0.36	0.37	0.41	0.38	0.38
AFFO per unit:								
Basic	$ 0.25	$ 0.26	$ 0.27	$ 0.27	$ 0.27	$ 0.31	$ 0.29	$ 0.29
Diluted	0.25	0.26	0.27	0.27	0.27	0.31	0.29	0.29
Weighted-average number of common units outstanding for FFO:								
Basic	150,594	150,593	150,581	150,545	149,937	149,227	141,191	139,215
Diluted [2]	151,022	151,035	150,966	150,947	154,921	154,326	151,780	149,805

(1) The 2016 balances have been revised to reflect the impact of the new FFO and AFFO guidelines as issued by REALpac in February 2017.

(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 AFFO 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.

RELATED PARTY TRANSACTIONS

In 2017, the REIT had no related party transactions. In 2015, Marwest Management Canada Ltd., Marwest Construction Ltd., Marwest Development Corporation and Fairtax Realty Advocates were impacted by ownership restructuring. As a result of the changes in ownership, these entities are no longer controlled or jointly controlled by key management personnel of the REIT. As such, they are not required to be disclosed as related party entities under IFRS. Effective for the year ended December 31, 2017, the REIT no longer discloses transactions with these entities as related party transactions.

OUTSTANDING UNIT DATA

As of March 1, 2018, the balance of units outstanding is as follows:

Units outstanding at December 31, 2017	150,599,666
Units issued on redemption of restricted units	6,772
Units issued on redemption of deferred units	4,189
Units outstanding at March 1, 2018	150,610,627

As of March 1, 2018, 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, the balance of Series G preferred units outstanding is 3,200,000 and the balance of Series I preferred units outstanding is 5,000,000.

The balance of restricted units outstanding as of March 1, 2018 is 475,919, none of which have vested.

The balance of deferred units outstanding as of March 1, 2018 is 86,747. All of these deferred units have vested, none of which are redeemable.

OUTLOOK

Scotiabank's Global Outlook dated January 12, 2018, predicts that real GDP in Canada will grow by 2.3% in 2018. GDP in British Columbia, Manitoba and Ontario in 2018 is estimated to grow by 2.5%, 2.0% and 2.3%, respectively, which are all healthy growth rates that are near or above the 2018 national forecast. After a year of GDP contraction in Saskatchewan and Alberta in 2016, a rebound began in 2017 in these provinces as oil and gas related activity began to recover. Scotiabank estimates that GDP in these provinces grew by 1.9% and 4.2%, respectively, in 2017, while continued GDP growth of 2.1% and 2.5%, respectively, and declining unemployment rates are predicted for 2018. We continue to monitor the Saskatchewan and Alberta markets closely and work diligently to maximize occupancy and rental rates, while diversifying our portfolio in an accretive manner so as to reduce and optimize our weighting in Alberta.

The Scotiabank Global Outlook report further predicts that U.S. GDP will grow at a rate of 2.5% in 2018. According to the United States Bureau of Labor Statistics, U.S. unemployment decreased nationally from 4.7% to 4.1% year-over-year in December. Most recently available unemployment rates in our U.S target markets are generally near or below the national average. We continue to monitor this and other key economic indicators in our target U.S. markets on a continuous basis. Given the health of the U.S. economy, strength of the US dollar, positive GDP growth expectations and decline in unemployment rates, we anticipate that there is further growth potential to be realized in 2018 and beyond. We will continue to pursue accretive acquisition opportunities in both Canada and the U.S., but anticipate that the majority of near- to mid-term acquisitions will be in our primary U.S. markets. We will also continue to seek and invest in high-yield development opportunities in our target U.S. markets. Accordingly, at the end of 2016, the Board of Trustees increased our target U.S. weighting from 40.0% to 50.0% of total Property NOI.

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 in 2018 and beyond. We further anticipate that interest rates will remain range-bound 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.

Overall, we anticipate that real estate fundamentals in Canada and the U.S. will remain stable in 2018 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, redevelopment and repositioning of select assets in primary markets through property improvement projects, expansion of existing portfolio properties, selective recycling of capital and capitalizing on new development opportunities.

SUBSEQUENT EVENTS

As at December 31, 2017, Artis had $42,844 of cash on hand and $61,617 available on its revolving term credit facilities. Subsequent to December 31, 2017, the following transactions took place:

- The REIT issued 5,000,000 Cumulative Minimum Rate Reset Preferred Trust Units, Series I ("Series I Units") at a price of $25 per unit, for gross proceeds of $125,000. The Series I Units will pay fixed cumulative preferential distributions of $1.50 per unit per annum, at the discretion of the Board of Trustees.
- The REIT issued 2-year Series B floating rate senior unsecured debentures with an aggregate principal amount of $200,000. These debentures will bear interest at a floating rate basis based on the three month CDOR plus 107 basis points.
- The REIT delivered its notice of redemption on all outstanding Series C Units, effective March 31, 2018.
- The REIT entered into a foreign currency forward contract to buy US$75,000 for $92,760.
- The REIT disposed of Humana Building, an office property located in the Greater Phoenix Area, Arizona. The property was sold for US$19,067 and a portion of the proceeds was used to repay the outstanding mortgage financing in the amount of US$8,639.
- The REIT has an unconditional purchase agreement for an office development project located in the Twin Cities Area, Minnesota. The REIT will acquire each phase upon completion, for a total anticipated purchase price of US$98,512.
- The REIT repaid a net balance of $169,000 and US$21,000 on its revolving term credit facilities.
- The REIT received new mortgage financing on a previously unencumbered property in the amount of US$16,110 and repaid a maturing mortgage in the amount of $21,542.
- The REIT declared a monthly cash distribution of $0.09 per unit for the months of January and February 2018.
- The REIT declared a quarterly cash distribution of $0.3125 per Series G preferred unit for the quarter ending January 31, 2018.

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 six U.S. states, with a significant majority of its properties, measured by Property NOI, 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 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 December 31, 2017, 47.0% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 26.5% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At December 31, 2017, the REIT is a party to $1,651,078 of variable rate debt, including credit facilities (December 31, 2016, $1,309,535). At December 31, 2017, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $756,956 of variable rate debt (December 31, 2016, $489,310). 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.

(In thousands of Canadian dollars, unless otherwise noted)

At December 31, 2017, the REIT's ratio of secured mortgages and loans to GBV was 31.9%, compared to 40.6% at December 31, 2016. The REIT's ratio of total long-term debt and credit facilities to GBV was 49.3%, compared to 51.0% at December 31, 2016. Approximately 20.7% of Artis' maturing mortgage debt comes up for renewal in 2018, and 17.7% in 2019. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2018 mortgage maturities.

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 is held in US dollars to act as a natural hedge. The REIT's Series C preferred units are also denominated in US dollars.

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 acquiring and owning properties across several asset classes and geographical regions. As well, management seeks to acquire properties with strong tenant covenants in place. Artis' portfolio includes 1,943 tenant leases with a weighted-average term to maturity of 4.4 years. Approximately 56.1% of the REIT's gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is Bell MTS, which is one of Canada's leading national communication companies providing voice services, internet and data services, and television. The second largest tenant by gross revenue is WorleyParsons Canada. WorleyParsons delivers projects, provides expertise in engineering, procurement and construction and offers a wide range of consulting and advisory services.

Top 20 Tenants by Gross Revenue[(1)]

Tenant	% of total gross revenue [(2)]	Owned share of GLA (000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Bell MTS	2.2%	322	1.3%	5.2
WorleyParsons Canada	1.7%	211	0.9%	3.7
Graham Group Ltd.	1.6%	243	1.0%	16.6
AT&T	1.5%	257	1.1%	7.5
Bell Canada	1.3%	115	0.5%	11.6
TransAlta Corp	1.1%	336	1.4%	5.4
TDS Telecommunications Corporation	1.1%	196	0.8%	7.0
Bellatrix Exploration Ltd.	1.0%	94	0.4%	6.1
TD Canada Trust	1.0%	128	0.5%	2.5
Shoppers Drug Mart	0.9%	136	0.6%	7.6
Home Depot	0.9%	122	0.5%	3.6
Canada Institute for Health Info.	0.9%	92	0.4%	7.7
CB Richard Ellis, Inc.	0.9%	108	0.5%	9.0
Fairview Health Services	0.8%	179	0.7%	5.7
3M Canada Company	0.8%	319	1.3%	2.2
Cara Operations Limited	0.8%	101	0.4%	11.0
IHS Global Canada Limited	0.7%	59	0.3%	1.0
Co-operators General Insurance	0.7%	93	0.4%	4.9
Microsemi Storage Solutions Ltd.	0.7%	124	0.5%	9.8
Telephone and Data Systems Inc.	0.7%	130	0.5%	6.9
Total	21.3%	3,365	14.0%	6.7

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.
(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	3.5%	494	2.1%	6.6
Provincial Government	1.7%	243	1.0%	2.5
Civic or Municipal Government	0.4%	101	0.4%	13.0
Total	5.6%	838	3.5%	6.2
Weighted-average term to maturity (entire portfolio)				4.4

(1) Based on owned share of total leasable area of properties included in the Portfolio Summary - Portfolio by Asset Class table.
(2) Total gross revenue is in Canadian and US dollars.

LEASE ROLLOVER RISK

The value of investment properties and the stability of cash flows derived from those properties is dependent upon the level of occupancy and lease rates in those properties. Upon expiry of any lease, there is no assurance that a lease will be renewed on favourable terms, or at all; nor is there any assurance that a tenant can be replaced. A contraction in the Canadian or U.S. economy would negatively impact demand for space in office, retail and industrial properties, consequently increasing the risk that leases expiring in the near term will not be renewed.

(In thousands of Canadian dollars, unless otherwise noted)

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

	Canada						U.S.				
Expiry Year	**AB**	**BC**	**MB**	**SK**	**ON**	***Calgary office only***	**AZ**	**MN**	**WI**	**Other**	**Total**
2018	1.8%	0.4%	3.2%	0.8%	1.3%	*0.8%*	0.2%	2.0%	1.2%	0.9%	11.8%
2019	1.3%	0.8%	1.5%	0.3%	1.8%	*0.5%*	0.7%	3.4%	0.6%	0.8%	11.2%
2020	1.1%	0.2%	2.3%	0.3%	3.2%	*0.2%*	1.0%	2.3%	1.0%	0.2%	11.6%
2021	2.4%	0.2%	2.2%	0.4%	1.5%	*1.5%*	0.8%	4.4%	0.4%	0.2%	12.5%
2022	1.0%	0.3%	0.9%	1.5%	2.3%	*0.3%*	0.2%	2.6%	0.3%	0.1%	9.2%
2023	1.8%	0.1%	0.6%	0.3%	0.9%	*1.5%*	0.2%	1.2%	0.1%	0.1%	5.3%
2024 & later	3.6%	1.2%	3.7%	1.8%	4.1%	*0.9%*	3.2%	5.3%	2.7%	1.1%	26.7%
Month-to-month	0.2%	—%	0.1%	—%	0.1%	*0.1%*	—%	—%	—%	—%	0.4%
Vacant	2.9%	0.2%	1.2%	0.5%	0.8%	*2.1%*	0.5%	1.3%	0.5%	0.2%	8.1%
New development/ redevelopment	0.4%	—%	—%	—%	—%	*0.4%*	0.5%	0.6%	—%	1.7%	3.2%
Total	16.5%	3.4%	15.7%	5.9%	16.0%	*8.3%*	7.3%	23.1%	6.8%	5.3%	100.0%

Artis' real estate is diversified across five Canadian provinces and six 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 Madison office, Calgary office, Twin Cities Area industrial, Twin Cities Area office and Winnipeg office.

TAX RISK

The Tax Act contains the SIFT Rules, which are applicable to publicly traded income trusts unless the trust satisfies the REIT Exception. The REIT Exception to the SIFT Rules is comprised of a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of the taxation year. Management believes that the REIT has met the requirements of the REIT Exception in each taxation year since 2009 and that it has met the REIT Exception throughout the year ended December 31, 2017 and the year ended December 31, 2016. 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 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.

CYBER SECURITY RISK

Cyber security has become an increasingly problematic issue for issuers and businesses in Canada and around the world, including for Artis and the real estate industry. Cyber attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the organization's information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information.

As Artis' reliance on technology has increased, so have the risks posed to its system. Artis' primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to its business relationships with its tenants, disclosure of confidential information regarding its tenants, employees and third parties with who Artis interacts, and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny and litigation. These developments may subject Artis' operations to increased risks, as well as increased costs, and, depending on their magnitude, could have a material adverse effect on Artis' financial position and results of operations.

The Board and management are responsible for overseeing Artis' cyber security risks. To remain resilient to these risks, Artis has implemented processes, procedures and controls to help mitigate these risks, including installing firewalls and antivirus programs on its networks, servers and computers, and staff training. However, these measures, as well as its increased awareness of a risk of a cyber incident, do not provide assurance that its efforts will be effective or that attempted security breaches or disruptions will not be successful or damaging.

OTHER RISKS

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

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

CRITICAL ACCOUNTING ESTIMATES

Artis REIT's management believes that the policies below are those most subject to estimation and judgment by management.

VALUATION OF INVESTMENT PROPERTIES

Investment properties include properties held to earn rental income and properties that are being constructed or developed for future use as investment properties. Investment properties are measured at fair value with any changes therein recognized in net income or loss for the year. Artis determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method. Under the discounted cash flow method, expected future cash flows for each investment property were discounted, generally over a term of approximately 10 years, using weighted-average rates of approximately 7.71% at December 31, 2016 and 7.69% at December 31, 2017. Expected future cash flows for each investment property have been based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. Under the overall capitalization method, year one income was stabilized and capped at weighted-average capitalization rates of approximately 6.59% at December 31, 2016 and 6.46% at December 31, 2017.

Investment properties under development include initial acquisition costs, other direct costs and borrowing costs during the period of development. The REIT considers practical completion to have occurred when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

VALUATION OF DEFERRED TAX ASSETS AND LIABILITIES

The REIT has reviewed the SIFT Rules (see discussion under the Tax Risk section of this MD&A) and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes it has met the REIT Exception throughout the year ended December 31, 2016 and the year ended December 31, 2017.

CHANGES IN ACCOUNTING STANDARDS

Future Changes in Accounting Standards

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. IFRS 15 excludes contracts that are within the scope of IAS 17 - *Leases*, IFRS 4 - *Insurance Contracts* and IFRS 9 - *Financial Instruments*. The REIT has elected to apply the standard on a modified retrospective basis. Under this approach, the 2017 comparative period will not be restated and a cumulative transitional adjustment to the opening retained earnings balance will be recognized at the date of initial application, as applicable.

The REIT is in the final stages of its evaluation of the impact of IFRS 15 on its consolidated financial statements. The REIT's most material revenue stream of base rental revenue is outside the scope of this standard. The only significant revenue stream falling under IFRS 15 relates to property operating and realty tax cost recoveries. The REIT has determined that its current practices of revenue recognition will remain unchanged upon adoption of this standard. The adoption of IFRS 15 is not expected to have a material impact to the consolidated statements of operations or the consolidated statements of cash flows. The impact will be limited to additional note disclosure on the disaggregation of its revenue streams, specifically as it relates to property operating and realty tax cost recoveries.

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, any gains or losses for the financial liability due to changes in an entity's credit risk must be recognized in other comprehensive income. The REIT will adopt this new standard on the required effective date of January 1, 2018 and will apply the standard on a retrospective basis using the available transitional provisions. Under this approach, the 2017 comparative period will not be restated and a cumulative transitional adjustment to the opening retained earnings will be recognized at the date of initial application, as applicable. The REIT has completed a scoping and quantitative review of its financial instruments and does not anticipate any changes to the measurement of its financial instruments. Therefore, the REIT does not expect a material impact to its consolidated financial statements from the adoption of this new standard.

In June 2016, the IASB amended IFRS 2 – *Share-based Payment*. The amendment clarifies the classification and measurement of share-based payment transactions, and is effective for annual periods beginning on or after January 1, 2018. The REIT does not expect a material impact to its consolidated financial statements from the adoption of this amendment.

In December 2016, the IASB issued IFRIC 22 - *Foreign Currency Transactions and Advance Consideration* ("IFRIC 22"). IFRIC 22 clarifies the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. The REIT does not expect a material impact to its consolidated financial statements from the adoption of this interpretation.

In December 2016, the IASB amended IAS 40 - *Investment Property* ("IAS 40"). The amendments clarify that an asset be transferred to, or from, investment property only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of the property does not provide evidence of a change in use. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction. These amendments are effective for annual periods beginning on or after January 1, 2018. The REIT does not expect a material impact to its consolidated financial statements from the adoption of these amendments.

The IASB issued IFRS 16 – *Leases* ("IFRS 16") in January 2016 which replaces IAS 17 – *Leases* and IFRIC 4 – *Determining whether an Arrangement contains a Lease*. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees. The changes do not materially impact the lessor accounting model. 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 ("CEO") and Chief Financial Officer ("CFO") 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 December 31, 2017, 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 changes were made in the REIT's design of internal controls over financial reporting during the year ended December 31, 2017, that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

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 CEO and CFO, to allow timely decisions regarding required disclosure.

As of December 31, 2017, an evaluation was carried out, under the supervision of and with the participation of management, including the CEO and CFO, of the effectiveness of the REIT's disclosure controls and procedures (as defined in NI 52-109). Based on the evaluation, the CEO and CFO have concluded that the REIT's disclosure controls and procedures were effective for the year ended December 31, 2017.

Management's Responsibility for Financial Statements

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

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

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

"Armin Martens"

Armin Martens, P.Eng., MBA
President and Chief Executive Officer
March 1, 2018

"Jim Green"

Jim Green, CPA, CA
Chief Financial Officer
March 1, 2018

Deloitte.

Deloitte LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: 1-204-942-0051
Fax: 1-204-947-9390
www.deloitte.ca

Independent Auditor's Report

To the Unitholders of Artis Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Artis Real Estate Investment Trust, which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016, and the consolidated statements of operations, changes in unitholders' equity and cash flows for the years then ended, and a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Artis Real Estate Investment Trust as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Deloitte LLP

Chartered Professional Accountants
March 1, 2018

Member of Deloitte Touche Tohmatsu Limited

(In thousands of Canadian dollars, except as otherwise noted)

CONSOLIDATED BALANCE SHEETS

	Note		December 31, 2017		December 31, 2016
ASSETS					
Non-current assets:					
Investment properties	4	$	4,720,362	$	4,991,825
Investment properties under development	4		79,701		65,199
Investments in joint ventures	5		200,383		213,565
Property and equipment	6		7,005		3,351
Notes receivable	7		12,982		12,972
			5,020,433		5,286,912
Current assets:					
Investment properties held for sale	4		110,188		119,178
Deposits on investment properties			5,081		369
Prepaid expenses and other assets	8		17,134		11,728
Notes receivable	7		2,322		2,815
Accounts receivable and other receivables	9		16,816		13,173
Cash held in trust			8,090		7,851
Cash			35,832		50,729
			195,463		205,843
		$	5,215,896	$	5,492,755
LIABILITIES AND UNITHOLDERS' EQUITY					
Non-current liabilities:					
Mortgages and loans payable	10	$	1,190,525	$	1,520,124
Senior unsecured debentures	11		199,854		199,740
Convertible debentures	12		—		119,358
Credit facilities	13		298,922		—
Other long-term liabilities			6,404		4,997
			1,695,705		1,844,219
Current liabilities:					
Mortgages and loans payable	10		370,508		627,838
Security deposits and prepaid rent			30,521		35,213
Accounts payable and other liabilities	14		75,570		88,439
Credit facilities	13		438,383		269,680
			914,982		1,021,170
			2,610,687		2,865,389
Unitholders' equity			2,605,209		2,627,366
Commitments, contingencies and guarantees	27				
Subsequent events	31				
		$	5,215,896	$	5,492,755

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

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

	Note		2017		Year ended December 31, 2016
Revenue		$	516,328	$	549,151
Expenses:					
Property operating			123,855		126,098
Realty taxes			81,249		86,937
			205,104		213,035
Net operating income			311,224		336,116
Other income (expenses):					
Corporate expenses			(13,778)		(13,322)
Interest expense	19		(96,496)		(108,138)
Interest income			1,148		1,210
Net income from investments in joint ventures	5		21,280		13,367
Fair value gain (loss) on investment properties	4		4,694		(114,757)
Foreign currency translation loss			(267)		(2,345)
Transaction costs	3		(1,110)		(1,105)
Gain on financial instruments	20		7,421		5,592
Income before income taxes			234,116		116,618
Income tax recovery (expense)	21		319		(683)
Net income			234,435		115,935
Other comprehensive loss that may be reclassified to net income in subsequent periods:					
Unrealized foreign currency translation loss			(60,530)		(25,508)
Unrealized foreign currency translation (loss) gain on investments in joint ventures			(11,853)		4,863
Other comprehensive loss that will not be reclassified to net income in subsequent periods:					
Unrealized loss from remeasurements of net pension obligation			(111)		(34)
			(72,494)		(20,679)
Total comprehensive income		$	161,941	$	95,256
Basic income per unit attributable to common unitholders	15 (d)	$	1.43	$	0.67
Diluted income per unit attributable to common unitholders	15 (d)		1.43		0.67
Weighted-average number of common units outstanding:					
Basic	15 (d)		150,578,462		144,917,941
Diluted	15 (d)		150,887,813		145,207,598

See accompanying notes to consolidated financial statements.

(In thousands of Canadian dollars, except as otherwise noted)

CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

	Common units capital contributions (note 15 (a)(ii))	Equity component of convertible debentures	Retained earnings	Accumulated other comprehensive income (loss)	Contributed surplus	Total common equity	Total preferred equity	Total
Unitholders' equity, December 31, 2015	$ 1,815,071	$ 11,023	$ 186,901	$ 224,137	$ 5,006	$ 2,242,138	$ 325,623	$ 2,567,761
Changes for the year:								
Issuance of units, net of issue costs	143,273	(1)	—	—	—	143,272	—	143,272
Redemption of convertible debentures	—	(11,022)	—	—	11,022	—	—	—
Unit-based compensation expense (note 16 (a))	—	—	—	—	128	128	—	128
Net income	—	—	115,935	—	—	115,935	—	115,935
Other comprehensive loss	—	—	—	(20,679)	—	(20,679)	—	(20,679)
Distributions	—	—	(179,051)	—	—	(179,051)	—	(179,051)
Unitholders' equity, December 31, 2016	1,958,344	—	123,785	203,458	16,156	2,301,743	325,623	2,627,366
Changes for the year:								
Issuance of units, net of issue costs	3,315	—	—	—	—	3,315	—	3,315
Net income	—	—	234,435	—	—	234,435	—	234,435
Other comprehensive loss	—	—	—	(72,494)	—	(72,494)	—	(72,494)
Distributions	—	—	(187,413)	—	—	(187,413)	—	(187,413)
Unitholders' equity, December 31, 2017	$ 1,961,659	$ —	$ 170,807	$ 130,964	$ 16,156	$ 2,279,586	$ 325,623	$ 2,605,209

See accompanying notes to consolidated financial statements.

(In thousands of Canadian dollars, except as otherwise noted)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	2017	Year ended December 31, 2016
Cash provided by (used in):			
Operating activities:			
Net income		$ 234,435	$ 115,935
Distributions from joint ventures		4,481	4,612
Adjustments for non-cash items:			
Fair value (gain) loss on investment properties	4	(4,694)	114,757
Depreciation of property and equipment		911	859
Net income from investments in joint ventures	5	(21,280)	(13,367)
Tenant inducements amortized to revenue		17,026	16,196
Amortization of above- and below-market mortgages, net	19	(1,132)	(2,194)
Accretion on liability component of debentures	19	(333)	(851)
Straight-line rent adjustments	4	(6,383)	(5,446)
Unrealized foreign currency translation loss		12,507	5,974
Gain on financial instruments	20	(7,421)	(5,592)
Unit-based compensation		1,819	955
Amortization of financing costs included in interest expense	19	3,362	3,465
Other long-term employee benefits		1,293	1,819
Changes in non-cash operating items	22	(20,586)	14,698
		214,005	251,820
Investing activities:			
Acquisitions of investment properties, net of related debt	3	(101,706)	(150,714)
Proceeds from dispositions of investment properties, net of costs and related debt	3	264,800	290,412
Additions to investment properties	4	(42,581)	(57,413)
Additions to investment properties under development	4	(36,972)	(23,864)
Additions to joint ventures	5	(8,129)	(34,916)
Additions to tenant inducements		(50,545)	(40,691)
Additions to leasing commissions	4	(12,912)	(16,333)
Additions to property and equipment		(4,578)	(569)
Notes receivable principal repayments		1,864	2,497
Change in deposits on investment properties		(3,775)	(225)
Change in cash held in trust		(441)	(299)
		5,025	(32,115)
Financing activities:			
Issuance of common units, net of issue costs		2,972	142,488
Repayment of convertible debentures		(116,549)	(86,160)
Advance of revolving credit facilities		511,000	580,000
Repayment of revolving credit facilities		(348,500)	(536,000)
Change in non-revolving credit facilities, net of financing costs		298,822	—
Distributions paid on common units		(166,196)	(159,587)
Distributions paid on preferred units		(18,418)	(18,432)
Mortgages and loans principal repayments		(53,951)	(59,770)
Repayment of mortgages and loans payable		(391,811)	(218,227)
Advance of mortgages and loans payable, net of financing costs		52,680	125,853
Issuance of preferred shares, net of issue costs		—	245
		(229,951)	(229,590)
Foreign exchange loss on cash held in foreign currency		(3,976)	(5,835)
Decrease in cash		(14,897)	(15,720)
Cash, beginning of year		50,729	66,449
Cash, end of year		$ 35,832	$ 50,729
Supplemental cash flow information:			
Interest paid		$ 104,411	$ 109,073
Interest received		1,155	1,215

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016

Note 1. Organization

Artis Real Estate Investment Trust (the "REIT") is an unincorporated closed-end real estate investment trust created under, and governed by, the laws of the Province of Manitoba. The REIT was created pursuant to the Declaration of Trust dated November 8, 2004, as most recently amended and restated on July 20, 2016 (the "Declaration of Trust"). The purpose of the REIT is to directly, or indirectly, own, manage, lease and (where appropriate) develop primarily office, retail and industrial properties in Canada and the United States (the "U.S."). The registered office of the REIT is 600 - 220 Portage Avenue, Winnipeg, Manitoba, R3C 0A5.

The Declaration of Trust provides that the REIT may make cash distributions to unitholders of the REIT. The amount distributed annually (currently $1.08 per common unit, $1.4155 per Series A preferred unit, US$1.3125 per Series C preferred unit, $1.1875 per Series E preferred unit and $1.25 per Series G preferred unit) is set by the Board of Trustees.

Note 2. Significant accounting policies

(a) Statement of compliance:

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

(b) Basis of presentation and measurement:

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

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

(c) Principles of consolidation:

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

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

(d) Translation of foreign currencies:

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

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

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

(e) Financial instruments:

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

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

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

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

(f) Investment properties:

Investment properties include properties held to earn rental income and properties that are being constructed or developed for future use as investment properties. Investment properties are measured at fair value with any changes therein recognized in profit or loss for the year.

Investment properties are classified as investment properties under development once construction at the property has commenced. Investment properties under development include initial acquisition costs and other direct costs during the period of development. Borrowing costs associated with direct expenditures on properties under development are capitalized from the commencement of the construction until the date of practical completion. The REIT considers practical completion to have occurred when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

The REIT occupies a portion of space in several of its investment properties. In the case of mixed use investment property and property held for use in the production of goods or services, the REIT classifies the property as investment property when only an insignificant portion is owner-occupied. The REIT considers the owner-occupied portion as insignificant when the property is primarily held to earn rental income.

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

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

Payments to tenants under lease obligations are included in the carrying amount of investment properties. Payments that are determined to primarily benefit the tenant are treated as tenant inducements that reduce revenue.

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

(g) Joint arrangements:

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

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

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

(h) Property and equipment:

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

(i) Assets held for sale and discontinued operations:

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

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

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

(j) Cash held in trust:

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

(k) Provisions:

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

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

(l) Revenue recognition:

The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Rental revenue from investment properties includes all amounts earned from tenants related to lease agreements, including base rent, property operating and realty tax cost recoveries, lease termination income and other incidental income.

The total amount of contractual base rent in lease agreements is accounted for on a straight-line basis over the term of the respective leases. A straight-line rent receivable, which is included in the carrying amount of investment properties, is recorded for the difference between the rental revenue recorded and the contractual rent received.

Property operating and realty tax cost recoveries are accrued and recognized as revenue in the period that the recoverable costs are incurred and become chargeable to tenants.

Tenant inducements are recognized as a reduction to revenue and are amortized on a straight-line basis over the term of the lease.

(m) Long-term benefits:

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

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

(n) Unit-based compensation:

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

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

(o) Earnings per unit:

Basic earnings per REIT unit is computed by dividing net income for the period attributable to common unitholders by the weighted-average number of common units outstanding during the reporting period. Diluted earnings per unit is calculated based on the weighted-average number of common units outstanding during the period, plus the effect of dilutive unit equivalents. The dilution impact of convertible debentures is calculated using the if-converted method, whereby conversion is not assumed for the purposes of computing diluted earnings per unit if the effect is anti-dilutive. The dilution impact also considers unit options, restricted units and deferred units.

(p) Use of estimates and judgments:

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

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

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

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

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

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

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

- Classification of property as investment property or owner-occupied property - The REIT's accounting policy for the classification of properties that comprise a portion that is held to earn rental income and another portion that is held for use in the production or supply of goods or services or for administrative purposes is described in note 2 (f). Judgment is applied in determining whether the portion of the property held for use in the production or supply of goods or services or for administrative purposes is insignificant in comparison to the portion held to earn rental income.

- Classification of joint arrangements - The REIT's accounting policy relating to joint arrangements is described in note 2 (g) and note 5. Judgment is applied in determining whether joint arrangements constitute a joint venture or a joint operation.

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

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

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

- Allowance for doubtful accounts - The critical estimates and assumptions underlying the value of the allowance for doubtful accounts are described in note 29 (b).

- Fair value of financial instruments - The fair value of financial instruments is estimated as the amount for which an instrument could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The estimates and assumptions underlying the fair value of financial instruments are described in note 30.

(In thousands of Canadian dollars, except as otherwise noted)

(q) Future changes in accounting standards:

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. IFRS 15 excludes contracts that are within the scope of IAS 17 - *Leases*, IFRS 4 - *Insurance Contracts* and IFRS 9 - *Financial Instruments*. The REIT has elected to apply the standard on a modified retrospective basis. Under this approach, the 2017 comparative period will not be restated and a cumulative transitional adjustment to the opening retained earnings balance will be recognized at the date of initial application, as applicable.

The REIT is in the final stages of its evaluation of the impact of IFRS 15 on its consolidated financial statements. The REIT's most material revenue stream of base rental revenue is outside the scope of this standard. The only significant revenue stream falling under IFRS 15 relates to property operating and realty tax cost recoveries. The REIT has determined that its current practices of revenue recognition will remain unchanged upon adoption of this standard. The adoption of IFRS 15 is not expected to have a material impact to the consolidated statements of operations or the consolidated statements of cash flows. The impact will be limited to additional note disclosure on the disaggregation of its revenue streams, specifically as it relates to property operating and realty tax cost recoveries.

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, any gains or losses for the financial liability due to changes in an entity's credit risk must be recognized in other comprehensive income. The REIT will adopt this new standard on the required effective date of January 1, 2018 and will apply the standard on a retrospective basis using the available transitional provisions. Under this approach, the 2017 comparative period will not be restated and a cumulative transitional adjustment to the opening retained earnings will be recognized at the date of initial application, as applicable. The REIT has completed a scoping and quantitative review of its financial instruments and does not anticipate any changes to the measurement of its financial instruments. Therefore, the REIT does not expect a material impact to its consolidated financial statements from the adoption of this new standard.

In June 2016, the IASB amended IFRS 2 – *Share-based Payment*. The amendment clarifies the classification and measurement of share-based payment transactions, and is effective for annual periods beginning on or after January 1, 2018. The REIT does not expect a material impact to its consolidated financial statements from the adoption of this amendment.

In December 2016, the IASB issued IFRIC 22 - *Foreign Currency Transactions and Advance Consideration* ("IFRIC 22"). IFRIC 22 clarifies the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. The REIT does not expect a material impact to its consolidated financial statements from the adoption of this interpretation.

In December 2016, the IASB amended IAS 40 - *Investment Property* ("IAS 40"). The amendments clarify that an asset be transferred to, or from, investment property only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of the property does not provide evidence of a change in use. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction. These amendments are effective for annual periods beginning on or after January 1, 2018. The REIT does not expect a material impact to its consolidated financial statements from the adoption of these amendments.

The IASB issued IFRS 16 – *Leases* ("IFRS 16") in January 2016 which replaces IAS 17 – *Leases* and IFRIC 4 – *Determining whether an Arrangement contains a Lease*. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees. The changes do not materially impact the lessor accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The REIT is currently evaluating the impact of this new standard.

Note 3. Acquisitions and dispositions of investment properties

Acquisitions:

The REIT acquired the following properties during the year ended December 31, 2017:

Property	Property count	Location	Acquisition date	Asset class
U.S. Industrial Portfolio	3	Various cities in the U.S. (1)	December 11, 2017	Industrial
Clearwater Creek Distribution Center	1	Twin Cities Area, MN	December 20, 2017	Industrial

(1) Two of the properties are located in the Greater Phoenix Area, Arizona and the third property is located in the Greater Denver Area, Colorado.

On September 7, 2017, the REIT acquired an additional 10% interest in each of Park Lucero I, Park Lucero III and Park Lucero IV, industrial properties located in the Greater Phoenix Area, Arizona, for total consideration of $2,857. Prior to the acquisition date, the REIT owned 90% of these investment properties and the properties were classified as joint ventures and accounted for using the equity method. As a result of these acquisitions, the REIT now owns 100% of the properties and accounts for them on a consolidated basis. The REIT accounted for these acquisitions as step acquisitions and remeasured its existing 90% interests to fair value at the acquisition date.

On September 29, 2017, the REIT also acquired a parkade that is ancillary to an existing office property in Winnipeg, Manitoba.

The REIT acquired the following properties during the year ended December 31, 2016:

Property	Property count	Location	Acquisition date	Asset class
Madison Lifestyle Office Portfolio	16	Madison, WI	June 13, 2016, August 1, 2016	Office

The REIT acquired the following development project during the year ended December 31, 2016:

Property	Location	Acquisition date	Asset class
Millwright Building (1)	Twin Cities Area, MN	August 11, 2016	Office

(1) The REIT acquired an 80% interest in this joint venture.

(In thousands of Canadian dollars, except as otherwise noted)

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

	Year ended December 31, 2017	Year ended December 31, 2016
Investment properties (note 4)	$ 103,234	$ 340,115
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	(2,962)	(189,401)
Other net assets	1,434	—
Cash consideration	$ 101,706	$ 150,714
Transaction costs expensed	$ 1,110	$ 1,105

Dispositions:

The REIT disposed of the following properties during the year ended December 31, 2017:

Property	Property count	Location	Disposition date	Asset class
Airdrie Flex Industrial	1	Airdrie, AB	February 6, 2017	Industrial
Southview Centre	1	Medicine Hat, AB	March 10, 2017	Retail
Westbank Hub Shopping Centre and Westbank Hub Centre North[1]	2	Westbank, BC	March 15, 2017	Retail
Ford Tower and Alpine Building	2	Calgary, AB	March 30, 2017	Office
Edson Shoppers	1	Edson, AB	April 7, 2017	Retail
Horizon Heights	1	Calgary, AB	July 5, 2017	Retail
Sherwood Centre	1	Edmonton, AB	August 15, 2017	Industrial
6075 Kestrel Road	1	Greater Toronto Area, ON	September 1, 2017	Industrial
Quarry Park Portfolio	3	Calgary, AB	September 15, 2017	Office
488 Albert Street	1	Nanaimo, BC	October 10, 2017	Office
Twin Cities Industrial Portfolio	7	Twin Cities Area, MN	November 17, 2017	Industrial
Millennium Centre	1	Red Deer, AB	December 7, 2017	Office
12 Indell Lane	1	Greater Toronto Area, ON	December 21, 2017	Industrial

(1) The REIT disposed of its 75% interest in these properties.

The proceeds from the sale of the above properties, net of costs and related debt, were $264,800. The assets and liabilities associated with the properties were derecognized.

The REIT disposed of the following properties during the year ended December 31, 2016:

Property	Property count	Location	Disposition date	Asset class
Tamarack Centre	1	Cranbrook, BC	April 28, 2016	Retail
Whistler Hilton Retail Plaza [1]	1	Whistler, BC	May 2, 2016	Retail
Crosstown North	1	Twin Cities Area, MN	May 19, 2016	Industrial
Lunar Pointe	1	Twin Cities Area, MN	August 5, 2016	Industrial
Uplands Common	1	Lethbridge, AB	August 16, 2016	Retail
Clareview Town Centre	1	Edmonton, AB	August 17, 2016	Retail
Southwood Corner	1	Calgary, AB	October 28, 2016	Retail
Mayfield Industrial Plaza	1	Edmonton, AB	October 31, 2016	Industrial
Alberta Industrial Portfolio	8	Various cities in AB	November 1 2016	Industrial
3571 Old Okanagan Road	1	Westbank, BC	November 17, 2016	Retail
Northwest Centre I & II	1	Calgary, AB	December 6, 2016	Office

(1) The REIT disposed of its 85% interest in this property.

The proceeds from the sale of the above properties, net of costs and related debt, were $290,412. The assets and liabilities associated with the properties were derecognized.

(In thousands of Canadian dollars, except as otherwise noted)

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

		Year ended December 31, 2017				
		Investment properties		Investment properties under development		Investment properties held for sale
Balance, beginning of year	$	4,991,825	$	65,199	$	119,178
Additions:						
Acquisitions (note 3)		102,820		414		—
Reclassification from investments in joint ventures		47,441		3,800		—
Capital expenditures		42,019		36,972		562
Capitalized interest		—		283		—
Leasing commissions		12,623		44		245
Dispositions		(168,602)		—		(264,529)
Reclassification of investment properties under development		21,752		(21,752)		—
Reclassification of investment properties held for sale		(257,214)		—		257,214
Foreign currency translation loss		(119,309)		(3,658)		(1,672)
Straight-line rent adjustments		6,398		2		(17)
Tenant inducement additions, net of amortization		32,921		150		448
Fair value gain (loss)		7,688		(1,753)		(1,241)
Balance, end of year	$	4,720,362	$	79,701	$	110,188

		Year ended December 31, 2016				
		Investment properties		Investment properties under development		Investment properties held for sale
Balance, beginning of year	$	5,078,021	$	26,892	$	115,504
Additions:						
Acquisitions (note 3)		340,115		—		—
Capital expenditures		57,373		23,864		40
Leasing commissions		16,139		141		53
Dispositions		(35,134)		—		(326,196)
Reclassification of investment properties under development		(18,631)		18,631		—
Reclassification of investment properties held for sale		(337,836)		—		337,836
Foreign currency translation (loss) gain		(35,484)		(338)		28
Straight-line rent adjustments		5,472		4		(30)
Tenant inducement additions, net of amortization		24,548		341		(394)
Fair value loss		(102,758)		(4,336)		(7,663)
Balance, end of year	$	4,991,825	$	65,199	$	119,178

During the year ended December 31, 2017, the REIT reclassified two industrial properties from investment properties under development to investment properties.

The REIT reclassified one office property and seven retail properties to investment properties held for sale that were listed with an external broker or under unconditional sale agreements at December 31, 2017. These properties had an aggregate mortgage payable balance of $61,463 at December 31, 2017, which is not accounted for as held for sale and is included in current liabilities.

At December 31, 2017, included in investment properties was $38,260 (December 31, 2016, $36,211) of net straight-line rent receivables arising from the recognition of rental income on a straight-line basis over the lease term in accordance with IAS 17 - *Leases*.

Investment properties include properties held under operating leases with an aggregate fair value of $10,904 at December 31, 2017 (December 31, 2016, $89,183).

At December 31, 2017, investment properties with a fair value of $3,261,174 (December 31, 2016, $4,218,827) were pledged as security under mortgage agreements.

The REIT obtains external valuations for a selection of properties representing various geographical regions and asset classes across its portfolio. For the year ended December 31, 2017, properties with an appraised value of $865,928 (2016, $522,603) were appraised by qualified external valuation professionals. The REIT uses similar assumptions and valuation techniques in its internal valuations as used by the external valuation professionals. Internal valuations are performed by the REIT's valuations team who report directly to the Chief Financial Officer. The valuations processes and results are reviewed by management on a quarterly basis.

(In thousands of Canadian dollars, except as otherwise noted)

The REIT determined the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method. Under the discounted cash flow method, expected future cash flows are discounted using an appropriate rate based on the risk of the property. Expected future cash flows for each investment property are based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. The REIT uses leasing history, market reports, tenant profiles and building assessments, among other things, in determining the most appropriate assumptions. Discount and capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one net income is stabilized and capitalized at a rate appropriate for each investment property. The stabilized net income incorporates allowances for vacancy, management fees and structural repair reserves. The resulting capitalized value is further adjusted, where appropriate, for costs to stabilize the net income and non-recoverable capital expenditures. There were no changes to the REIT's internal valuation methodology during the years ended December 31, 2017 and 2016.

A change in the discount or capitalization rates used could have a material impact on the fair value of the REIT's investment properties. When discount or capitalization rates compress, the estimated fair values of investment properties increase. When discount or capitalization rates expand, the estimated fair values of investment properties decrease.

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

Under the fair value hierarchy, the fair value of the REIT's investment properties is considered a Level 3, as described in note 30.

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

	December 31, 2017			December 31, 2016		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Western Canada:						
Discount rate	9.50%	6.25%	7.61%	9.50%	6.25%	7.60%
Terminal capitalization rate	9.00%	4.25%	6.72%	9.00%	4.50%	6.81%
Capitalization rate	8.50%	4.25%	6.54%	8.75%	4.50%	6.75%
Investment horizon (years)	11.0	10.0	10.2	12.0	9.0	10.2
Central Canada:						
Discount rate	9.00%	6.25%	7.66%	9.00%	6.25%	7.70%
Terminal capitalization rate	8.50%	5.50%	6.42%	8.50%	5.75%	6.46%
Capitalization rate	8.25%	5.50%	6.28%	8.25%	5.50%	6.27%
Investment horizon (years)	12.0	10.0	10.4	12.0	9.0	10.3
Eastern Canada:						
Discount rate	7.75%	6.25%	7.11%	7.75%	6.50%	7.17%
Terminal capitalization rate	6.75%	4.75%	6.01%	7.00%	5.25%	6.35%
Capitalization rate	7.00%	4.75%	6.03%	7.00%	5.00%	6.25%
Investment horizon (years)	12.0	10.0	10.4	12.0	10.0	10.1
U.S.:						
Discount rate	9.00%	6.75%	8.06%	9.00%	7.00%	8.10%
Terminal capitalization rate	8.75%	5.75%	7.00%	8.75%	5.75%	7.16%
Capitalization rate	8.50%	5.50%	6.81%	8.50%	5.50%	6.89%
Investment horizon (years)	20.0	10.0	11.0	20.0	10.0	11.1
Overall:						
Discount rate	9.50%	6.25%	7.69%	9.50%	6.25%	7.71%
Terminal capitalization rate	9.00%	4.25%	6.63%	9.00%	4.50%	6.77%
Capitalization rate	8.50%	4.25%	6.48%	8.75%	4.50%	6.62%
Investment horizon (years)	20.0	10.0	10.5	20.0	9.0	10.5

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

The following sensitivity table outlines the impact of a 0.25% change in the weighted-average capitalization rate on investment properties at December 31, 2017:

	Change to fair value if capitalization rate increased by 0.25%	Change to fair value if capitalization rate decreased by 0.25%
Western Canada	$ (48,929)	$ 53,067
Central Canada	(41,570)	45,069
Eastern Canada	(26,743)	29,114
U.S.	(63,657)	68,631
	$ (180,899)	$ 195,881

(In thousands of Canadian dollars, except as otherwise noted)

Note 5. Joint arrangements

The REIT had interests in the following joint arrangements:

			Ownership interest	
Property	Principal purpose	Type of arrangement	December 31, 2017	December 31, 2016
Park 8Ninety I	Investment property	Joint venture	95%	95%
Corridor Park	Investment property	Joint venture	90%	90%
Park Lucero I (1)	Investment property	Joint venture	-	90%
Park Lucero II	Investment property	Joint venture	90%	90%
Park Lucero III (1)	Investment property	Joint venture	-	90%
Park Lucero IV (1)	Investment property	Joint venture	-	90%
Millwright Building	Investment property	Joint venture	80%	80%
Graham Portfolio	Investment property	Joint venture	75%	75%
1700 Broadway	Investment property	Joint venture	50%	50%
Centrepoint	Investment property	Joint venture	50%	50%
Hudson's Bay Centre	Investment property	Joint venture	50%	50%
The Point at Inverness	Investment property	Joint venture	50%	50%
Centre 70 Building	Investment property	Joint operation	85%	85%
Westbank Hub Centre North	Investment property	Joint operation	-	75%
Westbank Hub Shopping Centre	Investment property	Joint operation	-	75%
Cliveden Building	Investment property	Joint operation	50%	50%
Kincaid Building	Investment property	Joint operation	50%	50%

(1) On September 7, 2017, the REIT increased its ownership interest in these properties to 100%. Subsequent to these transactions, the REIT consolidates the financial results of Park Lucero I, Park Lucero III and Park Lucero IV. See note 3 for further information.

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

The REIT contributed $8,129 during the year ended December 31, 2017 to the Park Lucero, Hudson's Bay Centre and Park 8Ninety I joint venture arrangements.

The REIT is contingently liable for the obligations of certain joint arrangements. As at December 31, 2017, the co-owners' share of mortgage liabilities was $96,494 (December 31, 2016, $114,575). Management believes that the assets available from its joint arrangements are sufficient for the purpose of satisfying such obligations.

At December 31, 2017, one of the REIT's joint ventures has an office property classified as held for sale.

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

	December 31, 2017	December 31, 2016
Non-current assets:		
Investment properties	$ 332,359	$ 284,249
Investment properties under development	—	92,305
Current assets:		
Investment property held for sale	26,187	—
Prepaid expenses and other assets	282	292
Accounts receivable and other receivables	655	559
Cash	7,012	8,312
	366,495	385,717
Non-current liabilities:		
Mortgages and loans payable	112,148	117,804
Current liabilities:		
Mortgages and loans payable	46,484	34,709
Security deposits and prepaid rent	2,190	2,094
Accounts payable and other liabilities	5,290	17,545
	166,112	172,152
Investments in joint ventures	$ 200,383	$ 213,565

(In thousands of Canadian dollars, except as otherwise noted)

				Year ended December 31,
		2017		2016
Revenue	$	26,601	$	23,364
Expenses:				
Property operating		7,921		7,026
Realty taxes		4,259		3,740
		12,180		10,766
Net operating income		14,421		12,598
Other income (expenses):				
Interest expense		(6,210)		(4,579)
Interest income		8		5
Fair value gain on investment properties		13,061		5,343
Net income from investments in joint ventures	$	21,280	$	13,367

Note 6. Property and equipment

		December 31, 2017		December 31, 2016
Office furniture and fixtures	$	9,990	$	5,516
Office equipment and software		1,336		1,265
Accumulated depreciation		(4,321)		(3,430)
	$	7,005	$	3,351

Note 7. Notes receivable

		December 31, 2017		December 31, 2016
Note receivable from tenant maturing in May 2023, bearing interest at 5.89% per annum, repayable in varying blended monthly installments of principal and interest. A default under the terms of the note constitutes a default of the lease of the tenant.	$	12,950	$	14,968
Other notes receivable		2,354		819
		15,304		15,787
Current portion		2,322		2,815
Non-current portion	$	12,982	$	12,972

Note 8. Prepaid expenses and other assets

		December 31, 2017		December 31, 2016
Prepaid insurance	$	3,144	$	3,295
Prepaid realty taxes		1,866		1,156
Prepaid acquisition, disposition and development costs		952		1,304
Derivative instruments (note 30)		8,425		3,567
Other prepaid expenses		2,747		2,406
	$	17,134	$	11,728

(In thousands of Canadian dollars, except as otherwise noted)

Note 9. Accounts receivable and other receivables

		December 31, 2017		December 31, 2016
Rents receivable (note 29 (b))	$	8,121	$	7,275
Allowance for doubtful accounts (note 29 (b))		(331)		(1,166)
Accrued recovery income		2,521		2,880
Other amounts receivable		6,505		4,184
	$	16,816	$	13,173

Note 10. Mortgages and loans payable

		December 31, 2017		December 31, 2016
Mortgages and loans payable	$	1,562,699	$	2,150,621
Net above- and below-market mortgage adjustments		4,991		6,540
Financing costs		(6,657)		(9,199)
		1,561,033		2,147,962
Current portion		370,508		627,838
Non-current portion	$	1,190,525	$	1,520,124

The majority of the REIT's investment properties have been pledged as security under mortgages and other security agreements. 46.1% of the REIT's mortgages and loans payable bear interest at fixed rates (December 31, 2016, 54.4%), and a further 29.2% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place (December 31, 2016, 22.8%). The weighted-average effective rate on all mortgages and loans payable was 3.96% and the weighted-average nominal rate was 3.80% at December 31, 2017 (December 31, 2016, 3.75% and 3.71%, respectively). Maturity dates range from January 1, 2018 to February 14, 2032.

The REIT's mortgage providers have various financial covenants. The REIT monitors these covenants, which are primarily debt service coverage ratios, and was in compliance with these requirements at December 31, 2017.

Note 11. Senior unsecured debentures

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

In accordance with the Series A senior unsecured debenture supplemental indenture, the REIT must maintain a consolidated EBITDA to consolidated interest expense ratio of not less than 1.65, consolidated indebtedness to aggregate assets of not more than 65% and minimum adjusted unitholders' equity of $300,000. As at December 31, 2017, the REIT was in compliance with these requirements.

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

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

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

		Face value		Unamortized accretion		Unamortized financing costs		Carrying value		Current portion		Non-current portion
December 31, 2017	$	200,000	$	267	$	(413)	$	199,854	$	—	$	199,854
December 31, 2016		200,000		476		(736)		199,740		—		199,740

During the year ended December 31, 2017, accretion to the liability of $209 and financing cost amortization of $323 were recorded (2016, $202 and $311, respectively).

(In thousands of Canadian dollars, except as otherwise noted)

Note 12. Convertible debentures

In conjunction with the prospectus that closed on April 21, 2011, the REIT issued Series G convertible redeemable 5.75% debentures totalling US$88,000. Interest is paid semi-annually on June 30 and December 31. The convertible debentures are convertible into units of the REIT by the holder at any time prior to maturity, being June 30, 2018, at a price of US$18.96 per unit. During the year ended December 31, 2017, Series G convertible debentures with a face value of US$25 were converted and the REIT issued 1,318 units at the conversion price of US$18.96 per unit. None of the Series G convertible debentures were converted into units of the REIT in fiscal 2016. On February 28, 2017, the REIT exercised its early redemption option and repaid the outstanding face value of the Series G convertible debentures in the amount of US$87,975.

The fair value of the Series G convertible debentures in whole was recorded as a liability with no value assigned to equity as these convertible debentures are denominated in US dollars with no fixed conversion rate to Canadian dollars. Interest expense on the Series G convertible debentures is determined by applying an effective rate of 5.04% to the outstanding liability balance. The difference between actual cash interest payments and interest expense recorded on the convertible debentures was accreted to the liability.

In conjunction with the prospectus that closed on April 22, 2010, the REIT issued Series F convertible redeemable 6.00% debentures totalling $86,250. During the year ended December 31, 2016, Series F convertible debentures with a face value of $10 were converted and the REIT issued 645 units at the conversion price of $15.50 per unit. On July 25, 2016, the REIT exercised its early redemption option and repaid the outstanding face value of the Series F convertible debentures in the amount of $86,160.

	Face value	Equity portion	Liability portion	Accretion	Carrying value	Current portion	Non-current portion
December 31, 2017	$ —	$ —	$ —	$ —	$ —	$ —	$ —
December 31, 2016	118,158	—	122,411	(3,053)	119,358	—	119,358

During the year ended December 31, 2017, accretion of $124 reduced the carrying value of the liability component (2016, $649).

Note 13. Credit facilities

The REIT has unsecured revolving term credit facilities in the aggregate amount of $500,000, which can be utilized for general corporate and working capital purposes, short-term financing of investment property acquisitions and the issuance of letters of credit. The REIT can draw on the facilities in Canadian or US dollars.

In 2017, the REIT entered into two five-year unsecured non-revolving term credit facilities in the aggregate amount of $300,000, which can be utilized for general corporate and working capital purposes, property acquisitions and development financing.

The REIT's unsecured operating credit facilities are summarized as follows:

	December 31, 2017			December 31, 2016		
	Borrowing capacity	Amounts drawn	Available to be drawn	Amounts drawn	Available to be drawn	Applicable interest rates [1]
Revolving facilities maturing December 15, 2018	$ 300,000	$ 267,748	$ 32,252	$ 189,680	$ 110,320	BA rate plus 1.70% or prime plus 0.70% or LIBOR plus 1.70% or U.S. base rate plus 0.70%
Revolving facility maturing April 29, 2021	200,000	170,635	29,365	80,000	120,000	BA rate plus 1.70% or prime plus 0.70% or LIBOR plus 1.70% or U.S. base rate plus 0.70%
Non-revolving facility maturing July 6, 2022	150,000	150,000	—	—	—	3.57%
Non-revolving facility maturing July 18, 2022	150,000	150,000	—	—	—	3.50%
Financing costs		(1,078)		—		
Total credit facilities	800,000	737,305	61,617	269,680	230,320	
Current portion		438,383		269,680		
Non-current portion		$ 298,922		$ —		

(1) The REIT has entered into interest rate swaps on both of its non-revolving credit facilities.

For purposes of the credit facilities, the REIT must maintain a consolidated indebtedness to consolidated gross book value ratio of not more than 65%, a consolidated secured indebtedness to consolidated gross book value ratio of not more than 50%, a minimum consolidated EBITDA to debt service ratio of 1.4, a minimum unitholders' equity of not less than the sum of $1,700,000 and 75% of net proceeds received in connection with any equity offerings made after the date of the credit facilities agreement, a minimum unencumbered property assets value to consolidated unsecured indebtedness ratio of 1.4, and a minimum consolidated EBITDA to consolidated interest expense ratio of 1.65. As at December 31, 2017, the REIT was in compliance with these requirements.

(In thousands of Canadian dollars, except as otherwise noted)

Note 14. Accounts payable and other liabilities

	December 31, 2017	December 31, 2016
Accounts payable and accrued liabilities	$ 25,391	$ 37,907
Distributions payable	14,217	14,193
Accrued interest	7,297	11,591
Accrued realty taxes	8,286	8,580
Tenant installments payable	6,776	4,886
Derivative instruments (note 30)	6,185	7,957
Cash-settled unit-based payments liability	3,659	2,178
Other amounts payable	3,759	1,147
	$ 75,570	$ 88,439

Note 15. Unitholders' equity

(a) Common units:

(i) Authorized:

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

(ii) Issued and outstanding:

	Number of units	Amount
Balance at December 31, 2015	138,864,486	$ 1,815,071
Public offering, net of issue costs of $5,106	8,712,400	109,898
Restricted units redeemed	62,338	774
Conversion of Series F convertible debentures	645	11
Distribution Reinvestment and Unit Purchase Plan	2,693,208	32,590
Balance at December 31, 2016	150,333,077	1,958,344
Restricted units redeemed	22,959	307
Conversion of Series G convertible debentures	1,318	36
Distribution Reinvestment and Unit Purchase Plan	242,312	2,972
Balance at December 31, 2017	150,599,666	$ 1,961,659

The REIT has a Distribution Reinvestment and Unit Purchase Plan ("DRIP") which allows unitholders the option to elect to receive all or a portion of their regular monthly distributions in additional REIT units. On January 13, 2017, the REIT announced the suspension of its DRIP until further notice.

On June 17, 2016, the REIT issued 8,712,400 trust units at a price of $13.20 per unit for gross proceeds of $115,004. This included 1,136,400 units issued pursuant to the exercise of the underwriters' over-allotment option.

(iii) Normal course issuer bid:

On December 14, 2017, the REIT announced that the Toronto Stock Exchange ("TSX") had approved the renewal of its normal course issuer bid. Under the renewed bid, the REIT will have the ability to purchase for cancellation up to a maximum of 13,314,337 units, representing 10% of the REIT's public float of 133,143,374 units as at December 7, 2017. Purchases will be made at market prices through the facilities of the TSX. This bid will remain in effect until the earlier of December 16, 2018, or the date on which the REIT has purchased the maximum number of units permitted under the bid. During the years ended December 31, 2017 and 2016, the REIT did not acquire units through the normal course issuer bid.

(b) Preferred units:

In accordance with the Declaration of Trust, the REIT may issue an unlimited number of preferred units. Particulars of the REIT's outstanding preferred units are as follows:

Preferred unit series	Number of units outstanding	Face value	Carrying value	Annual distribution rate
Series A	3,450,000	$ 86,250	$ 82,143	5.662%
Series C [1]	3,000,000	US 75,000	69,753	5.250%
Series E	4,000,000	100,000	96,537	4.750%
Series G	3,200,000	80,000	77,190	5.000%
	13,650,000		$ 325,623	

(1) The Series C Units are denominated in US dollars.

(i) Series A:

On August 2 and 10, 2012, the REIT issued a total of 3,450,000 Cumulative Rate Reset Preferred Trust Units, Series A (the "Series A Units") for aggregate gross proceeds of $86,250. The Series A Units pay a cumulative distribution yield of 5.25% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial five-year period ending September 30, 2017. The distribution rate was reset on September 30, 2017 at 5.662% and will be reset on September 30, 2022 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 4.06%.

The REIT may redeem the Series A Units on September 30, 2022 and on September 30 every five years thereafter. The holders of Series A Units have the right to reclassify their Series A Units to Preferred Units, Series B (the "Series B Units"), subject to certain conditions, on September 30, 2022 and on September 30 every five years thereafter. The Series B Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series B Units have the right to reclassify their Series B Units to Series A Units on September 30, 2027 and on September 30 every five years thereafter.

(ii) Series C:

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

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

(iii) Series E:

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

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

(iv) Series G:

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

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

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

(c) Short form base shelf prospectus:

On August 8, 2016, the REIT issued a short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of $2,000,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. As at December 31, 2017, the REIT had not issued any securities under this short form base shelf prospectus.

(In thousands of Canadian dollars, except as otherwise noted)

(d) Weighted-average common units:

		2017		Year ended December 31, 2016
Net income	$	234,435	$	115,935
Adjustment for distributions to preferred unitholders (note 17)		(18,418)		(18,432)
Net income attributable to common unitholders		216,017		97,503
Adjustment for restricted units		371		(220)
Adjustment for deferred units		—		(3)
Diluted net income attributable to common unitholders	$	216,388	$	97,280
The weighted-average number of common units outstanding was as follows:				
Basic common units		150,578,462		144,917,941
Effect of dilutive securities:				
Restricted units		309,351		257,476
Deferred units		—		32,181
Diluted common units		150,887,813		145,207,598
Net income per unit attributable to common unitholders:				
Basic	$	1.43	$	0.67
Diluted		1.43		0.67

The computation of diluted net income per unit attributable to common unitholders includes unit options, convertible debentures, restricted units and deferred units when these instruments are dilutive. For the year ended December 31, 2017, deferred units were anti-dilutive for a total of 67,427 units. For the year ended December 31, 2016, unit options and convertible debentures were anti-dilutive, for an aggregate total of 6,112,922 units.

Note 16. Equity incentive plan

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

(a) Unit options:

Unit-based compensation expense related to unit options outstanding under the equity incentive plan for the year ended December 31, 2017 amounted to $nil (2016, $128). These unit options vest equally over a four-year period from the grant date.

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

	2017			Year ended December 31, 2016		
	Units		Weighted-average exercise price	Units		Weighted-average exercise price
Balance, beginning of year	1,472,000	$	16.36	2,316,000	$	15.57
Expired	(1,472,000)		16.36	(844,000)		14.19
Balance, end of year	—	$	—	1,472,000	$	16.36
Options exercisable at end of year	—			1,472,000		

(b) Restricted units:

Unit-based compensation expense related to restricted units outstanding under the equity incentive plan for the year ended December 31, 2017 amounted to $2,006 (2016, $1,898). Restricted units vest on and after the third anniversary of the date of grant. The restricted units accrue additional restricted units during the vesting period, and are credited when the restricted units vest. Each restricted unit is valued at the closing price of the REIT's common units on the balance sheet date.

(In thousands of Canadian dollars, except as otherwise noted)

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

	2017	Year ended December 31, 2016
	Units	Units
Balance, beginning of year	359,819	368,607
Granted	125,075	141,350
Accrued	29,397	34,147
Redeemed	(83,617)	(179,593)
Expired	(36,634)	(4,692)
Balance, end of year	394,040	359,819
Restricted units vested at end of year	19,131	7,961

(c) Deferred units:

Unit-based compensation expense related to deferred units outstanding under the equity incentive plan for the year ended December 31, 2017 amounted to $631 (2016, $395). Deferred units can only be granted to trustees of the REIT and vest immediately. Deferred units are redeemable within a specified time frame after a trustee ceases to be a trustee. The deferred units accrue additional deferred units after the grant date. Each deferred unit is valued at the closing price of the REIT's common units on the balance sheet date.

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

	2017	Year ended December 31, 2016
	Units	Units
Balance, beginning of year	43,250	12,531
Granted	33,335	28,237
Accrued	5,050	2,482
Balance, end of year	81,635	43,250
Deferred units vested at end of year	81,635	43,250

(d) Installment units:

At December 31, 2017 and 2016, no installment units had been granted under the REIT's equity incentive plan.

Note 17. Distributions to unitholders

Total distributions declared to unitholders were as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	$ 162,634	$ 1.08	$ 157,018	$ 1.08
Preferred unitholders - Series A	4,617	1.34	4,528	1.31
Preferred unitholders - Series C	5,051	1.68	5,154	1.72
Preferred unitholders - Series E	4,750	1.19	4,750	1.19
Preferred unitholders - Series G	4,000	1.25	4,000	1.25

(In thousands of Canadian dollars, except as otherwise noted)

Note 18. Revenue

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

Minimum rental commitments on non-cancellable tenant operating leases (including leases held in the REIT's investments in joint ventures) over their remaining terms were as follows:

	December 31, 2017	December 31, 2016
Not later than one year	$ 321,566	$ 349,311
Later than one year and not later than five years	908,727	1,015,516
Later than five years	676,587	707,161
	$ 1,906,880	$ 2,071,988

Note 19. Interest expense

	2017	Year ended December 31, 2016
Interest on mortgages and loans payable	$ 70,642	$ 83,598
Interest on senior unsecured debentures	7,506	7,516
Interest on convertible debentures	1,075	9,646
Interest on credit facilities	15,376	6,958
Net amortization of above- and below-market mortgages fair value adjustments	(1,132)	(2,194)
Amortization of financing costs	3,362	3,465
Accretion on liability component of debentures	(333)	(851)
	$ 96,496	$ 108,138

Note 20. Gain on financial instruments

	2017	Year ended December 31, 2016
Realized gain (loss) on convertible debentures	$ 1,045	$ (741)
Unrealized (loss) gain on foreign currency contracts	(2,867)	709
Unrealized gain on interest rate swaps	11,926	5,624
Unrealized loss on other derivatives	(2,683)	—
	$ 7,421	$ 5,592

Note 21. Income taxes

(a) Canadian taxes:

The REIT currently qualifies as a mutual fund trust and a real estate investment trust ("REIT") for Canadian income tax purposes. Under current tax legislation, income distributed annually by the REIT to unitholders is a deduction in the calculation of its taxable income. As the REIT intends to distribute all of its taxable income to its unitholders, the REIT does not record a provision for current Canadian income taxes.

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

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

The SIFT Rules do not apply to a REIT that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the SIFT Rules and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions throughout the years ended December 31, 2017 and December 31, 2016. As a result, the REIT does not recognize any deferred income tax assets or liabilities for Canadian income tax purposes.

(In thousands of Canadian dollars, except as otherwise noted)

(b) U.S. taxes:

The REIT's U.S. properties are owned by subsidiaries that are REITs for U.S. income tax purposes. These 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 federal U.S. income taxes on the taxable income earned by these subsidiaries. These U.S. subsidiaries are subject to certain state taxes and a 30% to 35% withholding tax on distributions to Canada. Any withholding taxes paid are recorded with the related distributions.

The REIT is subject to federal and state taxation in the U.S. on the taxable income earned by its U.S. management subsidiary.

The REIT has assessed the impact of the new U.S. legislation enacted on December 22, 2017 (the "U.S. Tax Reform"). As the REIT is not subject to federal taxation on the taxable income earned by its U.S. properties, the U.S. Tax Reform did not have a material impact on these consolidated financial statements.

Note 22. Changes in non-cash operating items

		Year ended December 31, 2017		2016
Prepaid expenses and other assets	$	(1,210)	$	(1,314)
Accounts receivable and other receivables		(2,570)		(1,244)
Security deposits and prepaid rent		(3,315)		2,063
Accounts payable and other liabilities		(13,491)		15,193
	$	(20,586)	$	14,698

Note 23. Subsidiaries

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

		Ownership interest	
Name of entity	Country	December 31, 2017	December 31, 2016
Artis General Partner Ltd.	Canada	100%	100%
AX L.P.	Canada	100%	100%
Artis Property Management General Partner Ltd.	Canada	100%	100%
AX Property Management L.P.	Canada	100%	100%
Winnipeg Square Leaseco, Inc.	Canada	100%	100%
AR GL General Partner Ltd.	Canada	75%	75%
AR GL Limited Partnership	Canada	75%	75%
AX Longboat G.P. Inc.	Canada	50%	50%
AX Longboat L.P.	Canada	50%	50%
Artis US Holdings, Inc.	U.S.	100%	100%
Artis US Holdings II GP, Inc.	U.S.	100%	100%
Artis US Holdings II, LLC	U.S.	100%	100%
Artis US Holdings II L.P.	U.S.	100%	100%
Artis US Holdings III GP, Inc.	U.S.	100%	100%
Artis US Holdings III, LLC	U.S.	100%	100%
Artis US Holdings III L.P.	U.S.	100%	100%
AX US Management, Inc.	U.S.	100%	100%
Park 8Ninety Phase I, LP	U.S.	95%	95%
Artis/Core Park West Land, Ltd.	U.S.	90%	90%
Park Lucero I, LP (1)	U.S.	100%	90%
Park Lucero II, LP	U.S.	90%	90%
Park Lucero III, LP (1)	U.S.	100%	90%
Park Lucero IV, LP (1)	U.S.	100%	90%
Artis/Ryan Millwright, LP	U.S.	80%	80%
Artis HRA 1700 Broadway GP, LLC	U.S.	50%	50%
Artis HRA 1700 Broadway, LP	U.S.	50%	50%
Artis HRA Hudsons Bay GP, LLC	U.S.	50%	50%
Artis HRA Hudsons Bay, LP	U.S.	50%	50%
ARTIS HRA Inverness Point GP, LLC	U.S.	50%	50%
ARTIS HRA Inverness Point, LP	U.S.	50%	50%

(1) On September 7, 2017, the REIT increased its ownership interest in these properties to 100%. Effective as of September 7, 2017, the REIT will no longer disclose its interests in these properties as joint ventures. See note 3 for further information.

(In thousands of Canadian dollars, except as otherwise noted)

Note 24. Related party transactions

The REIT may issue unit-based awards to trustees, officers, employees and consultants (note 16 and note 25).

In 2017, the REIT had no related party transactions. In 2015, Marwest Management Canada Ltd., Marwest Construction Ltd., Marwest Development Corporation and Fairtax Realty Advocates were impacted by ownership restructuring. As a result of the changes in ownership, these entities are no longer controlled or jointly controlled by key management personnel of the REIT. As such, they are not required to be disclosed as related party entities under IFRS. Effective for the year ended December 31, 2017, the REIT no longer discloses transactions with these entities as related party transactions.

Note 25. Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the REIT, directly or indirectly.

The remuneration of Trustees and key management personnel was as follows:

		Year ended December 31, 2017		2016
Short-term benefits	$	8,436	$	4,844
Post-employment benefits		1,243		1,243
Other long-term benefits		1,405		1,852
Unit-based compensation		1,239		1,560
	$	12,323	$	9,499

(a) Short-term benefits:

Short-term employee benefits include salaries, bonuses and other short-term benefits.

(b) Post-employment benefits:

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

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

		December 31, 2017		December 31, 2016
Accrued defined benefit obligation	$	8,339	$	6,874
Fair value of plan assets		9,229		7,167
Funded status		(890)		(293)
Assets not recognized due to asset ceiling		890		293
Net liability arising from defined benefit obligation	$	—	$	—

(c) Other long-term benefits:

The REIT has an obligation for future retirement payments to certain key management personnel upon completion of a defined service period.

(d) Unit-based compensation:

Refer to note 16 for more information on the REIT's equity incentive plan.

(In thousands of Canadian dollars, except as otherwise noted)

Note 26. Segmented information

The REIT owns and operates various properties located in Canada and the U.S. These properties are managed by and reported internally on the basis of geographical regions. Western Canada includes British Columbia and Alberta; Central Canada includes Saskatchewan and Manitoba; and Eastern Canada includes Ontario. Segmented information includes the REIT's joint ventures as presented using the proportionate share method. REIT expenses, including interest relating to debentures and credit facilities, have not been allocated to the segments.

	Year ended December 31, 2017						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint ventures adjustment	Total
Revenue	$ 155,484	$ 109,636	$ 62,127	$ 215,344	$ 338	$ (26,601)	$ 516,328
Expenses:							
Property operating	35,519	27,734	15,196	53,327	—	(7,921)	123,855
Realty taxes	22,996	16,712	10,325	35,475	—	(4,259)	81,249
	58,515	44,446	25,521	88,802	—	(12,180)	205,104
Net operating income	96,969	65,190	36,606	126,542	338	(14,421)	311,224
Other income (expenses):							
Corporate expenses	—	—	—	(5)	(13,773)	—	(13,778)
Interest expense	(20,737)	(12,017)	(9,294)	(35,884)	(24,774)	6,210	(96,496)
Interest income	878	70	26	43	139	(8)	1,148
Net income from investments in joint ventures	—	—	—	—	—	21,280	21,280
Fair value (loss) gain on investment properties	(663)	(16,915)	42,804	(7,471)	—	(13,061)	4,694
Foreign currency translation loss	—	—	—	—	(267)	—	(267)
Transaction costs	—	(431)	—	(679)	—	—	(1,110)
Gain on financial instruments	—	—	—	—	7,421	—	7,421
Income (loss) before income taxes	76,447	35,897	70,142	82,546	(30,916)	—	234,116
Income tax recovery	—	—	—	319	—	—	319
Net income (loss)	$ 76,447	$ 35,897	$ 70,142	$ 82,865	$ (30,916)	$ —	$ 234,435
Acquisitions of investment properties	$ —	$ 13,850	$ —	$ 89,384	$ —	$ —	$ 103,234
Additions to investment properties and investment properties under development	8,913	28,711	7,034	67,206	—	(32,311)	79,553
Additions to tenant inducements	19,115	9,910	3,429	25,778	—	(7,687)	50,545
Additions to leasing commissions	4,473	1,816	1,195	7,942	—	(2,514)	12,912

	December 31, 2017						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint ventures adjustment	Total
Total assets	$ 1,383,098	$ 1,152,199	$ 672,959	$ 2,143,984	$ 29,768	$ (166,112)	$ 5,215,896
Total liabilities	415,255	227,382	217,011	940,840	976,311	(166,112)	2,610,687

(In thousands of Canadian dollars, except as otherwise noted)

	Year ended December 31, 2016						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint ventures adjustment	Total
Revenue	$ 206,922	$ 108,708	$ 61,750	$ 194,900	$ 235	$ (23,364)	$ 549,151
Expenses:							
Property operating	42,442	28,004	15,051	47,627	—	(7,026)	126,098
Realty taxes	30,488	16,044	10,511	33,634	—	(3,740)	86,937
	72,930	44,048	25,562	81,261	—	(10,766)	213,035
Net operating income	133,992	64,660	36,188	113,639	235	(12,598)	336,116
Other income (expenses):							
Corporate expenses	—	—	—	—	(13,322)	—	(13,322)
Interest expense	(32,714)	(15,991)	(10,197)	(29,537)	(24,278)	4,579	(108,138)
Interest income	991	29	18	15	162	(5)	1,210
Net income from investments in joint ventures	—	—	—	—	—	13,367	13,367
Fair value (loss) gain on investment properties	(108,323)	(6,539)	(6,265)	11,713	—	(5,343)	(114,757)
Foreign currency translation loss	—	—	—	—	(2,345)	—	(2,345)
Transaction costs	(17)	(10)	—	(1,078)	—	—	(1,105)
Gain on financial instruments	—	—	—	—	5,592	—	5,592
(Loss) income before income taxes	(6,071)	42,149	19,744	94,752	(33,956)	—	116,618
Income tax expense	—	—	—	(683)	—	—	(683)
Net (loss) income	$ (6,071)	$ 42,149	$ 19,744	$ 94,069	$ (33,956)	$ —	$ 115,935
Acquisitions of investment properties	$ —	$ 1,168	$ —	$ 349,548	$ —	$ (10,601)	$ 340,115
Additions to investment properties and investment properties under development	11,288	36,465	13,197	71,750	—	(51,423)	81,277
Additions to tenant inducements	14,699	7,870	10,632	12,499	—	(5,009)	40,691
Additions to leasing commissions	4,373	1,712	2,571	9,402	—	(1,725)	16,333

	December 31, 2016						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint ventures adjustment	Total
Total assets	$ 1,697,992	$ 1,115,532	$ 626,732	$ 2,194,824	$ 29,827	$ (172,152)	$ 5,492,755
Total liabilities	763,599	343,232	269,031	1,035,065	626,614	(172,152)	2,865,389

(In thousands of Canadian dollars, except as otherwise noted)

Note 27. Commitments, contingencies and guarantees

(a) Letters of credit:

As of December 31, 2017, the REIT had issued letters of credit in the amount of $4,904 (December 31, 2016, $3,841).

(b) Contingencies:

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

(c) Guarantees:

AX L.P. has guaranteed certain debt assumed by purchasers in connection with the dispositions of four properties at December 31, 2017 (December 31, 2016, two properties). These guarantees will remain until the debt is modified, refinanced or extinguished. Credit risk arises in the event that the purchasers default on repayment of their debt since it is guaranteed by the REIT. This credit risk is mitigated as the REIT has recourse under these guarantees in the event of default by the purchasers, in which case the REIT would have a claim against the underlying properties. The estimated amount of debt subject to the guarantees at December 31, 2017 was $61,927 (December 31, 2016, $14,810), with an estimated weighted-average remaining term of 5.0 years (December 31, 2016, 3.4 years). No liabilities in excess of the fair values of the guarantees have been recognized in the consolidated financial statements as the estimated fair values of the borrowers' interests in the underlying properties are greater than the mortgages payable for which the REIT provided the guarantees.

Note 28. Capital management

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

The REIT's Declaration of Trust permits the REIT to incur indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the REIT is not more than 70% of the gross book value of the REIT's total assets. Gross book value as defined in the Declaration of Trust includes the consolidated book value of the assets of the REIT, plus the amount of accumulated depreciation and amortization recorded in the books and records of the REIT, plus the amount of any deferred tax liability arising out of any indirect acquisitions, calculated in accordance with generally accepted accounting principles. As at December 31, 2017, the ratio of such indebtedness to gross book value was 47.9% (December 31, 2016, 47.6%), which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

The total managed capital for the REIT is summarized below:

	Note		December 31, 2017		December 31, 2016
Mortgages and loans payable	10	$	1,561,033	$	2,147,962
Senior unsecured debentures	11		199,854		199,740
Convertible debentures	12		—		119,358
Credit facilities	13		737,305		269,680
Total debt			2,498,192		2,736,740
Unitholders' equity			2,605,209		2,627,366
		$	5,103,401	$	5,364,106

Note 29. Risk management

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

(a) Market risk:

(i) Interest rate risk:

The REIT is exposed to interest rate risk on its borrowings. The Declaration of Trust restricts the REIT's indebtedness to 70% of the gross book value of the REIT's total assets. The REIT also monitors the amount of variable rate debt. The REIT has the majority of its mortgages payable and debentures in fixed rate terms. In addition, management considers the weighted-average term to maturity of long-term debt relative to the remaining average lease terms. At December 31, 2017, the REIT was a party to $1,580,397 of variable rate debt, including credit facilities (December 31, 2016, $1,250,599). At December 31, 2017, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $756,956 of variable rate debt, including swaps on credit facilities (December 31, 2016, $489,310).

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

		Impact on interest expense
Variable rate debt	$	8,234
Fixed rate debt due within one year		2,257
	$	10,491

(In thousands of Canadian dollars, except as otherwise noted)

(ii) Foreign currency risk:

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

A $0.10 weakening in the US dollar against the average Canadian dollar exchange rate of 1.2952 for the year ended December 31, 2017, and the year end exchange rate of 1.2545 at December 31, 2017, would have decreased net income by approximately $3,814 for the year ended December 31, 2017. A $0.10 weakening in the US dollar against the Canadian dollar would have decreased other comprehensive income by approximately $92,384 for the year ended December 31, 2017. Conversely, a $0.10 strengthening in the US dollar against the Canadian dollar would have had an equal but opposite effect. This analysis assumes that all variables, in particular interest rates, remain constant.

(iii) Other price risk:

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

(b) Credit risk:

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

The REIT is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. The REIT's properties are diversified across the office, retail and industrial asset classes, and geographically diversified with properties owned across five Canadian provinces and six U.S. states. Included in property operating expenses is an impairment loss on accounts receivable and other receivables of $509 during the year ended December 31, 2017 (2016, $1,043). The credit quality of the accounts receivable and other receivables amount is considered adequate.

The aging of accounts receivable is summarized as follows:

	December 31, 2017	December 31, 2016
Past due 0 - 30 days	$ 6,244	$ 3,663
Past due 31 - 90 days	700	551
Past due more than 91 days	1,177	3,061
	8,121	7,275
Allowance for doubtful accounts	(331)	(1,166)
	$ 7,790	$ 6,109

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

(c) Liquidity risk:

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

The following are the estimated maturities of the REIT's financial liabilities at December 31, 2017 including accounts payable and other liabilities, credit facilities, senior unsecured debentures and mortgages and loans payable. All debentures are disclosed at their face value.

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and other liabilities	$ 75,570	$ 75,570	$ —	$ —	$ —
Credit facilities	738,383	267,748	—	470,635	—
Senior unsecured debentures	200,000	—	200,000	—	—
Mortgages and loans payable	1,562,699	322,177	435,066	543,578	261,878
	$ 2,576,652	$ 665,495	$ 635,066	$ 1,014,213	$ 261,878

Note 30. Fair value measurements

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

There were no transfers of assets or liabilities between hierarchy levels during the years ended December 31, 2017 and 2016.

(In thousands of Canadian dollars, except as otherwise noted)

		December 31, 2017		December 31, 2016	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	$ 4,720,362	$ 4,720,362	$ 4,991,825	$ 4,991,825
Investment properties under development	Level 3	79,701	79,701	65,199	65,199
Notes receivable	Level 2	15,304	16,152	15,787	16,973
Investment properties held for sale	Level 3	110,188	110,188	119,178	119,178
Derivative instruments	Level 2	8,425	8,425	3,567	3,567
		4,933,980	4,934,828	5,195,556	5,196,742
Liabilities:					
Mortgages and loans payable	Level 2	1,561,033	1,574,614	2,147,962	2,178,696
Senior unsecured debentures	Level 2	199,854	201,438	199,740	202,795
Convertible debentures	Level 1	—	—	119,358	118,158
Credit facilities	Level 2	737,305	738,383	269,680	269,680
Derivative instruments	Level 2	6,185	6,185	7,957	7,957
		2,504,377	2,520,620	2,744,697	2,777,286
		$ 2,429,603	$ 2,414,208	$ 2,450,859	$ 2,419,456

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

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

Derivative instruments primarily consist of interest rate and foreign currency swaps. The REIT entered into interest rate swaps on a number of mortgages and its non-revolving credit facilities. The swaps are not designated in a hedge relationship.

Note 31. Subsequent events

The following events occurred subsequent to December 31, 2017:

- The REIT issued 5,000,000 Cumulative Minimum Rate Reset Preferred Trust Units, Series I ("Series I Units") at a price of $25 per unit, for gross proceeds of $125,000. The Series I Units will pay fixed cumulative preferential distributions of $1.50 per unit per annum, at the discretion of the Board of Trustees.
- The REIT issued 2-year Series B floating rate senior unsecured debentures with an aggregate principal amount of $200,000. These debentures will bear interest at a floating rate basis based on the three month CDOR plus 107 basis points.
- The REIT delivered its notice of redemption on all outstanding Series C Units, effective March 31, 2018.
- The REIT entered into a foreign currency forward contract to buy US$75,000 for $92,760.
- The REIT disposed of Humana Building, an office property located in the Greater Phoenix Area, Arizona. The property was sold for US$19,067 and a portion of the proceeds was used to repay the outstanding mortgage financing in the amount of US$8,639.
- The REIT has an unconditional purchase agreement for an office development project located in the Twin Cities Area, Minnesota. The REIT will acquire each phase upon completion, for a total anticipated purchase price of US$98,512.
- The REIT repaid a net balance of $169,000 and US$21,000 on its revolving term credit facilities.
- The REIT received new mortgage financing on a previously unencumbered property in the amount of US$16,110 and repaid a maturing mortgage in the amount of $21,542.
- The REIT declared a monthly cash distribution of $0.09 per unit for the months of January and February 2018.
- The REIT declared a quarterly cash distribution of $0.3125 per Series G preferred unit for the quarter ending January 31, 2018.

Note 32. Approval of financial statements

These consolidated financial statements were approved by the Board of Trustees and authorized for issue on March 1, 2018.

ARTIS
REIT

WINNIPEG HEAD OFFICE

600 - 220 PORTAGE AVENUE
WINNIPEG, MANITOBA R3C 0A5
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

MINNEAPOLIS

SUITE 1220,
120 SOUTH 6TH STREET
MINNEAPOLIS, MINNESOTA 55402
T 612.843.4905
F 612.217.6409