2016 FINANCIAL REPORT

Properties Of Success

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW 5
- Primary Objective 5
- 2016 Overview 5
- Portfolio Summary 6

2016 ANNUAL HIGHLIGHTS 10
- Portfolio Activity 10
- Financing Activities 11
- Distributions 11

SELECTED FINANCIAL INFORMATION 12

ANALYSIS OF OPERATING RESULTS 13
- Revenue and Property NOI 14
- Same Property NOI Analysis 15
- Property NOI by Asset Class 16
- Property NOI by Geographical Region 17
- Portfolio Occupancy 18
- Portfolio Leasing Activity and Lease Expiries 19
- Corporate Expenses 26
- Interest Expense 26
- Fair Value Loss on Investment Properties 27
- Foreign Currency Translation Loss 27
- Gain (Loss) on Financial Instruments 27
- Income Tax 27
- Other Comprehensive (Loss) Income 27
- Funds from Operations 28
- Adjusted Funds from Operations 30

ANALYSIS OF FINANCIAL POSITION 31
- Assets 32
- Liabilities 34
- Unitholders' Equity 36

LIQUIDITY AND CAPITAL RESOURCES 36
- Distributions 36
- Capital Resources 37
- Contractual Obligations 37

SUMMARIZED QUARTERLY INFORMATION 38

RELATED PARTY TRANSACTIONS 40

OUTSTANDING UNIT DATA 40

OUTLOOK 40
- Subsequent Events 41

RISKS AND UNCERTAINTIES 41
- Real Estate Ownership 41
- Interest Rate and Debt Financing 41
- Credit Risk and Tenant Concentration 41
- Lease Rollover Risk 42
- Tax Risk 43
- Foreign Currency Risk 43
- Other Risks 43

CRITICAL ACCOUNTING ESTIMATES 43
- Valuation of Investment Properties 43
- Valuation of Deferred Tax Assets and Liabilities 43
- Allocation of Convertible Debentures 44

CHANGES IN ACCOUNTING STANDARDS 44

CONTROLS AND PROCEDURES 44
- Internal Controls over Financial Reporting 44
- Disclosure Controls and Procedures 44

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS 45

AUDITOR'S REPORT 46

CONSOLIDATED BALANCE SHEETS 47

CONSOLIDATED STATEMENT OF OPERATIONS 48

CONSOLIDATED STATEMENT OF UNITHOLDERS EQUITY 49

CONSOLIDATED STATEMENT OF CASH FLOWS 50

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 51

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, 2016 and 2015, 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, 2017. 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 investment 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, 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 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 operating activities 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. 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 April 2014. These guidelines include certain additional adjustments to FFO under IFRS from the previous definition of FFO. Management considers FFO to be a valuable measure for evaluating the REIT's operating performance in achieving its objectives. Refer to the FFO section of this MD&A for further discussion and calculation of this measure.

Adjusted Funds from Operations ("AFFO")

Artis calculates AFFO based on FFO for the period, net of allowances for normalized capital expenditures and leasing costs and excluding straight-line rent adjustments and unit-based compensation expense. Management considers AFFO to be a valuable measure for evaluating the REIT's operating performance in achieving its objectives. Refer to the 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. Proportionate Share includes 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 less corporate expenses and excluding 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.

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, the REIT's preferred units trade under the symbols AX.PR.A, AX.PR.U, AX.PR.E and AX.PR.G and the REIT's Series G convertible debentures trade under the symbol AX.DB.U. As at March 1, 2017, there were 150,578,389 units, 13,650,000 preferred units, 1,410,000 options, 350,733 restricted units and 50,987 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 Trustees in accordance with the Declaration of Trust.

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

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

- **Prudent Financial Management.** Artis has a long-term conservative approach to financial management, characterized by diligent management of its balance sheet, and prudent management of financial metrics, such as debt ratios, interest coverage ratios, payout ratios, and per unit metrics. Artis minimizes its risk related to interest rates by utilizing various sources of capital and staggering debt maturities. Ample access to cash is required to fulfill distribution obligations and for on-going operations, which includes re-investing in the portfolio, making accretive acquisitions and funding development projects.

- **Disciplined Growth.** Artis' management strives to extract maximum value from its portfolio through effective management of assets, including leasing initiatives that focus on maintaining strong occupancy levels and realizing the gain between in-place rental rates and market rental rates. Artis' management creates value through strategic asset redevelopment and property intensification initiatives, and through new development projects. New developments provide Artis an opportunity to build and own new generation real estate, and are considered in circumstances where the return on a development project is higher than that of acquiring an existing property.

2016 OVERVIEW

Our primary focus for 2016 has been on steadily improving our balance sheet and key financial metrics, effective management of our assets with a dedicated focus on leasing and tenant retention, and improving the overall quality of our portfolio through capital recycling initiatives, redevelopment and new development projects.

Accordingly, we made numerous notable improvements to our financial metrics during the year. Our total long-term debt and bank indebtedness to GBV decreased to 51.0% at year-end, and secured mortgages and loans to GBV decreased to 40.6%. Additionally, our total debt to EBITDA ratio decreased to 8.4 at December 31, 2016, and weighted-average effective interest rate decreased to 3.74%. On July 25, 2016, we completed the early redemption of all the outstanding 10-year 6.00% Series F convertible debentures which had an aggregate principal amount of $86,160. Also noteworthy during the year, we increased our unsecured revolving term credit facilities to an aggregate amount of $500,000, which provides us with access to a flexible source of capital at a low interest rate.

In 2016, we completed 1.4 million square feet of new lease transactions and 2.8 million square feet of lease renewal transactions. The weighted-average increase on renewal rents achieved was 3.3%. Our Calgary office properties continue to present a leasing challenge, due to overbuilding in this market and commodity price instability. Increases in leasing costs and commissions are required as part of negotiations, and market rents have decreased substantially over the last 12 to 24 months. CBRE reports that the decline in net rental rates in Calgary's downtown office properties has decelerated significantly, and there are signs that a slow and steady rebound has begun. Accordingly, we have seen a modest increase in leasing activity. In Q4, we successfully negotiated a new 12-year lease for approximately 50,000 square feet at one of our beltline office properties in Calgary. Also noteworthy in Alberta, we negotiated a new 10-year lease at an office property in Red Deer for nearly 16,000 square feet and a new 15-year lease at an industrial property in Calgary for approximately 62,000 square feet. We are cautiously optimistic that this new leasing activity is an early indication of a shift to a more positive outlook for the Alberta market. In any case, we will continue with our aggressive leasing program and considering options to reduce our exposure to this market.

During the year, we acquired a portfolio of 16 Class A office properties in the U.S. for US$260,000, while disposing of 18 non-core assets in both Canada and the U.S. for aggregate sale prices of $349,412 and US$16,632. We also made substantial progress on our new development and redevelopment projects, as further described in the Portfolio Summary section.

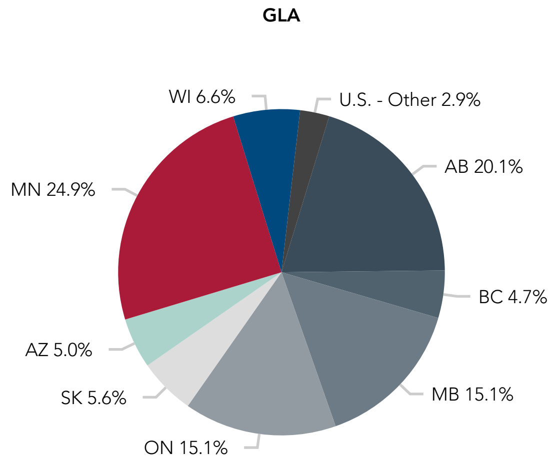
Corporate Sustainability Progress

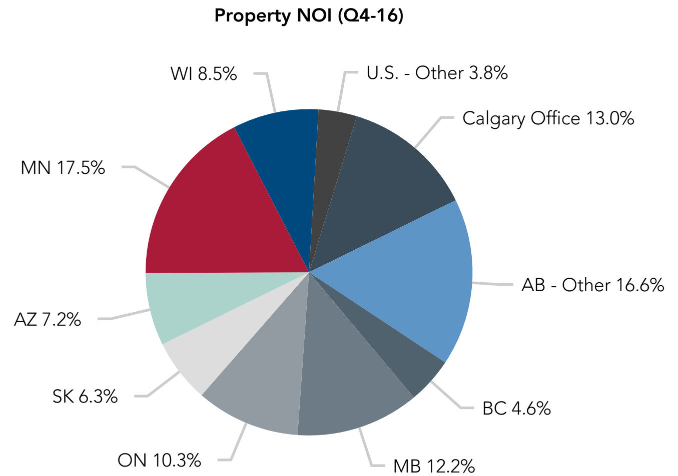
Corporate sustainability is a high priority for Artis. We are committed to improving the energy efficiency of our properties and reducing our environmental footprint. As of December 31, 2016, we have 21 properties with a LEED certification, 45 properties with a Building Owners and Managers Association (BOMA) Building Environmental Standards (BEST) certification, and 22 properties with an Energy Star certification.

PORTFOLIO SUMMARY

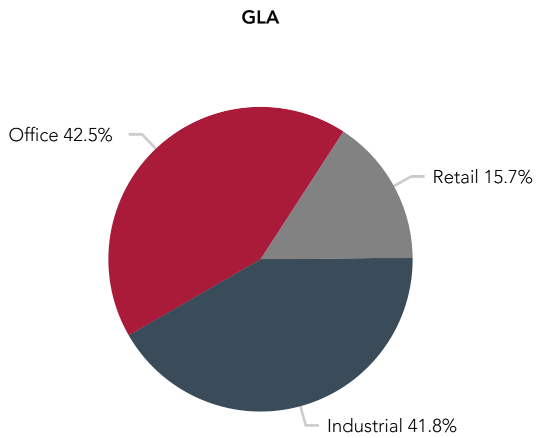
At December 31, 2016, the REIT's portfolio was comprised of 250 commercial properties totaling approximately 25.7 million square feet ("S.F.") of gross leasable area ("GLA").

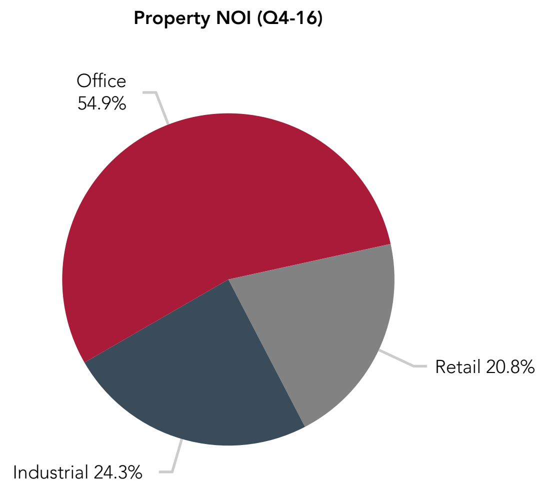
Diversification by Geographical Region



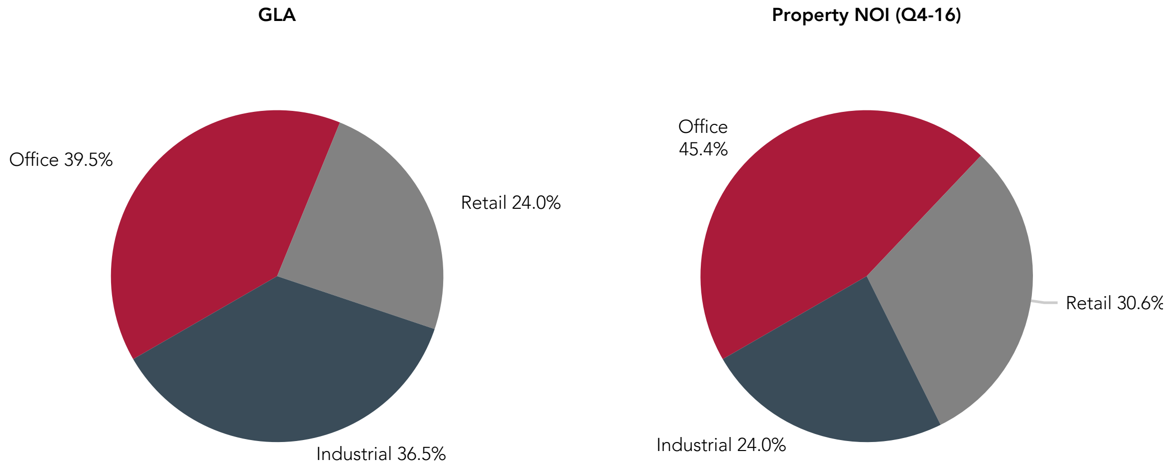


Diversification by Asset Class - ***Total Canadian and U.S. Portfolio***

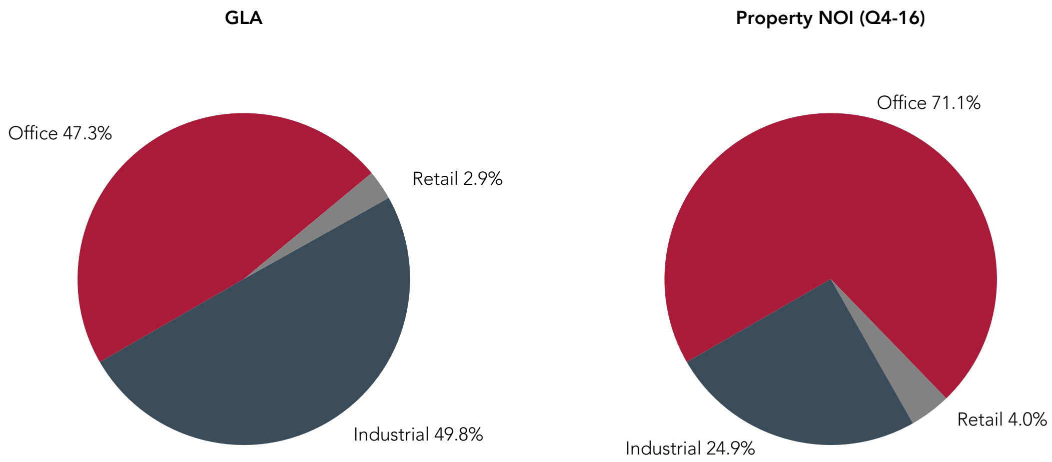




Diversification by Asset Class - *Canadian Portfolio*



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



Portfolio by Asset Class as at December 31, 2016 (in 000's of S.F.) [(1)]

Asset class	City	Province / State	Property count	Owned share of GLA	% of portfolio GLA	% Occupied	% Committed [(2)]
Canadian portfolio:							
Office	Calgary	AB	19	2,461	9.6 %	82.4 %	84.8 %
	Greater Edmonton Area	AB	1	48	0.2 %	91.7 %	91.7 %
	Greater Toronto Area	ON	7	1,085	4.2 %	85.9 %	87.3 %
	Greater Vancouver Area	BC	3	462	1.8 %	91.0 %	94.5%
	Nanaimo	BC	2	68	0.3 %	100.0 %	100.0 %
	Ottawa	ON	2	287	1.1 %	95.2 %	96.7 %
	Red Deer	AB	1	148	0.6 %	75.3 %	90.8 %
	Saskatoon	SK	1	64	0.2 %	100.0 %	100.0 %
	Winnipeg	MB	9	1,345	5.2 %	90.1 %	91.9 %
Office total			45	5,968	23.2 %	86.3 %	88.7 %
Retail	Calgary	AB	6	418	1.6 %	85.8 %	86.7 %
	Edson	AB	1	21	0.1 %	100.0 %	100.0 %
	Estevan	SK	2	175	0.7 %	94.9 %	94.9 %
	Fort McMurray	AB	8	194	0.8 %	93.9 %	96.2 %
	Grande Prairie	AB	5	362	1.4 %	89.9 %	98.0 %
	Greater Edmonton Area	AB	5	440	1.7 %	97.3 %	99.0 %
	Greater Vancouver Area	BC	1	165	0.6 %	97.6%	98.2%
	Medicine Hat	AB	1	162	0.6 %	100.0 %	100.0 %
	Nanaimo	BC	3	74	0.3 %	52.4 %	52.4 %
	Regina	SK	8	533	2.1 %	95.5 %	96.0 %
	Saskatoon	SK	3	219	0.9 %	99.2 %	100.0 %
	Westbank / West Kelowna	BC	2	327	1.3 %	96.7 %	96.7 %
	Winnipeg	MB	6	649	2.5 %	95.4 %	96.1 %
Retail total			51	3,739	14.6 %	93.7 %	95.2 %
Industrial	Airdrie	AB	1	28	0.1 %	100.0 %	100.0 %
	Calgary	AB	6	337	1.3 %	81.6 %	100.0 %
	Greater Edmonton Area	AB	4	319	1.2 %	89.7 %	89.7 %
	Greater Toronto Area	ON	30	2,503	9.7 %	96.2 %	98.0 %
	Greater Vancouver Area	BC	2	98	0.4 %	100.0 %	100.0 %
	Red Deer	AB	1	126	0.5 %	100.0 %	100.0 %
	Regina	SK	2	143	0.6 %	100.0 %	100.0 %
	Saskatoon	SK	5	327	1.3 %	100.0 %	100.0 %
	Winnipeg	MB	28	1,660	6.5 %	96.3 %	96.5 %
Industrial total			79	5,541	21.6 %	95.5 %	97.4 %
Total Canadian portfolio			175	15,248	59.4 %	91.5 %	93.5 %
U.S. portfolio:							
Office	Greater Denver Area	CO	4	634	2.4 %	92.7 %	92.7 %
	Greater Phoenix Area	AZ	6	1,002	3.9 %	96.8 %	99.4 %
	Madison	WI	16	1,697	6.6 %	89.7 %	94.5 %
	New Hartford	NY	1	123	0.5 %	100.0 %	100.0 %
	Twin Cities Area	MN	5	1,336	5.2 %	92.7 %	92.7 %
Office total			32	4,792	18.6 %	92.6 %	94.9 %
Retail	Twin Cities Area	MN	7	298	1.2 %	84.4 %	84.4 %
Industrial	Greater Phoenix Area	AZ	2	286	1.1 %	81.9 %	81.9 %
	Twin Cities Area	MN	30	4,546	17.7 %	93.5 %	93.7 %
Industrial total			32	4,832	18.8 %	92.8 %	93.0 %
Total U.S. portfolio			71	9,922	38.6 %	92.5 %	93.7 %
Total Canadian and U.S. portfolio			246	25,170	98.0 %	91.9 %	93.5 %

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

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

Asset class	City	Province / State	Property count	Owned share of GLA	% of portfolio GLA	Property	% Committed [1]
Industrial	Calgary	AB	1	91	0.4%	McCall Lake Industrial	67.5%
Industrial	Twin Cities Area	MN	1	208	0.8%	Northpoint Industrial Building	41.2%
Office	Winnipeg	MB	1	170	0.6%	220 Portage Avenue	66.0%
Industrial	Winnipeg	MB	1	52	0.2%	2110-2130 Notre Dame Avenue	84.6%
Total properties held for redevelopment			4	521	2.0%		58.3%

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

McCall Lake Industrial, an industrial property in Calgary, Alberta, is undergoing a significant redevelopment to upgrade mechanical and electrical components and improve the loading and functionality of the building to prepare for a multi-tenant use.

Northpoint Industrial Building, an industrial property in the Twin Cities Area, Minnesota, was vacated by a large tenant, providing Artis with an opportunity to redevelop and reconfigure this older generation property to accommodate a single tenant or multiple tenants. Preliminary work is complete and architectural plans have been drawn for various tenant configurations. Leasing efforts are under way and the remainder of the redevelopment plans for this property will be decided based on future tenant requirements.

220 Portage Avenue, an office property in Winnipeg, Manitoba, is undergoing an extensive redevelopment to modernize both the exterior and interior of the building. Some of the upgrades include 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.

2110-2130 Notre Dame Avenue, an industrial property in Winnipeg, Manitoba, is undergoing an extensive redevelopment to modernize the building and improve parking, loading and general functionality of the property.

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

Asset class	City	Province / State	Property count	Owned share of GLA [1]	% of portfolio GLA	Property	% Completed	% Committed [2]
Office	Minneapolis	MN	—	—	—	Millwright Building	77.0%	35.0%
Industrial	Greater Phoenix Area	AZ	—	—	—	Park Lucero Phase II	36.0%	—%
Industrial	Greater Phoenix Area	AZ	—	—	—	Park Lucero Phase III	1.0%	100.0%
Industrial	Greater Toronto Area	ON	—	—	—	175 Westcreek Boulevard	70.0%	40.6%
Industrial	Houston	TX	—	—	—	Park 8Ninety Phase I	54.0%	37.0%
Office	Greater Denver Area	CO	—	—	—	169 Inverness Drive West Phase I	10.0%	—%
Total new developments in process			—	—	—			

[1] Owned share of GLA includes only properties where construction is 100% completed.
[2] Percentage committed is based on occupancy at December 31, 2016, plus commitments on vacant space.

During Q3-16, Artis entered into a joint venture arrangement for an 80% ownership interest in the Millwright Building, an office development project located in Minneapolis, Minnesota. This project, a new best-in-class mid-rise office building, is located in close proximity to the new US Bank Stadium, home of the Minnesota Vikings, in the Downtown East office market. The building is expected to comprise approximately 174,000 square feet and base-building construction is expected to be complete in Q1-17.

Artis has a 90% ownership interest (in the form of joint venture arrangements) in Park Lucero, a four-phase industrial development on a 48 acre parcel of land in the Greater Phoenix Area, Arizona. Phase I of this development is complete and consists of three industrial buildings totaling 208,000 square feet. Construction of Park Lucero Phase II and Park Lucero Phase III is underway. Phase II is expected to be complete in Q1-17 and will comprise approximately 132,000 square feet. Phase III is expected to be complete in Q2-17 and will comprise approximately 147,000 square feet. The entire project is anticipated to total approximately 580,000 square feet.

In 2011, Artis acquired 201 Westcreek Boulevard, a 300,000 square foot industrial building with 10 acres of excess land available for future development in the Greater Toronto Area, Ontario. Construction of 175 Westcreek Boulevard, a new 130,000 square foot building on this land, which can accommodate one to three tenants, has commenced and is expected to be complete in Q2-17. Artis has negotiated a new lease with a national tenant for 40.6% of the building.

Artis owns a 127 acre parcel of development land called Park 8Ninety located in the Southwest industrial submarket in Houston, Texas, which is expected to be developed in several phases into 1,800,000 square feet of new generation industrial buildings. Artis has a 95% ownership interest in Park 8Ninety Phase I (in the form of a joint venture arrangement), which is under construction and expected to comprise four buildings totaling approximately 440,000 square feet. Construction of Park 8Ninety Phase I is anticipated to be complete in Q3-17.

Artis has begun construction of 169 Inverness Drive West Phase I, an office development situated on a 10 acre parcel of land adjacent to the AT&T Building in the Greater Denver Area, Colorado. Phase I of this project includes the development of a Class A office building expected to comprise approximately 120,000 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 Q4-17. Leasing at this project is underway.

New Development Initiatives

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' head office located at 360 Main Street. Additional information about this development is expected to be released in 2017.

Artis owns a 12 acre parcel of land in Winnipeg, Manitoba called Linden Ridge Shopping Centre II, which is located adjacent to Linden Ridge Shopping Centre, a retail property also owned by Artis. A land lease has been negotiated with a national tenant for nine acres at the site. The site can accommodate an additional 35,000 square foot development 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 Park station and in close proximity to the University of Toronto and Ryerson University. Preliminary plans to build an additional 50 floors of apartment units above this 19-storey office building are under way. Additional information about this development will be released at a later date.

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

2016 ANNUAL HIGHLIGHTS

PORTFOLIO ACTIVITY

During 2016, Artis acquired 16 commercial properties and disposed of 18 commercial 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, 2015	63	9,311	64	4,690	125	12,167	252	26,168
Acquisitions	16	1,697	—	—	—	—	16	1,697
Dispositions	(1)	(78)	(6)	(653)	(11)	(1,443)	(18)	(2,174)
Portfolio properties, December 31, 2016	78	10,930	58	4,037	114	10,724	250	25,691

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

Property Acquisitions

Property	Property count	Acquisition date	Location	Asset class	Owned share of GLA	Purchase price	Capitalization rate
Madison Lifestyle Office Portfolio	16	June 13, 2016, August 1, 2016	Madison, WI	Office	1,696,672	US $ 260,000	7.75%

Artis acquired the Madison Lifestyle Office Portfolio for a purchase price of US$260,000, which was financed with cash on hand, new variable rate mortgage financing of US $106,700 bearing interest at USD LIBOR plus 2.10% and new swapped mortgage financing in the amount of US$40,000, effectively bearing interest at 3.43%.

Property Dispositions

Property	Property count	Disposition date	Location	Asset class	Owned share of GLA	Sale price	Capitalization rate
Tamarack Centre	1	April 28, 2016	Cranbrook, BC	Retail	287,696	$ 41,500	6.67%
Whistler Hilton Retail Plaza [1]	1	May 2, 2016	Whistler, BC	Retail	30,062	28,730	6.53%
Crosstown North	1	May 19, 2016	Twin Cities Area, MN	Industrial	120,000	US7,380	n/a [2]
Lunar Pointe	1	August 5, 2016	Twin Cities Area, MN	Industrial	117,298	US9,252	6.08%
Uplands Common	1	August 16, 2016	Lethbridge, AB	Retail	53,392	15,200	5.90%
Clareview Town Centre	1	August 17, 2016	Edmonton, AB	Retail	63,818	20,000	6.33%
Southwood Corner	1	October 28, 2016	Calgary, AB	Retail	112,406	40,200	5.72%
Mayfield Industrial Plaza	1	October 31, 2016	Edmonton, AB	Industrial	23,517	3,200	5.99%
Alberta Industrial Portfolio	8	November 1, 2016	Various cities in AB	Industrial	1,181,990	171,082	6.17%
3571 Old Okanagan Road	1	November 17, 2016	Westbank, BC	Retail	105,670	5,000	n/a [2]
Northwest Centre I & II	1	December 6, 2016	Calgary, AB	Office	77,624	24,500	8.04%

[1] Artis disposed of its 85% interest in this property.
[2] Property was vacant at time of disposition.

During 2016, Artis repaid $57,391 and US$10,487 of mortgage debt related to the disposition of the above properties.

FINANCING ACTIVITIES

Short Form Base Shelf Prospectuses

On July 17, 2014, the REIT issued a short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of $2,000,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. At the date of expiry, the REIT had issued senior unsecured debentures under one offering in the amount of $75,000 and common units under one offering in the amount of $115,004 under this short form base shelf prospectus.

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

Equity Offering

On June 17, 2016, under the July 17, 2014 short form base shelf prospectus, Artis 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.

Redemption of Series F Convertible Debentures

On July 25, 2016, Artis completed the early redemption of the outstanding Series F convertible debentures with a face value of $86,160.

Unsecured Revolving Term Credit Facilities

During 2016, Artis increased the aggregate amount of its revolving term credit facilities from $300,000 to $500,000. The maturity date of the additional $200,000 is April 29, 2021. Artis drew a net balance of $44,000 on its revolving term credit facilities during the year.

Debt Financing and Repayment Activity

In 2016, Artis repaid 14 mortgages for a total of $221,975. Artis refinanced 12 maturing mortgages, received upward financing on three maturing mortgages and received new financing on three previously unencumbered properties, net of financing costs, for a total of $125,853. In 2016, Artis drew on development loans, net of financing costs, in the amount of $27,674.

DISTRIBUTIONS

Artis declared distributions of $175,450 to unitholders in 2016, of which $33,079 was paid by way of distribution reinvestment, pursuant to Artis' Distribution Reinvestment and Unit Purchase Plan ("DRIP").

SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	2016	Year ended December 31, 2015	Change	% Change	Year ended December 31, 2014
Revenue	$ 572,515	$ 552,502	$ 20,013	3.6 %	$ 508,639
Property NOI	348,714	341,952	6,762	2.0 %	317,382
Net income (loss)	115,935	(175,699)	291,634	(166.0)%	197,886
Basic income (loss) per common unit	0.67	(1.41)	2.08	(147.5)%	1.36
Diluted income (loss) per common unit	0.67	(1.41)	2.08	(147.5)%	1.33
Distributions to common unitholders	$ 157,018	$ 148,709	$ 8,309	5.6 %	$ 143,668
Distributions per common unit	1.08	1.08	—	— %	1.08
FFO	$ 225,909	$ 215,881	$ 10,028	4.6 %	$ 193,461
FFO per unit	1.55	1.53	0.02	1.3 %	1.42
FFO after adjustments [(1)]	219,492	210,564	8,928	4.2 %	193,285
FFO per unit after adjustments [(1)]	1.50	1.49	0.01	0.7 %	1.42
FFO payout ratio after adjustments [(1)]	72.0%	72.5%		(0.5)%	76.1%
AFFO	$ 183,318	$ 186,450	$ (3,132)	(1.7)%	$ 164,761
AFFO per unit	1.26	1.34	(0.08)	(6.0)%	1.23
AFFO after adjustments [(1)]	176,901	180,321	(3,420)	(1.9)%	164,585
AFFO per unit after adjustments [(1)]	1.22	1.30	(0.08)	(6.2)%	1.23
AFFO payout ratio after adjustments [(1)]	88.5%	83.1%		5.4 %	87.8%

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

Revenue, Property NOI, FFO and AFFO were impacted by acquisitions, dispositions, completed (re)developments, lease termination income received from tenants, non-recurring other income and the impact of foreign exchange in 2015 and 2016. In 2016, AFFO was also impacted by increases to Artis' leasing costs reserve.

	December 31, 2016	December 31, 2015	% Change	December 31, 2014
Consolidated financial statements debt to GBV:				
Secured mortgages and loans to GBV	39.1%	39.9%	(0.8)%	41.3%
Total long-term debt and bank indebtedness to GBV	49.8%	51.4%	(1.6)%	48.4%
Proportionate Share debt to GBV:				
Secured mortgages and loans to GBV	40.6%	41.2%	(0.6)%	41.9%
Total long-term debt and bank indebtedness to GBV	51.0%	52.4%	(1.4)%	48.9%
Total long-term debt and bank indebtedness to EBITDA	8.4	8.7	(3.4)%	8.4
Total assets	$ 5,664,907	$ 5,651,280	0.2 %	$ 5,546,000
Total non-current financial liabilities	1,962,023	2,227,769	(11.9)%	2,305,588

ANALYSIS OF OPERATING RESULTS

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

	Three months ended December 31,					
	2016			2015		
	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share
Revenue	$ 140,663	$ 5,715	$ 146,378	$ 136,829	$ 6,044	$ 142,873
Expenses:						
Property operating	36,334	1,957	38,291	33,456	1,702	35,158
Realty taxes	21,249	892	22,141	21,180	1,202	22,382
	57,583	2,849	60,432	54,636	2,904	57,540
Net operating income	83,080	2,866	85,946	82,193	3,140	85,333
Other income (expenses):						
Corporate expenses	(3,234)	—	(3,234)	(3,089)	—	(3,089)
Interest expense	(26,340)	(1,223)	(27,563)	(27,591)	(1,093)	(28,684)
Interest income	286	1	287	286	2	288
Net income (loss) from investments in joint ventures	6,081	(6,081)	—	(4,987)	4,987	—
Fair value (loss) gain on investment properties	(97,291)	4,437	(92,854)	(245,022)	(7,036)	(252,058)
Foreign currency translation (loss) gain	(4,695)	—	(4,695)	410	—	410
Transaction costs	(9)	—	(9)	(521)	—	(521)
Gain on financial instruments	12,513	—	12,513	2,426	—	2,426
Loss before income taxes	(29,609)	—	(29,609)	(195,895)	—	(195,895)
Income tax expense	(683)	—	(683)	—	—	—
Net loss	(30,292)	—	(30,292)	(195,895)	—	(195,895)
Other comprehensive income:						
Unrealized foreign currency translation gain	14,527	11,409	25,936	21,701	5,721	27,422
Unrealized foreign currency translation gain on joint ventures	11,409	(11,409)	—	5,721	(5,721)	—
Unrealized (loss) gain from remeasurements of net pension obligation	(4)	—	(4)	1	—	1
	25,932	—	25,932	27,423	—	27,423
Total comprehensive loss	$ (4,360)	$ —	$ (4,360)	$ (168,472)	$ —	$ (168,472)

[1] Adjustment to reflect investments in joint ventures on a Proportionate Share basis.

	Year ended December 31, 2016			2015		
	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share
Revenue	$ 549,151	$ 23,364	$ 572,515	$ 535,574	$ 16,928	$ 552,502
Expenses:						
Property operating	126,098	7,026	133,124	120,188	4,916	125,104
Realty taxes	86,937	3,740	90,677	82,990	2,456	85,446
	213,035	10,766	223,801	203,178	7,372	210,550
Net operating income	336,116	12,598	348,714	332,396	9,556	341,952
Other income (expenses):						
Corporate expenses	(13,322)	—	(13,322)	(11,510)	—	(11,510)
Interest expense	(108,138)	(4,579)	(112,717)	(110,482)	(2,982)	(113,464)
Interest income	1,210	5	1,215	1,319	2	1,321
Net income from investments in joint ventures	13,367	(13,367)	—	297	(297)	—
Fair value (loss) gain on investment properties	(114,757)	5,343	(109,414)	(365,626)	(6,279)	(371,905)
Foreign currency translation loss	(2,345)	—	(2,345)	(16,413)	—	(16,413)
Transaction costs	(1,105)	—	(1,105)	(2,136)	—	(2,136)
Gain (loss) on financial instruments	5,592	—	5,592	(3,544)	—	(3,544)
Income (loss) before income taxes	116,618	—	116,618	(175,699)	—	(175,699)
Income tax expense	(683)	—	(683)	—	—	—
Net income (loss)	115,935	—	115,935	(175,699)	—	(175,699)
Other comprehensive (loss) income:						
Unrealized foreign currency translation (loss) gain	(25,508)	4,863	(20,645)	123,592	24,135	147,727
Unrealized foreign currency translation gain on joint ventures	4,863	(4,863)	—	24,135	(24,135)	—
Unrealized (loss) gain from remeasurements of net pension obligation	(34)	—	(34)	2	—	2
	(20,679)	—	(20,679)	147,729	—	147,729
Total comprehensive income (loss)	$ 95,256	$ —	$ 95,256	$ (27,970)	$ —	$ (27,970)

[1] Adjustment to reflect investments in joint ventures on a Proportionate Share basis.

REVENUE AND PROPERTY NOI

	Three months ended December 31, 2016	2015	Change	% Change	Year ended December 31, 2016	2015	Change	% Change
Revenue:								
Basic rent, parking and other revenue	$ 98,189	$ 94,258	$ 3,931		$ 388,379	$ 375,590	$ 12,789	
Operating cost and realty tax recoveries	50,751	50,909	(158)		189,277	182,928	6,349	
Amortization of tenant inducements	(4,873)	(3,694)	(1,179)		(17,752)	(14,008)	(3,744)	
Straight-line rent adjustments	1,743	1,227	516		6,194	3,499	2,695	
Lease termination income	568	173	395		6,417	4,493	1,924	
	146,378	142,873	3,505	2.5%	572,515	552,502	20,013	3.6%
Expenses:								
Property operating	38,291	35,158	3,133		133,124	125,104	8,020	
Realty taxes	22,141	22,382	(241)		90,677	85,446	5,231	
	60,432	57,540	2,892	5.0%	223,801	210,550	13,251	6.3%
Property NOI	$ 85,946	$ 85,333	$ 613	0.7%	$ 348,714	$ 341,952	$ 6,762	2.0%

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

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

Artis accounts for rent 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, HVAC, insurance, utilities and property management expenses.

SAME PROPERTY NOI ANALYSIS

Same property 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 redevelopment.

	Three months ended December 31, 2016	2015	Change	% Change	Year ended December 31, 2016	2015	Change	% Change
Revenue [1]	$ 127,051	$ 130,197			$ 513,915	$ 517,514		
Add (deduct) non-cash revenue adjustments:								
Amortization of tenant inducements	4,464	3,321			16,910	13,043		
Straight-line rent adjustments	(1,027)	(1,047)			(3,828)	(3,013)		
	130,488	132,471			526,997	527,544		
Property operating and realty tax expenses	52,132	53,661			203,876	202,544		
Same Property NOI	$ 78,356	$ 78,810	$ (454)	(0.6)%	$ 323,121	$ 325,000	$ (1,879)	(0.6)%

[1] Adjusted for the impact of lease termination income.

Lease termination income related to significant tenants of $6,197 (Q4-16 - $459) in 2016, compared to $1,479 (Q4-15 - $63) in 2015, has been excluded, other than the portion that covers lost revenue due to vacancy, for purposes of the Same Property NOI calculation.

Same Property NOI by Asset Class

	Three months ended December 31, 2016	2015	Change	% Change	Year ended December 31, 2016	2015	Change	% Change
Office	$ 40,102	$ 40,892	$ (790)	(1.9)%	$ 162,892	$ 169,843	$ (6,951)	(4.1)%
Retail	18,059	18,785	(726)	(3.9)%	77,224	77,001	223	0.3 %
Industrial	20,195	19,133	1,062	5.6 %	83,005	78,156	4,849	6.2 %
Total	$ 78,356	$ 78,810	$ (454)	(0.6)%	$ 323,121	$ 325,000	$ (1,879)	(0.6)%

Same Property NOI by Geographical Region

	Three months ended December 31, 2016	2015	Change	% Change	Year ended December 31, 2016	2015	Change	% Change
Alberta	$ 24,173	$ 25,205	$ (1,032)	(4.1)%	$ 108,646	$ 116,476	$ (7,830)	(6.7)%
British Columbia	4,582	4,628	(46)	(1.0)%	19,490	19,711	(221)	(1.1)%
Manitoba	10,516	10,148	368	3.6 %	43,449	41,457	1,992	4.8 %
Ontario	9,050	9,042	8	0.1 %	36,446	35,856	590	1.6 %
Saskatchewan	5,280	5,468	(188)	(3.4)%	19,681	19,426	255	1.3 %
Arizona	6,713	6,497	216	3.3 %	26,022	24,552	1,470	6.0 %
Minnesota	14,012	14,019	(7)	— %	55,047	53,624	1,423	2.7 %
U.S. - Other	4,030	3,803	227	6.0 %	14,340	13,898	442	3.2 %
Total	$ 78,356	$ 78,810	$ (454)	(0.6)%	$ 323,121	$ 325,000	$ (1,879)	(0.6)%
Calgary office segment	*11,406*	*12,577*	*(1,171)*	*(9.3)%*	*48,731*	*56,215*	*(7,484)*	*(13.3)%*
Total excluding Calgary office segment	*$ 66,950*	*$ 66,233*	*$ 717*	*1.1 %*	*$ 274,390*	*$ 268,785*	*$ 5,605*	*2.1 %*

Same Property NOI by Country

	Three months ended December 31, 2016	Three months ended December 31, 2015	Change	% Change	Year ended December 31, 2016	Year ended December 31, 2015	Change	% Change
Canada	$ 53,601	$ 54,491	$ (890)	(1.6)%	$ 227,712	$ 232,926	$ (5,214)	(2.2)%
U.S.	24,755	24,319	436	1.8 %	95,409	92,074	3,335	3.6 %
Total	$ 78,356	$ 78,810	$ (454)	(0.6)%	$ 323,121	$ 325,000	$ (1,879)	(0.6)%

Artis' U.S. portfolio decreased US$48 (Q4-16 - increased US$348), or decreased 0.1% (Q4-16 - increased 1.9%) in 2016 before the impact of foreign exchange. In Q4-16, the U.S. office segment has increased US$371 and the U.S. industrial segment has increased US$271 in comparison to Q4-15. The retail segment has decreased US$294 primarily due to a tenant bankruptcy at Oakdale Village.

Same Property Occupancy Report

Geographical Region	As at December 31, 2016	As at December 31, 2015
Alberta	86.4%	88.3%
British Columbia	92.4%	92.6%
Manitoba	93.8%	91.1%
Ontario	93.2%	91.9%
Saskatchewan	97.6%	98.2%
Arizona	93.4%	87.3%
Minnesota	92.7%	95.0%
U.S. - Other	93.8%	96.2%
Total	92.0%	92.1%

Asset Class	As at December 31, 2016	As at December 31, 2015
Office	88.8%	89.8%
Retail	92.4%	96.6%
Industrial	94.2%	92.1%
Total	92.0%	92.1%

PROPERTY NOI BY ASSET CLASS

Canadian Portfolio:

In Q4-16, Property NOI in the office segment decreased primarily due to increased vacancy and lower rents in the Calgary office segment, partially offset by an increase in occupancy at Heritage Square. The retail and industrial segments decreased primarily due to dispositions in 2016.

	Three months ended December 31, 2016			2015		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	$ 46,657	$ 25,297	$ 18,715	$ 49,976	$ 29,504	$ 20,522
Property operating and realty tax expenses	22,032	8,752	5,733	23,367	10,035	6,610
Property NOI	$ 24,625	$ 16,545	$ 12,982	$ 26,609	$ 19,469	$ 13,912
Share of Property NOI	*45.4%*	*30.6%*	*24.0%*	*44.3%*	*32.5%*	*23.2%*

U. S. Portfolio:

In Q4-16, Property NOI in the U.S. portfolio increased in the office asset class in comparison to Q4-15. The growth is primarily attributable to acquisitions in 2015 and 2016, partially offset by dispositions in 2015. The retail segment has decreased primarily due to a tenant bankruptcy at Oakdale Village.

	Three months ended December 31, 2016			2015		
	Office	Retail	Industrial	Office	Retail	Industrial
Revenue	$ 40,645	$ 2,231	$ 12,785	$ 27,059	$ 2,499	$ 13,270
Property operating and realty tax expenses	18,070	951	4,894	11,292	805	5,431
Property NOI	$ 22,575	$ 1,280	$ 7,891	$ 15,767	$ 1,694	$ 7,839
Share of Property NOI	*71.1%*	*4.0%*	*24.9%*	*62.3%*	*6.7%*	*31.0%*

Total Canadian and U.S. Portfolio:

	Three months ended December 31,					
	2016			2015		
	Office	**Retail**	**Industrial**	**Office**	**Retail**	**Industrial**
Revenue	$ 87,302	$ 27,528	$ 31,500	$ 77,035	$ 32,003	$ 33,792
Property operating and realty tax expenses	40,102	9,703	10,627	34,659	10,840	12,041
Property NOI	$ 47,200	$ 17,825	$ 20,873	$ 42,376	$ 21,163	$ 21,751
Share of Property NOI	*54.9%*	*20.8%*	*24.3%*	*49.7%*	*24.8%*	*25.5%*

Canadian Portfolio:

In 2016, Property NOI in the Canadian portfolio decreased in the office and retail asset classes in comparison to 2015. The decrease in the office segment is primarily attributable to dispositions during 2015 and 2016 and increased vacancy and lower rents in the Calgary office segment. The retail segment decreased primarily due to dispositions in 2015 and 2016 and non-recurring other income received in 2015. The industrial segment increased primarily due to acquisitions and (re)developments during 2015, partially offset by dispositions in 2016.

	Year ended December 31,					
	2016			2015		
	Office	**Retail**	**Industrial**	**Office**	**Retail**	**Industrial**
Revenue	$ 186,332	$ 110,172	$ 80,876	$ 200,933	$ 118,345	$ 75,675
Property operating and realty tax expenses	83,333	34,094	25,113	85,946	37,597	24,199
Property NOI	$ 102,999	$ 76,078	$ 55,763	$ 114,987	$ 80,748	$ 51,476
Share of Property NOI	*43.9%*	*32.4%*	*23.7%*	*46.5%*	*32.7%*	*20.8%*

U.S. Portfolio:

	Year ended December 31,					
	2016			2015		
	Office	**Retail**	**Industrial**	**Office**	**Retail**	**Industrial**
Revenue	$ 135,389	$ 9,741	$ 49,770	$ 99,063	$ 9,957	$ 48,353
Property operating and realty tax expenses	58,487	3,835	18,939	39,768	3,547	19,493
Property NOI	$ 76,902	$ 5,906	$ 30,831	$ 59,295	$ 6,410	$ 28,860
Share of Property NOI	*67.7%*	*5.2%*	*27.1%*	*62.7%*	*6.8%*	*30.5%*

Total Canadian and U.S. Portfolio:

	Year ended December 31,					
	2016			2015		
	Office	**Retail**	**Industrial**	**Office**	**Retail**	**Industrial**
Revenue	$ 321,721	$ 119,913	$ 130,646	$ 299,996	$ 128,302	$ 124,028
Property operating and realty tax expenses	141,820	37,929	44,052	125,714	41,144	43,692
Property NOI	$ 179,901	$ 81,984	$ 86,594	$ 174,282	$ 87,158	$ 80,336
Share of Property NOI	*51.7%*	*23.5%*	*24.8%*	*51.0%*	*25.5%*	*23.5%*

PROPERTY NOI BY GEOGRAPHICAL REGION

In Q4-16, Property NOI increased in Minnesota in comparison to Q4-15 due to an acquisition in 2015, partially offset by dispositions in 2015 and 2016. In Q4-16, Property NOI decreased in Alberta, British Columbia and U.S. - Other due to dispositions during 2015 and 2016. Alberta was also impacted by increased vacancy and lower rents in the Calgary office segment which was partially offset by increased occupancy at Heritage Square. During 2016, Artis entered into the Wisconsin region through a two-phased acquisition of the Madison Lifestyle Office Portfolio.

	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%*

	Three months ended December 31, 2015								
	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Revenue	$ 46,648	$ 9,135	$ 20,301	$ 15,515	$ 8,403	$ 9,626	$ 26,044	$ —	$ 7,158
Property operating and realty tax expenses	17,155	3,488	10,121	6,507	2,741	3,232	11,467	—	2,829
Property NOI	$ 29,493	$ 5,647	$ 10,180	$ 9,008	$ 5,662	$ 6,394	$ 14,577	$ —	$ 4,329
Share of Property NOI	*34.6%*	*6.6%*	*11.9%*	*10.6%*	*6.6%*	*7.5%*	*17.1%*	*—%*	*5.1%*

In 2016, Property NOI increased in Manitoba, Ontario, Arizona and Minnesota in comparison to 2015. The growth is primarily attributable to acquisitions and completed (re) developments during 2015, partially offset by dispositions in 2015 and 2016. Property NOI decreased in Alberta, British Columbia and U.S. - Other primarily due to dispositions during 2015 and 2016. Alberta was also impacted by increased vacancy and lower rents in the Calgary office segment. Non-recurring other income received in 2015 also contributed to the decline in British Columbia. Property NOI in Saskatchewan was impacted by lease termination income received in 2015. During 2016, Artis entered into the Wisconsin region through a two-phased acquisition of the Madison Lifestyle Office Portfolio.

	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%*

	Year ended December 31, 2015								
	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Revenue	$ 186,093	$ 41,020	$ 74,186	$ 60,977	$ 32,677	$ 36,169	$ 94,963	$ —	$ 26,241
Property operating and realty tax expenses	63,701	14,960	33,556	25,835	9,690	11,904	41,484	—	9,420
Property NOI	$ 122,392	$ 26,060	$ 40,630	$ 35,142	$ 22,987	$ 24,265	$ 53,479	$ —	$ 16,821
Share of Property NOI	*35.8%*	*7.7%*	*11.9%*	*10.3%*	*6.7%*	*7.1%*	*15.6%*	*—%*	*4.9%*

PORTFOLIO OCCUPANCY

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

Occupancy Report by Asset Class

	Q4-16 % Committed [1]	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15
Office	91.5%	89.1%	90.0%	90.0%	89.7%	89.7%
Retail	94.4%	93.0%	94.9%	95.6%	96.8%	96.1%
Industrial	95.4%	94.2%	95.0%	96.0%	94.8%	93.8%
Total portfolio	93.5%	91.9%	92.9%	93.5%	93.3%	92.7%

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

Occupancy Report by Geographical Region

	Q4-16 %	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15
Canada:						
Alberta	90.1%	86.4%	90.9%	91.9%	90.4%	90.2%
British Columbia	93.8%	92.4%	92.7%	92.1%	94.6%	94.1%
Manitoba	94.7%	93.8%	92.7%	93.1%	91.1%	89.1%
Ontario	94.9%	93.2%	93.5%	92.7%	92.8%	91.9%
Saskatchewan	97.9%	97.6%	96.8%	97.5%	98.0%	98.2%
U.S.:						
Arizona	95.5%	93.4%	99.5%	99.6%	99.6%	99.6%
Minnesota	93.0%	92.9%	93.4%	95.4%	95.2%	94.9%
Wisconsin	94.5%	89.7%	89.6%	87.0%	n/a	n/a
Other	93.8%	93.8%	94.8%	95.7%	96.7%	96.2%
Total portfolio	93.5%	91.9%	92.9%	93.5%	93.3%	92.7%

(1) Percentage committed is based on occupancy at December 31, 2016, plus commitments on vacant space.

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Leasable area renewed	627,649	675,856	2,807,867	2,301,433
Increase in weighted-average rental rate	2.6%	(0.1)%	3.3%	3.7%

Excluding the impact of Calgary office segment lease renewals, Artis' increase in the weighted-average rental rate year-to-date was 4.5% (Q4-16 - increase of 4.6%).

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

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

	Current vacancy	Monthly tenants (2)	2017	2018	2019	2020	2021 & later	Total
Office - uncommitted	974,796	65,545	923,548	996,242	1,240,066	1,096,697	4,564,293	9,861,187
Office - committed	295,559	—	466,466	60,704	117,156	20,410	108,525	1,068,820
Total office	1,270,355	65,545	1,390,014	1,056,946	1,357,222	1,117,107	4,672,818	10,930,007
Retail - uncommitted	226,197	16,742	237,454	497,688	331,135	521,337	1,978,682	3,809,235
Retail - committed	54,481	—	134,409	12,927	2,638	2,148	21,056	227,659
Total retail	280,678	16,742	371,863	510,615	333,773	523,485	1,999,738	4,036,894
Industrial - uncommitted	641,312	170,116	1,291,281	1,150,570	938,546	1,243,788	4,165,837	9,601,450
Industrial - committed	117,464	—	936,406	48,748	—	19,868	—	1,122,486
Total industrial	758,776	170,116	2,227,687	1,199,318	938,546	1,263,656	4,165,837	10,723,936
Total - uncommitted	1,842,305	252,403	2,452,283	2,644,500	2,509,747	2,861,822	10,708,812	23,271,872
Total - committed	467,504	—	1,537,281	122,379	119,794	42,426	129,581	2,418,965
Total portfolio	2,309,809	252,403	3,989,564	2,766,879	2,629,541	2,904,248	10,838,393	25,690,837

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

In-Place Rents

In-place rents reflect the weighted-average net annual rental rate per square foot as at December 31, 2016, for the leasable area expiring in the year indicated. In-place rents do not reflect either the average rate over the term of the lease or the rate in place in the year of expiry.

Market Rents

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

Market Rents by Asset Class [1]

Canadian Portfolio:

	2017	2018	2019	2020	2021 & later	Total
Office						
In-place rents	$ 19.17	$ 18.59	$ 16.63	$ 15.71	$ 18.59	$ 18.10
Market rents	13.93	14.47	15.76	15.75	19.58	17.27
Change	(27.3)%	(22.2)%	(5.2)%	0.2%	5.3%	(4.5)%
Revenue impact [2]	$ (3,581)	$ (2,501)	$ (732)	$ 16	$ 2,552	$ (4,246)
Retail						
In-place rents	$ 19.42	$ 22.43	$ 25.21	$ 19.32	$ 18.98	$ 20.14
Market rents	20.12	23.31	25.47	19.47	19.82	20.83
Change	3.6 %	3.9 %	1.0 %	0.8%	4.4%	3.4 %
Revenue impact [2]	$ 226	$ 438	$ 82	$ 70	$ 1,585	$ 2,401
Industrial						
In-place rents	$ 6.95	$ 5.47	$ 7.43	$ 7.65	$ 10.20	$ 8.20
Market rents	6.98	5.62	7.37	7.72	10.27	8.26
Change	0.4 %	2.6 %	(0.8)%	0.8%	0.6%	0.7 %
Revenue impact [2]	$ 39	$ 104	$ (17)	$ 51	$ 137	$ 314
Total Canadian portfolio						
In-place rents	$ 12.22	$ 14.46	$ 16.77	$ 12.86	$ 15.99	$ 14.85
Market rents	10.80	13.39	16.31	12.94	16.63	14.74
Change	(11.6)%	(7.4)%	(2.8)%	0.6%	4.0%	(0.7)%
Revenue impact [2]	$ (3,316)	$ (1,959)	$ (667)	$ 137	$ 4,274	$ (1,531)

U.S. Portfolio:

	2017	2018	2019	2020	2021 & later	Total
Office						
In-place rents	$ 16.28	$ 16.61	$ 21.01	$ 18.43	$ 17.83	$ 17.92
Market rents	17.69	16.65	22.24	18.75	18.82	18.81
Change	8.7%	0.3 %	5.8 %	1.7%	5.6%	5.0%
Revenue impact [2]	$ 996	$ 20	$ 636	$ 208	$ 2,072	$ 3,932
Retail						
In-place rents	$ 13.51	$ 21.35	$ 18.74	$ 14.05	$ 15.63	$ 15.19
Market rents	15.22	20.43	19.78	14.49	15.83	15.74
Change	12.7%	(4.3)%	5.6 %	3.1%	1.3%	3.7%
Revenue impact [2]	$ 87	$ (10)	$ 12	$ 28	$ 23	$ 140
Industrial						
In-place rents	$ 4.65	$ 4.84	$ 5.42	$ 5.39	$ 6.19	$ 5.55
Market rents	4.99	4.95	5.29	5.43	6.19	5.62
Change	7.5%	2.1 %	(2.4)%	0.7%	—%	1.2%
Revenue impact [2]	$ 307	$ 48	$ (84)	$ 18	$ 6	$ 295
Total U.S. portfolio						
In-place rents	$ 9.93	$ 10.68	$ 12.34	$ 13.23	$ 12.20	$ 11.79
Market rents	10.77	10.74	12.82	13.44	12.69	12.26
Change	8.5%	0.6 %	3.8 %	1.6%	4.1%	4.0%
Revenue impact [2]	$ 1,390	$ 58	$ 564	$ 254	$ 2,101	$ 4,367

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

Total Canadian and U.S. Portfolio [1]:

	2017	2018	2019	2020	2021 & later	Total
Office						
In-place rents	$ 17.70	$ 17.75	$ 18.30	$ 17.33	$ 18.25	$ 18.02
Market rents	15.84	15.40	18.23	17.53	19.24	17.98
Change	(10.5)%	(13.2)%	(0.4)%	1.2%	5.4%	(0.2)%
Revenue impact [2]	$ (2,585)	$ (2,481)	$ (96)	$ 224	$ 4,624	$ (314)
Retail						
In-place rents	$ 18.62	$ 22.41	$ 24.98	$ 18.66	$ 18.79	$ 19.80
Market rents	19.46	23.25	25.27	18.85	19.60	20.48
Change	4.5 %	3.7 %	1.1 %	1.0%	4.3%	3.4 %
Revenue impact [2]	$ 313	$ 428	$ 94	$ 98	$ 1,608	$ 2,541
Industrial						
In-place rents	$ 6.04	$ 5.22	$ 6.02	$ 6.85	$ 8.25	$ 6.98
Market rents	6.19	5.35	5.91	6.91	8.29	7.04
Change	2.6 %	2.4 %	(1.8)%	0.8%	0.4%	0.9 %
Revenue impact [2]	$ 346	$ 152	$ (101)	$ 69	$ 143	$ 609
Total Canadian and U.S. portfolio						
In-place rents	$ 11.27	$ 13.18	$ 14.77	$ 13.01	$ 14.51	$ 13.63
Market rents	10.79	12.49	14.73	13.15	15.10	13.75
Change	(4.3)%	(5.2)%	(0.3)%	1.0%	4.1%	0.9 %
Revenue impact [2]	$ (1,926)	$ (1,901)	$ (103)	$ 391	$ 6,375	$ 2,836
Total Canadian and U.S. portfolio excluding Calgary office segment						
In-place rents	*$ 10.37*	*$ 12.25*	*$ 13.90*	*$ 12.84*	*$ 13.92*	*$ 12.95*
Market rents	*10.86*	*12.59*	*14.18*	*12.99*	*14.27*	*13.29*
Change	*4.8 %*	*2.8 %*	*2.0 %*	*1.2%*	*2.5%*	*2.6 %*
Revenue impact [2]	*$ 1,839*	*$ 873*	*$ 682*	*$ 437*	*$ 3,332*	*$ 7,163*

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

Market rents at December 31, 2016, were estimated to be 0.9% above in-place rents across the portfolio, compared to 1.6% at September 30, 2016 and 2.6% at December 31, 2015. Today's market rents for the 2017 and 2018 lease expiries are estimated to be 4.3% and 5.2% below in-place rents, respectively. The retail portfolio 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 2017 and 2018 lease expiries are estimated to be 4.8% and 2.8% above in-place rents, respectively.

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

	Current vacancy	Monthly tenants [(2)]	2017	2018	2019	2020	2021 & later	Total
AB - uncommitted	529,663	106,810	524,601	541,828	452,677	416,079	2,295,117	4,866,775
AB - committed	189,259	—	79,336	12,870	2,638	1,080	2,218	287,401
Total Alberta	718,922	106,810	603,937	554,698	455,315	417,159	2,297,335	5,154,176
BC - uncommitted	74,223	3,384	84,696	111,077	207,134	49,946	614,804	1,145,264
BC - committed	17,112	—	18,215	1,534	5,271	8,037	—	50,169
Total British Columbia	91,335	3,384	102,911	112,611	212,405	57,983	614,804	1,195,433
MB - uncommitted	258,300	10,387	399,589	651,676	249,389	435,014	1,528,856	3,533,211
MB - committed	76,141	—	210,415	32,296	7,454	9,211	8,383	343,900
Total Manitoba	334,441	10,387	610,004	683,972	256,843	444,225	1,537,239	3,877,111
ON - uncommitted	197,724	41,445	289,938	258,293	334,980	748,407	1,402,153	3,272,940
ON - committed	64,452	—	389,762	43,847	104,431	—	—	602,492
Total Ontario	262,176	41,445	679,700	302,140	439,411	748,407	1,402,153	3,875,432
SK - uncommitted	30,363	6,171	174,865	163,661	75,652	60,931	735,690	1,247,333
SK - committed	4,172	—	177,680	11,393	—	—	18,838	212,083
Total Saskatchewan	34,535	6,171	352,545	175,054	75,652	60,931	754,528	1,459,416
AZ - uncommitted	57,709	1,500	130,211	17,106	128,921	192,947	608,837	1,137,231
AZ - committed	26,700	—	124,106	—	—	—	—	150,806
Total Arizona	84,409	1,500	254,317	17,106	128,921	192,947	608,837	1,288,037
MN - uncommitted	554,507	75,231	636,939	539,291	724,590	731,276	2,575,638	5,837,472
MN - committed	7,351	—	500,541	18,536	—	24,098	—	550,526
Total Minnesota	561,858	75,231	1,137,480	557,827	724,590	755,374	2,575,638	6,387,998
WI - uncommitted	93,243	6,176	169,717	209,891	181,162	189,816	630,590	1,480,595
WI - committed	82,317	—	33,618	—	—	—	100,142	216,077
Total Wisconsin	175,560	6,176	203,335	209,891	181,162	189,816	730,732	1,696,672
U.S. - Other - uncommitted	46,573	1,299	41,727	151,677	155,242	37,406	317,127	751,051
U.S. - Other - committed	—	—	3,608	1,903	—	—	—	5,511
Total U.S. - Other	46,573	1,299	45,335	153,580	155,242	37,406	317,127	756,562
Total - uncommitted	1,842,305	252,403	2,452,283	2,644,500	2,509,747	2,861,822	10,708,812	23,271,872
Total - committed	467,504	—	1,537,281	122,379	119,794	42,426	129,581	2,418,965
Total portfolio	2,309,809	252,403	3,989,564	2,766,879	2,629,541	2,904,248	10,838,393	25,690,837

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

Market Rents by Geographical Region [1]

	2017	2018	2019	2020	2021 & later	Total
Alberta						
In-place rents	$ 19.08	$ 22.25	$ 25.14	$ 18.34	$ 20.15	$ 20.62
Market rents	13.04	18.13	23.44	18.34	22.06	20.08
Change	(31.7)%	(18.5)%	(6.7)%	— %	9.5 %	(2.6)%
Revenue impact [2]	$ (3,647)	$ (2,286)	$ (770)	$ (3)	$ 4,381	$ (2,325)
British Columbia						
In-place rents	$ 19.48	$ 23.30	$ 17.75	$ 17.80	$ 13.62	$ 16.17
Market rents	20.26	23.28	18.07	19.04	13.75	16.45
Change	4.0 %	(0.1)%	1.8 %	6.9 %	1.0 %	1.7 %
Revenue impact [2]	$ 80	$ (3)	$ 69	$ 72	$ 84	$ 302
Manitoba						
In-place rents	$ 11.85	$ 7.47	$ 9.66	$ 12.10	$ 15.12	$ 12.30
Market rents	12.21	8.08	9.92	12.43	14.90	12.44
Change	3.0 %	8.1 %	2.6 %	2.7 %	(1.4)%	1.2 %
Revenue impact [2]	$ 218	$ 414	$ 65	$ 144	$ (334)	$ 507
Ontario						
In-place rents	$ 6.79	$ 9.45	$ 10.95	$ 9.13	$ 11.29	$ 9.78
Market rents	6.76	9.43	11.01	8.95	11.18	9.70
Change	(0.5)%	(0.3)%	0.5 %	(2.0)%	(1.0)%	(0.9)%
Revenue impact [2]	$ (22)	$ (8)	$ 26	$ (137)	$ (161)	$ (302)
Saskatchewan						
In-place rents	$ 9.44	$ 20.03	$ 21.64	$ 22.00	$ 15.73	$ 15.28
Market rents	9.59	19.59	20.88	23.01	16.14	15.49
Change	1.7 %	(2.2)%	(3.5)%	4.6 %	2.6 %	1.3 %
Revenue impact [2]	$ 55	$ (76)	$ (57)	$ 61	$ 304	$ 287
Arizona						
In-place rents	$ 19.40	$ 34.39	$ 25.58	$ 20.86	$ 23.13	$ 22.40
Market rents	21.92	34.50	28.38	23.38	23.67	23.91
Change	13.0 %	0.3 %	11.0 %	12.1 %	2.4 %	6.8 %
Revenue impact [2]	$ 641	$ 2	$ 362	$ 486	$ 334	$ 1,825
Minnesota						
In-place rents	$ 6.37	$ 6.70	$ 6.69	$ 10.11	$ 8.45	$ 7.87
Market rents	6.95	6.87	6.56	9.89	8.44	7.95
Change	9.1 %	2.6 %	(1.9)%	(2.2)%	(0.1)%	1.0 %
Revenue impact [2]	$ 659	$ 97	$ (94)	$ (170)	$ (32)	$ 460
Wisconsin						
In-place rents	$ 15.43	$ 15.69	$ 15.43	$ 16.07	$ 14.01	$ 14.86
Market rents	15.83	15.20	16.01	15.84	16.01	15.85
Change	2.6 %	(3.1)%	3.7 %	(1.4)%	14.3 %	6.7 %
Revenue impact [2]	$ 80	$ (101)	$ 104	$ (44)	$ 1,460	$ 1,499
U.S. - Other						
In-place rents	$ 21.26	$ 15.67	$ 24.11	$ 22.33	$ 17.46	$ 19.03
Market rents	21.48	16.07	25.35	21.83	18.53	19.85
Change	1.0 %	2.5 %	5.1 %	(2.2)%	6.1 %	4.3 %
Revenue impact [2]	$ 10	$ 60	$ 192	$ (18)	$ 339	$ 583
Total portfolio						
In-place rents	$ 11.27	$ 13.18	$ 14.77	$ 13.01	$ 14.51	$ 13.63
Market rents	10.79	12.49	14.73	13.15	15.10	13.75
Change	(4.3)%	(5.2)%	(0.3)%	1.0 %	4.1 %	0.9 %
Revenue impact [2]	$ (1,926)	$ (1,901)	$ (103)	$ 391	$ 6,375	$ 2,836

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

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the office, retail and industrial asset classes. At December 31, 2016, the five largest segments of the REIT's portfolio (by Property NOI) were Calgary office, Twin Cities industrial, Madison office, Twin Cities office and Greater Phoenix Area office.

The Calgary office segment represents 13.0% of the Q4-16 Property NOI and 9.6% of the overall portfolio by GLA. 42.6% of the Calgary office GLA is located downtown, 23.3% is beltline and 34.1% is suburban. Overall direct vacancy in the Calgary office market, as reported by CBRE, was 14.7% at December 31, 2016, compared to 14.1% at September 30, 2016. At December 31, 2016, the Calgary office segment of Artis' portfolio was 82.4% occupied, compared to 85.4% at September 30, 2016. In 2017, 307,606 square feet comes up for renewal, which represents 1.2% of the total portfolio GLA; 7.8% was renewed or committed to new leases at December 31, 2016. Of Artis' total Calgary office GLA, 47.1% expires in 2021 or later. Artis' largest 10 Calgary office tenants by GLA lease nearly half of Artis' Calgary office space with a weighted-average lease term of 5.2 years. The average size of Artis' Calgary office tenants is approximately 9,100 square feet.

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

	Current vacancy	Monthly tenants [2]	2017	2018	2019	2020	2021 & later	Total
Downtown - uncommitted	308,439	20,511	237,678	110,113	124,270	25,141	207,934	1,034,086
Downtown - committed	6,645	—	7,868	—	—	—	—	14,513
Total downtown	315,084	20,511	245,546	110,113	124,270	25,141	207,934	1,048,599
Beltline - uncommitted	11,139	—	11,957	96,685	35,586	11,758	350,161	517,286
Beltline - committed	44,408	—	—	12,870	—	—	—	57,278
Total beltline	55,547	—	11,957	109,555	35,586	11,758	350,161	574,564
Suburban - uncommitted	55,153	4,762	33,874	33,414	53,098	30,781	602,147	813,229
Suburban - committed	8,443	—	16,229	—	—	—	—	24,672
Total suburban	63,596	4,762	50,103	33,414	53,098	30,781	602,147	837,901
Total - uncommitted	374,731	25,273	283,509	240,212	212,954	67,680	1,160,242	2,364,601
Total - committed	59,496	—	24,097	12,870	—	—	—	96,463
Total Calgary office	434,227	25,273	307,606	253,082	212,954	67,680	1,160,242	2,461,064

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

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

	Current vacancy	Monthly tenants [2]	2017	2018	2019	2020	2021 & later	Total
Other - uncommitted	600,065	40,272	640,039	756,030	1,027,112	1,029,017	3,404,051	7,496,586
Other - committed	236,063	—	442,369	47,834	117,156	20,410	108,525	972,357
Total other office	836,128	40,272	1,082,408	803,864	1,144,268	1,049,427	3,512,576	8,468,943

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

Market Rents for Calgary Office Segment [(1)]:

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

		2017		2018		2019		2020		2021 & later		Total
Downtown												
In-place rents	$	22.99	$	18.50	$	24.35	$	18.52	$	21.33	$	21.89
Market rents		8.98		9.81		20.37		19.23		22.52		15.41
Change		(61.0)%		(47.0)%		(16.3)%		3.8 %		5.6 %		(29.6)%
Revenue impact [(2)]	$	(3,441)	$	(956)	$	(495)	$	18	$	248	$	(4,626)
Beltline												
In-place rents	$	28.99	$	27.91	$	34.06	$	18.50	$	14.22	$	18.91
Market rents		16.35		12.55		26.12		17.00		22.44		20.34
Change		(43.6)%		(55.0)%		(23.3)%		(8.1)%		57.7 %		7.6 %
Revenue impact [(2)]	$	(151)	$	(1,683)	$	(282)	$	(18)	$	2,875	$	741
Suburban												
In-place rents	$	16.44	$	17.60	$	19.02	$	22.58	$	21.70	$	21.03
Market rents		12.99		13.54		18.88		21.08		21.56		20.45
Change		(21.0)%		(23.0)%		(0.7)%		(6.6)%		(0.6)%		(2.7)%
Revenue impact [(2)]	$	(173)	$	(135)	$	(8)	$	(46)	$	(80)	$	(442)
Total Calgary Office												
In-place rents	$	22.16	$	22.46	$	24.64	$	20.36	$	19.38	$	20.79
Market rents		9.92		11.49		20.96		19.68		22.00		18.62
Change		(55.2)%		(48.8)%		(14.9)%		(3.3)%		13.5 %		(10.4)%
Revenue impact [(2)]	$	(3,765)	$	(2,774)	$	(785)	$	(46)	$	3,043	$	(4,327)

(1) Based on owned share of total leasable area.
(2) This impact is based on the difference between the in-place rents and the market rents for the period. This excludes the impact of any straight-line rent adjustments on revenues.

Market Rents for the Office Segment excluding Calgary [(1)]:

		2017		2018		2019		2020		2021 & later		Total
Other office												
In-place rents	$	16.43	$	16.27	$	17.12	$	17.13	$	17.88	$	17.28
Market rents		17.52		16.63		17.73		17.39		18.33		17.81
Change		6.6%		2.2%		3.5%		1.5%		2.5%		3.1%
Revenue impact [(2)]	$	1,180	$	293	$	689	$	270	$	1,581	$	4,013

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

The Twin Cities industrial segment represents 8.6% of the Q4-16 Property NOI and 18.5% of the overall portfolio by GLA. Direct vacancy in this industrial market, as reported by CBRE, decreased from 4.8% at September 30, 2016, to 4.6% at December 31, 2016, with 1,008,094 square feet of positive absorption reported for the quarter. The average asking market lease rate was $5.83 per square foot at December 31, 2016, compared to $5.78 per square foot at September 30, 2016. Occupancy in this segment of the portfolio, excluding properties held for redevelopment, was 93.5% at December 31, 2016, consistent with occupancy of 93.5% reported at September 30, 2016. In 2017, 884,028 square feet comes up for renewal, which represents 3.4% of the total portfolio GLA; 36.7% was renewed or committed to new leases at December 31, 2016. Of Artis' total Twin Cities industrial GLA, 38.9% expires in 2021 or later.

The Madison office segment represents 8.5% of the Q4-16 Property NOI and 6.6% of the overall portfolio by GLA. Overall direct vacancy in this office market, as most recently reported by Xceligent, was 7.7% at December 31, 2016, a decrease from 8.5% at September 30, 2016. At December 31, 2016, the Madison office segment of Artis' portfolio was 89.7% occupied, an increase from 89.6% at September 30, 2016. In 2017, 203,335 square feet comes up for renewal, which represents 0.8% of the total portfolio GLA; 16.5% was renewed or committed to new leases at December 31, 2016. Of the total Madison office GLA, 43.1% expires in 2021 or later.

The Twin Cities office segment represents 7.9% of the Q4-16 Property NOI and 5.2% of the overall portfolio by GLA. Overall direct vacancy in the Twin Cities office market, as reported by CBRE, was 15.8% at December 31, 2016, increased from 15.4% at September 30, 2016. Occupancy in this segment of the portfolio was 92.7% at December 31, 2016, increased from 92.1% at September 30, 2016. In 2017, 203,017 square feet comes up for renewal, which represents 0.8% of the total portfolio GLA; 70.5% had been renewed or committed to new leases at December 31, 2016. Of Artis' total Twin Cities office GLA, 46.0% expires in 2021 or later.

The Greater Phoenix Area office segment represents 6.5% of the Q4-16 Property NOI and 3.9% of the overall portfolio by GLA. Overall direct vacancy in the Greater Phoenix Area office market, as reported by CBRE, was 17.4% at December 31, 2016, decreased from 17.8% at September 30, 2016. At December 31, 2016, the Greater Phoenix Area office segment of Artis' portfolio was 96.8% occupied, compared to 99.5% at September 30, 2016. In 2017, 254,317 square feet comes up for renewal, which represents 1.0% of the total portfolio GLA; 48.8% had been renewed or committed to new leases at December 31, 2016. Of Artis' Greater Phoenix Area office GLA, 43.0% expires in 2021 or later.

CORPORATE EXPENSES

	Three months ended December 31, 2016	2015	Change	% Change	Year ended December 31, 2016	2015	Change	% Change
Accounting, legal and consulting	$ 476	$ 488	$ (12)	(2.5)%	$ 2,310	$ 2,120	$ 190	9.0%
Public company costs	308	404	(96)	(23.8)%	1,592	1,444	148	10.2%
Unit-based compensation	671	618	53	8.6 %	2,421	1,760	661	37.6%
Salaries and benefits	1,027	986	41	4.2 %	3,912	3,629	283	7.8%
Depreciation of property and equipment	215	196	19	9.7 %	859	755	104	13.8%
General and administrative	537	397	140	35.3 %	2,228	1,802	426	23.6%
Total corporate expenses	$ 3,234	$ 3,089	$ 145	4.7 %	$ 13,322	$ 11,510	$ 1,812	15.7%

Corporate expenses in 2016 were $13,322 (Q4-16 - $3,234), or 2.3% (Q4-16 - 2.2%) of total revenues compared to $11,510 (Q4-15 - $3,089), or 2.1% (Q4-15 - 2.2%) of total revenues in 2015.

The unit-based compensation expense recorded in 2016 was $2,421 (Q4-16- $671) compared to $1,760 (Q4-15 - $618) in 2015. A liability for unit-based compensation related to restricted and deferred units is recognized and measured initially at fair value. The liability is remeasured to fair value at each reporting date and at each settlement date. Any change in the fair value of the liability is recognized as compensation expense for the period. Additional restricted and deferred units issued has caused an increase in the compensation expense for the year.

INTEREST EXPENSE

	Three months ended December 31, 2016	2015	Change	% Change	Year ended December 31, 2016	2015	Change	% Change
Mortgages and other loans [1]	$ 20,008	$ 20,739	$ (731)		$ 81,188	$ 85,151	$ (3,963)	
Debentures [1]	3,059	4,386	(1,327)		15,157	17,453	(2,296)	
Other [1]	2,025	1,447	578		7,631	4,076	3,555	
	25,092	26,572	(1,480)	(5.6)%	103,976	106,680	(2,704)	(2.5)%
Foreign exchange	2,471	2,112	359		8,741	6,784	1,957	
Total interest expense	$ 27,563	$ 28,684	$ (1,121)	(3.9)%	$ 112,717	$ 113,464	$ (747)	(0.7)%

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

Interest expense on mortgages and other loans has decreased primarily due to the repayment of maturing mortgages in 2015 and 2016. Interest expense on debentures has decreased due to the redemption of the Series F convertible debentures in 2016. The majority of other interest expense relates to the unsecured revolving term credit facilities. Financing costs on mortgages, other loans and debentures are netted against the related debt, and amortized on an effective interest basis over the expected term of the debt.

The REIT's weighted-average effective rate at December 31, 2016, on mortgages and other loans secured by properties was 3.74%, decreased from 3.93% at December 31, 2015. The weighted-average nominal interest rate on mortgages and other loans secured by properties at December 31, 2016, decreased to 3.69% from 3.86% at December 31, 2015.

The REIT's interest coverage ratio, as calculated in the below table, was 2.99 times (Q4-16 - 3.01 times) for 2016, compared to 2.92 times (Q4-15 - 2.88 times) for 2015.

	Three months ended December 31, 2016	2015	Change	% Change	Year ended December 31, 2016	2015	Change	% Change
Property NOI	$ 85,946	$ 85,333	$ 613		$ 348,714	$ 341,952	$ 6,762	
Interest income	287	288	(1)		1,215	1,321	(106)	
Corporate expenses	(3,234)	(3,089)	(145)		(13,322)	(11,510)	(1,812)	
	82,999	82,532	467	0.6 %	336,607	331,763	4,844	1.5 %
Interest expense	27,563	28,684	(1,121)	(3.9)%	112,717	113,464	(747)	(0.7)%
Interest coverage ratio	3.01	2.88	0.13	4.5 %	2.99	2.92	0.07	2.4 %

The REIT's EBITDA interest coverage ratio was 3.11 times (Q4-16 - 3.17 times) for 2016, compared to 3.04 times (Q4-15 - 2.98 times) for 2015.

	Three months ended December 31, 2016	2015	Change	% Change	Year ended December 31, 2016	2015	Change	% Change
Property NOI	$ 85,946	$ 85,333	$ 613		$ 348,714	$ 341,952	$ 6,762	
Add (deduct):								
Tenant inducements amortized to revenue	4,873	3,694	1,179		17,752	14,008	3,744	
Straight-line rent adjustment	(1,743)	(1,227)	(516)		(6,194)	(3,499)	(2,695)	
Interest income	287	288	(1)		1,215	1,321	(106)	
Corporate expenses	(3,234)	(3,089)	(145)		(13,322)	(11,510)	(1,812)	
Depreciation of property and equipment	215	196	19		859	755	104	
EBITDA	86,344	85,195	1,149	1.3 %	349,024	343,027	5,997	1.7 %
Interest expense	27,563	28,684	(1,121)		112,717	113,464	(747)	
Add (deduct):								
Amortization of financing costs	(1,115)	(777)	(338)		(3,675)	(3,127)	(548)	
Amortization of above- and below-market mortgages, net	584	474	110		2,194	1,603	591	
Accretion on liability component of debentures	241	191	50		851	720	131	
Adjusted interest expense	27,273	28,572	(1,299)	(4.5)%	112,087	112,660	(573)	(0.5)%
EBITDA interest coverage ratio	3.17	2.98	0.19	6.4 %	3.11	3.04	0.07	2.3 %

FAIR VALUE LOSS ON INVESTMENT PROPERTIES

The changes in fair value of investment properties, year-over-year, 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 which are generally accepted appraisal methodologies. External valuations are performed for a selection of properties representing various geographical regions and asset classes across the REIT's portfolio. In 2016, the fair value loss on investment properties was $109,414 (Q4-16 - loss of $92,854), compared to a loss of $371,905 (Q4-15 - loss of $252,058) in 2015. Fair value changes in individual properties result from changes in the projected income and cash flow projections of those properties, as well as from changes in capitalization rates and discount rates applied. The fair value loss in 2016 was largely the result of the prolonged economic downturn in Alberta and continued downward pressure on market rents, most notably in the Calgary office market. As reported by CBRE, capitalization rates for Class A and B Calgary office assets increased by an average of 34 basis points from December 31, 2015 to December 31, 2016, and net asking rents in the Calgary downtown office segment decreased by $4.37 per square foot from December 31, 2015 to December 31, 2016.

FOREIGN CURRENCY TRANSLATION LOSS

In 2016, Artis held cash, deposits and the Series G debentures in US dollars. These assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. This translation along with the settlement of foreign exchange forward contracts in 2016, resulted in a foreign currency translation loss of $2,345 (Q4-16 - loss of $4,695), compared to a loss of $16,413 (Q4-15 - gain of $410) in 2015.

TRANSACTION COSTS

During 2016, $1,105 (Q4-16 - $9) of transaction costs were expensed compared to $2,136 (Q4-15 - $521) in 2015. The transaction costs were attributable to the acquisitions of investment properties and joint ventures.

GAIN (LOSS) 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 $5,624 (Q4-16 - gain of $9,852) in 2016, compared to an unrealized loss of $3,544 (Q4-15 - gain of $2,426) in 2015. The REIT anticipates holding the mortgages and interest rate swap contracts until maturity.

Artis recorded an unrealized gain of $709 (Q4-16 - gain of $2,661) in 2016 on the fair value of outstanding foreign currency contracts.

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 is subject to taxation in the U.S. on the taxable income earned by its new U.S. management subsidiary in 2016. The REIT has recorded an income tax expense of $683 (Q4-16 - $683) in relation to this subsidiary for the year ended December 31, 2016.

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 U.S. income taxes on the taxable income earned by these subsidiaries. These U.S. subsidiaries are subject to a 30% to 35% withholding tax on distributions to Canada. Any withholding taxes paid are recorded with the related distributions.

OTHER COMPREHENSIVE (LOSS) INCOME

Other comprehensive (loss) income includes the unrealized foreign currency translation loss in 2016 of $20,645 (Q4-16 - gain of$25,936) compared to a gain of $147,727 (Q4-15 - gain of $27,422) in 2015. Foreign currency translation gains and losses relate to the REIT's net investments in its U.S. subsidiaries.

FUNDS FROM OPERATIONS

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

Reconciliation of Cash Flows from Operations to FFO

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

	Three months ended December 31,		%	Year ended December 31,		%
000's, except per unit amounts	2016	2015	Change	2016	2015	Change
Cash flow from operations	$ 69,358	$ 47,556		$ 251,820	$ 220,601	
Add (deduct):						
Depreciation of property and equipment	(215)	(196)		(859)	(755)	
Amortization of above- and below-market mortgages, net	584	474		2,194	1,603	
Straight-line rent adjustment	1,614	1,011		5,446	2,970	
Adjustment for investments in joint ventures	1,326	822		4,968	4,564	
Realized foreign currency translation (gain) loss	(7,107)	(579)		437	3,569	
Unrealized foreign currency gain (loss) from U.S. operations	6,267	2,827		(4,066)	1,019	
Unit-based compensation	795	(618)		(955)	(1,760)	
Accretion on liability component of debentures	241	191		851	720	
Amortization of financing costs included in interest	(970)	(762)		(3,465)	(3,077)	
Other long-term employee benefits	(465)	(498)		(1,819)	(1,702)	
Transaction costs on acquisitions	9	521		1,105	2,136	
Changes in non-cash operating items	(11,811)	6,793		(14,698)	2,419	
Incremental leasing costs	1,406	579		3,382	2,009	
Preferred unit distributions	(4,641)	(4,682)		(18,432)	(18,435)	
FFO	$ 56,391	$ 53,439	5.5 %	$ 225,909	$ 215,881	4.6 %
Add (deduct):						
Lease termination income	(568)	(173)		(6,417)	(4,493)	
Non-recurring other income	—	—		—	(1,636)	
Straight-line rent reversals due to lease terminations	—	—		—	812	
FFO after adjustments	$ 55,823	$ 53,266	4.8 %	$ 219,492	$ 210,564	4.2 %
FFO per unit:						
Basic	$ 0.38	$ 0.39	(2.6)%	$ 1.56	$ 1.57	(0.6)%
Diluted	0.37	0.38	(2.6)%	1.55	1.53	1.3 %
FFO per unit after adjustments:						
Basic	$ 0.37	$ 0.38	(2.6)%	$ 1.51	$ 1.53	(1.3)%
Diluted	0.37	0.38	(2.6)%	1.50	1.49	0.7 %
Weighted-average number of common units outstanding:						
Basic	149,937	138,566		144,918	137,601	
Diluted [(1)]	154,878	149,089		149,849	148,082	

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

In 2016, FFO after adjustments was impacted by acquisitions, dispositions, completed (re)developments and the impact of foreign exchange in 2015 and 2016.

As a result of units issued under the DRIP and units issued from public offerings, basic units outstanding for the calculation of FFO has increased. This increase has diluted the impact of growth in FFO on per unit results.

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

Diluted Common Units Reconciliation

	Three months ended December 31, 2016	2015
Basic units	149,937	138,566
Add:		
Options [1]	—	—
Debentures [1]	4,641	10,200
Restricted units [1]	300	310
Deferred units [1]	—	13
Diluted units	154,878	149,089

Diluted FFO Reconciliation

	Three months ended December 31, 2016	2015
FFO	$ 56,391	$ 53,439
Add:		
Options [1]	—	—
Debentures [1]	1,506	2,861
Restricted units [1]	(138)	(73)
Deferred units [1]	—	5
Diluted FFO	$ 57,759	$ 56,232

[1] All convertible debenture series and restricted units were dilutive in Q4-16. All convertible debenture series, restricted units and deferred units were dilutive in Q4-15.

Diluted Common Units Reconciliation

	Year ended December 31, 2016	2015
Basic units	144,918	137,601
Add:		
Options [1]	—	—
Debentures [1]	4,641	10,200
Restricted units [1]	258	274
Deferred units [1]	32	7
Diluted units	149,849	148,082

Diluted FFO Reconciliation

	Year ended December 31, 2016	2015
FFO	$ 225,909	$ 215,881
Add:		
Options [1]	—	—
Debentures [1]	5,938	11,098
Restricted units [1]	(219)	(350)
Deferred units [1]	(3)	(2)
Diluted FFO	$ 231,625	$ 226,627

[1] All convertible debenture series, restricted units and deferred units were dilutive in 2016 and 2015.

Reconciliation of Net Income to FFO

	Three months ended December 31, 2016	2015	% Change	Year ended December 31, 2016	2015	% Change
Net (loss) income	$ (30,292)	$ (195,895)		$ 115,935	$ (175,699)	
Add (deduct):						
Tenant inducements amortized to revenue	4,873	3,694		17,752	14,008	
Fair value loss on investment properties	92,854	252,058		109,414	371,905	
Foreign currency translation loss (gain)	4,695	(410)		2,345	16,413	
Transaction costs on acquisitions	9	521		1,105	2,136	
Unrealized (gain) loss on financial instruments	(12,513)	(2,426)		(5,592)	3,544	
Incremental leasing costs	1,406	579		3,382	2,009	
Preferred unit distributions	(4,641)	(4,682)		(18,432)	(18,435)	
FFO	$ 56,391	$ 53,439	5.5%	$ 225,909	$ 215,881	4.6%
Add (deduct):						
Lease termination income	(568)	(173)		(6,417)	(4,493)	
Non-recurring other income	—	—		—	(1,636)	
Straight-line rent reversals due to lease terminations	—	—		—	812	
FFO after adjustments	$ 55,823	$ 53,266	4.8%	$ 219,492	$ 210,564	4.2%

ADJUSTED FUNDS FROM OPERATIONS

Artis calculates AFFO based on FFO for the period, net of allowances for normalized capital expenditures and leasing costs and excluding straight-line rent adjustments and unit-based compensation expense.

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

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

Reconciliation of FFO to AFFO

000's, except per unit amounts	Three months ended December 31, 2016	Three months ended December 31, 2015	% Change	Year ended December 31, 2016	Year ended December 31, 2015	% Change
FFO	$ 56,391	$ 53,439		$ 225,909	$ 215,881	
Add (deduct):						
Capital expenditures reserve	(1,464)	(1,432)		(5,731)	(5,539)	
Leasing costs reserve	(9,515)	(5,727)		(33,087)	(22,153)	
Straight-line rent adjustment	(1,743)	(1,227)		(6,194)	(3,499)	
Unit-based compensation expense	671	618		2,421	1,760	
AFFO	$ 44,340	$ 45,671	(2.9)%	$ 183,318	$ 186,450	(1.7)%
Deduct:						
Lease termination income	(568)	(173)		(6,417)	(4,493)	
Non-recurring other income	—	—		—	(1,636)	
AFFO after adjustments	$ 43,772	$ 45,498	(3.8)%	$ 176,901	$ 180,321	(1.9)%
AFFO per unit:						
Basic	$ 0.30	$ 0.33	(9.1)%	$ 1.26	$ 1.36	(7.4)%
Diluted	0.30	0.33	(9.1)%	1.26	1.34	(6.0)%
AFFO per unit after adjustments:						
Basic	$ 0.29	$ 0.33	(12.1)%	$ 1.22	$ 1.31	(6.9)%
Diluted	0.29	0.33	(12.1)%	1.22	1.30	(6.2)%
Weighted-average number of common units outstanding:						
Basic	149,937	138,566		144,918	137,601	
Diluted [(1)]	149,937	148,766		144,918	147,801	

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

In 2016, AFFO was impacted by acquisitions, dispositions, completed (re)developments and the impact of foreign exchange in 2015 and 2016, and by increases to Artis' leasing costs reserve in 2016.

ANALYSIS OF FINANCIAL POSITION

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

	December 31, 2016			December 31, 2015		
	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share
ASSETS						
Non-current assets:						
Investment properties	$ 4,991,825	$ 284,249	$ 5,276,074	$ 5,078,021	$ 246,144	$ 5,324,165
Investment properties under development	65,199	92,305	157,504	26,892	61,465	88,357
Investments in joint ventures	213,565	(213,565)	—	173,066	(173,066)	—
Property and equipment	3,351	—	3,351	3,586	—	3,586
Notes receivable	12,972	—	12,972	15,776	—	15,776
	5,286,912	162,989	5,449,901	5,297,341	134,543	5,431,884
Current assets:						
Investment properties held for sale	119,178	—	119,178	115,504	—	115,504
Deposits on investment properties	369	—	369	50	—	50
Prepaid expenses and other assets	11,728	292	12,020	7,872	351	8,223
Notes receivable	2,815	—	2,815	2,744	—	2,744
Accounts receivable and other receivables	13,173	559	13,732	11,757	1,069	12,826
Cash held in trust	7,851	—	7,851	8,605	—	8,605
Cash	50,729	8,312	59,041	66,449	4,995	71,444
	205,843	9,163	215,006	212,981	6,415	219,396
	$ 5,492,755	$ 172,152	$ 5,664,907	$ 5,510,322	$ 140,958	$ 5,651,280
LIABILITIES AND UNITHOLDERS' EQUITY						
Non-current liabilities:						
Mortgages and loans payable	$ 1,520,124	$ 117,804	$ 1,637,928	$ 1,703,553	$ 112,535	$ 1,816,088
Senior unsecured debentures	199,740	—	199,740	199,631	—	199,631
Convertible debentures	119,358	—	119,358	209,140	—	209,140
Other long-term liabilities	4,997	—	4,997	2,910	—	2,910
	1,844,219	117,804	1,962,023	2,115,234	112,535	2,227,769
Current liabilities:						
Mortgages and loans payable	627,838	34,709	662,547	494,766	19,663	514,429
Security deposits and prepaid rent	35,213	2,094	37,307	32,049	1,424	33,473
Accounts payable and other liabilities	88,439	17,545	105,984	75,512	7,336	82,848
Bank indebtedness	269,680	—	269,680	225,000	—	225,000
	1,021,170	54,348	1,075,518	827,327	28,423	855,750
	2,865,389	172,152	3,037,541	2,942,561	140,958	3,083,519
Unitholders' equity	2,627,366	—	2,627,366	2,567,761	—	2,567,761
	$ 5,492,755	$ 172,152	$ 5,664,907	$ 5,510,322	$ 140,958	$ 5,651,280

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

ASSETS

	December 31, 2016	December 31, 2015	Change
Non-current assets:			
Investment properties and investment properties under development	$ 5,433,578	$ 5,412,522	$ 21,056
Other non-current assets	16,323	19,362	(3,039)
Current assets:			
Investment properties held for sale	119,178	115,504	3,674
Other current assets	28,936	23,843	5,093
Cash and cash held in trust	66,892	80,049	(13,157)
	$ 5,664,907	$ 5,651,280	$ 13,627

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

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

	Investment properties	Investment properties under development	Investment properties held for sale	Total
Balance, December 31, 2015	$ 5,324,165	$ 88,357	$ 115,504	$ 5,528,026
Additions:				
Acquisitions	340,115	10,601	—	350,716
Capital expenditures	58,846	73,814	40	132,700
Leasing commissions	16,804	1,201	53	18,058
Capitalized interest	—	565	—	565
Dispositions	(35,134)	—	(326,196)	(361,330)
Reclassification of investment properties under development	24,363	(24,363)	—	—
Reclassification of investment properties held for sale	(337,836)	—	337,836	—
Foreign currency translation (loss) gain	(41,188)	453	28	(40,707)
Straight-line rent adjustments	6,220	4	(30)	6,194
Tenant inducement additions, net of amortization	27,988	354	(394)	27,948
Fair value (loss) gain	(108,269)	6,518	(7,663)	(109,414)
Balance, December 31, 2016	$ 5,276,074	$ 157,504	$ 119,178	$ 5,552,756

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, 2016	2015	Change	% Change	Year ended December 31, 2016	2015	Change	% Change
Cash consideration	$ 1,168	$ 32,437	$ (31,269)		$ 161,258	$ 92,146	$ 69,112	
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	—	62,436	(62,436)		189,132	111,642	77,490	
Other accrued liabilities	—	—	—		326	—	326	
Total acquisitions	$ 1,168	$ 94,873	$ (93,705)	(98.8)%	$ 350,716	$ 203,788	$ 146,928	72.1%

Capital expenditures:

Revenue enhancing capital expenditures include new and (re)development costs and building improvements that increase the revenue generating potential of the property. Recoverable capital expenditures are recoverable from tenants in future periods. In 2016, non-recoverable capital expenditures primarily related to roof replacements, parking lot upgrades and exterior upgrades, including $14,627 for the 360 Main Street curtain wall renewal and US$3,751 for a parking structure expansion at Two MarketPointe.

	Three months ended December 31, 2016	2015	Change	% Change	Year ended December 31, 2016	2015	Change	% Change
Revenue enhancing	$ 34,219	$ 17,942	$ 16,277	90.7%	$ 77,552	$ 56,951	$ 20,601	36.2%
Recoverable from tenants	5,318	3,843	1,475	38.4%	22,578	14,916	7,662	51.4%
Non-recoverable	5,720	1,339	4,381	327.2%	32,570	8,709	23,861	274.0%
Total capital expenditures	$ 45,257	$ 23,124	$ 22,133	95.7%	$ 132,700	$ 80,576	$ 52,124	64.7%

Leasing costs:

Tenant inducements included 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. Tenant inducements during the year included $6,916 for a significant tenant at Concorde Corporate Centre, $5,313 for tenants at the recently (re)developed properties, Park Lucero Phase I, Victoria Square Shopping Centre and 201 Westcreek Boulevard, and $9,788 for tenants in Calgary office properties.

	Three months ended December 31,				Year ended December 31,			
	2016	2015	Change	% Change	2016	2015	Change	% Change
Tenant inducements	$ 8,987	$ 11,558	$ (2,571)	(22.2)%	$ 45,700	$ 32,974	$ 12,726	38.6%
Leasing commissions	6,038	2,945	3,093	105.0 %	18,058	14,555	3,503	24.1%
Total leasing costs	$ 15,025	$ 14,503	$ 522	3.6 %	$ 63,758	$ 47,529	$ 16,229	34.1%

Dispositions:

During 2016, Artis sold one office, six retail and nine industrial properties in Canada and two industrial properties in the U.S. for an aggregate sale price of $371,148. The aggregate sale proceeds, net of costs of $9,643 and related debt of $71,093, were $290,412.

Investment properties held for sale:

At December 31, 2016, the REIT had one industrial and four retail properties with an aggregate fair value of $119,178 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) gain on investment properties:

In 2016, the foreign currency translation loss on investment properties was $40,707 (Q4-16 - gain of $49,118) due to the change in the year end US dollar to Canadian dollar exchange rate from 1.3840 at December 31, 2015, to 1.3427 at December 31, 2016.

Fair value loss on investment properties:

In 2016, the REIT recorded a loss on the fair value of investment properties of $109,414 (Q4-16 - loss of $92,854), compared to a loss of $371,905 (Q4-15 - loss of $252,058) in 2015. The fair value losses for 2016 and 2015 were largely due to capitalization rate expansion and lowered expected market rents in the Calgary office market. The REIT has noted deterioration in leasing volume as well as operating metrics such as market rents and vacancy rates in the Calgary office market since the economic downturn began in late 2014. Since Q4-14, the fair value of the REIT's Calgary office properties, excluding disposed properties, has decreased by an aggregate amount of $381,032 (41.6%). At December 31, 2016, the fair value of the REIT's Calgary office properties totaled $535,425, at an average of $218 per square foot. This fair value represents the REIT's best estimate based on both external and internal information available, using capitalization rates in the range of 6.50% to 8.75% (weighted-average of 7.80%). The REIT will continue to closely monitor these assets in future periods. The REIT anticipates that the Calgary office market will continue to remain challenging in the short-term but is cautiously optimistic that the latter part of 2018 will give rise to modest economic recovery in Alberta.

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

	December 31, 2016			December 31, 2015		
	Maximum	**Minimum**	**Weighted-average**	**Maximum**	**Minimum**	**Weighted-average**
Office:						
Canada	8.75%	5.00%	6.60%	8.75%	5.25%	6.71%
U.S.	8.25%	5.50%	6.79%	8.25%	5.75%	6.52%
Total office	8.75%	5.00%	6.68%	8.75%	5.25%	6.65%
Retail:						
Canada	8.50%	5.25%	6.38%	8.50%	5.50%	6.43%
U.S.	8.50%	5.75%	6.87%	8.75%	6.00%	6.81%
Total retail	8.50%	5.25%	6.41%	8.75%	5.50%	6.45%
Industrial:						
Canada	7.75%	4.50%	6.41%	7.75%	4.50%	6.47%
U.S.	7.75%	5.75%	6.89%	8.00%	6.00%	6.92%
Total industrial	7.75%	4.50%	6.58%	8.00%	4.50%	6.61%
Total:						
Canadian portfolio	8.75%	4.50%	6.49%	8.75%	4.50%	6.56%
U.S. portfolio	8.50%	5.50%	6.82%	8.75%	5.75%	6.67%
Total portfolio	8.75%	4.50%	6.59%	8.75%	4.50%	6.59%

Notes Receivable

In conjunction with the 2007 acquisition of TransAlta Place, the REIT acquired a note receivable in the amount of $31,000. The note bears interest at 5.89% per annum and is repayable in varying blended monthly installments of principal and interest. The note is transferable at the option of the REIT and matures in May 2023. The balance outstanding on all notes receivable at December 31, 2016 was $15,787, compared to $18,520 at December 31, 2015.

Cash

At December 31, 2016, the REIT had $59,041 of cash on hand, compared to $71,444 at December 31, 2015. The balance is anticipated to be invested in investment properties in subsequent periods, used for working capital purposes or for debt repayment. All of the REIT's cash is held in current accounts.

LIABILITIES

	December 31, 2016	**December 31, 2015**	**Change**
Non-current liabilities:			
Mortgages and loans payable	$ 1,637,928	$ 1,816,088	$ (178,160)
Senior unsecured debentures	199,740	199,631	109
Convertible debentures	119,358	209,140	(89,782)
Other non-current liabilities	4,997	2,910	2,087
Current liabilities:			
Mortgages and loans payable	662,547	514,429	148,118
Other current liabilities	143,291	116,321	26,970
Bank indebtedness	269,680	225,000	44,680
	$ 3,037,541	$ 3,083,519	$ (45,978)

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, 2016 was 40.6%, compared to 41.2% at December 31, 2015.

		December 31, 2016		December 31, 2015		Change
GBV	$	5,668,337	$	5,653,827	$	14,510
Secured mortgages and loans		2,300,475		2,330,517		(30,042)
Secured mortgages and loans to GBV		40.6%		41.2%		(0.6)%
Preferred shares liability	$	599	$	365	$	234
Carrying value of debentures		319,098		408,771		(89,673)
Bank indebtedness		269,680		225,000		44,680
Total long-term debt and bank indebtedness	$	2,889,852	$	2,964,653	$	(74,801)
Total long-term debt and bank indebtedness to GBV		51.0%		52.4%		(1.4)%

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

Artis' total long-term debt and bank indebtedness to EBITDA ratio at December 31, 2016 was 8.4, compared to 8.7 at December 31, 2015.

		December 31, 2016		December 31, 2015		Change
Total long-term debt and bank indebtedness	$	2,889,852	$	2,964,653	$	(74,801)
EBITDA [(1)]		345,376		340,780		4,596
Total long-term debt and bank indebtedness to EBITDA		8.4		8.7		(0.3)

[(1)] EBITDA for Q4-16, as calculated under the Interest Expense section of this MD&A, has been annualized for purposes of this ratio calculation.

Artis' unencumbered assets to unsecured debt ratio was 2.1 times at December 31, 2016, compared to 2.5 times at December 31, 2015.

		December 31, 2016		December 31, 2015		Change
Unencumbered assets	$	998,770	$	1,059,792	$	(61,022)
Senior unsecured debentures		199,740		199,631		109
Unsecured credit facilities		269,680		225,000		44,680
Total unsecured debt	$	469,420	$	424,631	$	44,789
Unencumbered assets to unsecured debt		2.1		2.5		(0.4)

Mortgages and Loans Payable

Mortgage financing:

Artis finances acquisitions in part through the arrangement or assumption of mortgage financing and consequently, the majority of the REIT's investment properties are pledged as security under mortgages and other loans. In 2016, $61,974 (Q4-16 - $16,143) of principal repayments were made compared to $60,984 in 2015 (Q4-15 - $15,394).

In 2016, Artis repaid 14 mortgages for a total of $221,975. Artis refinanced 12 maturing mortgages, received upward financing on three maturing mortgages and received new financing on three previously unencumbered properties, net of financing costs, for a total of $125,853. The weighted-average nominal interest rate on these mortgages was 3.21% and the weighted-average term to maturity was 3.9 years. In 2016, Artis drew on development loans, net of financing costs, in the amount of $27,674.

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

Unhedged variable rate mortgage debt:

Management believes that a percentage of variable rate debt is prudent in managing a portfolio of debt 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, 2016, the REIT was a party to $550,545 of unhedged variable rate mortgage debt, compared to $342,758 at December 31, 2015. The increase is primarily due to new mortgage financing of $206,131, and draws on construction loans of $29,064, partially offset by repayment on two mortgages of $13,702, mortgage repayments of $8,857 and the impact of foreign exchange of $4,849. The unhedged variable rate mortgage debt is 19.0% of total debt including bank indebtedness at December 31, 2016, compared to 11.6% at December 31, 2015.

Senior Unsecured Debentures

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

				December 31, 2016		December 31, 2015	
	Issued	Maturity	Interest rate	Carrying value	Face value	Carrying value	Face value
Series A	27-Mar-14 10-Sept-14	27-Mar-19	3.753%	$ 199,740	$ 200,000	$ 199,631	$ 200,000

Convertible Debentures

Artis had one series of convertible debentures outstanding at December 31, 2016, as follows:

				December 31, 2016		December 31, 2015	
	Issued	Maturity	Interest rate	Carrying value	Face value	Carrying value	Face value
Series F	22-Apr-10	30-June-20	6.00%	$ —	$ —	$ 85,336	$ 86,170
Series G	21-Apr-11	30-June-18	5.75%	119,358	118,158	123,804	121,792
				$ 119,358	$ 118,158	$ 209,140	$ 207,962

The carrying value of convertible debentures decreased by $89,782 from December 31, 2015. This decrease is primarily due to the early redemption of all outstanding Series F debentures, effective July 25, 2016, as well as the impact of foreign exchange on the Series G debentures.

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 $14,193, which was paid subsequent to the end of the year.

Bank Indebtedness

The REIT has unsecured revolving term credit facilities in the aggregate amount of $500,000. The REIT can draw on the facilities in Canadian or US dollars. 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. Amounts drawn on the facilities bear interest at prime plus 0.70% or at the bankers' acceptance rate plus 1.70%. At December 31, 2016, there was $269,680 drawn on the facilities (December 31, 2015, $225,000).

UNITHOLDERS' EQUITY

Unitholders' equity increased overall by $59,605 between December 31, 2015 and December 31, 2016. The increase was primarily due to the issuance of new units for $143,272 and net income of $115,935. This increase was partially offset by distributions made to unitholders of $179,051 and by an unrealized foreign currency translation loss included in other comprehensive income of $20,645.

LIQUIDITY AND CAPITAL RESOURCES

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

DISTRIBUTIONS

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

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

	Three months ended December 31, 2016	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Cash flow from operations	$ 69,358	$ 251,820	$ 220,601	$ 204,705
Net (loss) income	(30,292)	115,935	(175,699)	197,886
Distributions declared	45,156	175,450	167,144	161,330
Excess of cash flow from operations over distributions declared	24,202	76,370	53,457	43,375
(Shortfall) excess of net (loss) income over distributions declared	(75,448)	(59,515)	(342,843)	36,556

Artis' primary objective is to provide stable, reliable and tax-efficient monthly cash distributions. Cash flow from operations has exceeded distributions declared for the past 18 consecutive quarters. The shortfall of $59,515 in 2016 (Q4-16 - $75,448) is primarily due to the non-cash impact of fair value losses on investment properties.

Artis paid $33,079 (Q4-16 - $8,548) of the $175,450 (Q4-16 - $45,156) distributions declared to unitholders in 2016 through the issuance of units under the DRIP.

CAPITAL RESOURCES

At December 31, 2016, Artis had $59,041 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, 2016, the REIT had $269,680 drawn on the facilities.

At December 31, 2016, the REIT had 58 unencumbered properties and 6 unencumbered parcels of development land, representing a fair value of $998,770.

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, 2016, except for the debt service coverage ratio on a vacant retail property located in Canada. This mortgage payable matures in Q1-17 and the REIT has included the balance in the current portion of its mortgage and loans payable balance. The lender has not called this mortgage payable at December 31, 2016.

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

CONTRACTUAL OBLIGATIONS

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Bank indebtedness	$ 269,680	$ 269,680	$ —	$ —	$ —
Accounts payable and other liabilities	105,984	105,984	—	—	—
Convertible debentures [(1)]	118,158	—	118,158	—	—
Senior unsecured debentures [(1)]	200,000	—	200,000	—	—
Mortgages and loans payable	2,304,481	642,964	485,821	671,267	504,429
Total contractual obligations	$ 2,998,303	$ 1,018,628	$ 803,979	$ 671,267	$ 504,429

[(1)] It is assumed that the outstanding debentures are not converted nor 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
2017	$ 587,458	29.3%	$ 55,506	$ 642,964	3.89%
2018	213,827	10.7%	43,959	257,786	3.46%
2019	185,619	9.2%	42,416	228,035	3.61%
2020	166,464	8.3%	36,434	202,898	3.59%
2021	442,566	22.1%	25,803	468,369	3.25%
2022 & later	411,161	20.4%	93,268	504,429	3.92%
Total	$ 2,007,095	100.0%	$ 297,386	$ 2,304,481	3.66%

SUMMARIZED QUARTERLY INFORMATION

$000's, except per unit amounts	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15
Revenue	$ 146,378	$ 148,925	$ 138,159	$ 139,053	$ 142,873	$ 140,254	$ 134,629	$ 134,746
Expenses:								
Property operating	38,291	34,298	30,098	30,437	35,158	32,160	28,336	29,450
Realty taxes	22,141	22,772	22,444	23,320	22,382	21,667	20,633	20,764
	60,432	57,070	52,542	53,757	57,540	53,827	48,969	50,214
Net operating income	85,946	91,855	85,617	85,296	85,333	86,427	85,660	84,532
Other income (expenses):								
Corporate expenses	(3,234)	(2,929)	(3,521)	(3,638)	(3,089)	(2,728)	(2,831)	(2,862)
Interest expense	(27,563)	(28,521)	(28,260)	(28,373)	(28,684)	(28,365)	(28,148)	(28,267)
Interest income	287	298	332	298	288	335	335	363
Fair value (loss) gain on investment properties	(92,854)	20,201	(21,640)	(15,121)	(252,058)	(64,343)	(5,252)	(50,252)
Foreign currency translation (loss) gain	(4,695)	206	(4,010)	6,154	410	(9,913)	3,637	(10,547)
Transaction costs	(9)	(195)	(862)	(39)	(521)	(1,248)	68	(435)
Gain (loss) on financial instruments	12,513	(4,039)	2,921	(5,803)	2,426	(3,612)	3,271	(5,629)
(Loss) income before income taxes	(29,609)	76,876	30,577	38,774	(195,895)	(23,447)	56,740	(13,097)
Income tax expense	(683)	—	—	—	—	—	—	—
Net (loss) income	(30,292)	76,876	30,577	38,774	(195,895)	(23,447)	56,740	(13,097)
Other comprehensive income (loss):								
Unrealized foreign currency translation gain (loss)	25,936	9,877	4,066	(60,524)	27,422	65,039	(14,853)	70,119
Unrealized (loss) gain from remeasurements of net pension obligation	(4)	(4)	(35)	9	1	—	43	(42)
	25,932	9,873	4,031	(60,515)	27,423	65,039	(14,810)	70,077
Total comprehensive (loss) income	$ (4,360)	$ 86,749	$ 34,608	$ (21,741)	$ (168,472)	$ 41,592	$ 41,930	$ 56,980
Net (loss) income per unit attributable to common unitholders:								
Basic	$ (0.23)	$ 0.48	$ 0.18	$ 0.25	$ (1.45)	$ (0.20)	$ 0.38	$ (0.13)
Diluted	(0.23)	0.48	0.18	0.24	(1.45)	(0.20)	0.37	(0.13)
Secured mortgages and loans to GBV	40.6%	40.4%	40.9%	41.3%	41.2%	40.2%	39.9%	41.4%

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

Reconciliation of Net Income (Loss) to FFO

000's, except per unit amounts	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15
Net (loss) income	$ (30,292)	$ 76,876	$ 30,577	$ 38,774	$ (195,895)	$ (23,447)	$ 56,740	$ (13,097)
Add (deduct):								
Tenant inducements amortized to revenue	4,873	4,456	4,349	4,074	3,694	3,693	3,465	3,156
Fair value loss (gain) on investment properties	92,854	(20,201)	21,640	15,121	252,058	64,343	5,252	50,252
Foreign currency translation loss (gain)	4,695	(206)	4,010	(6,154)	(410)	9,913	(3,637)	10,547
Transaction costs on acquisitions	9	195	862	39	521	1,248	(68)	435
Unrealized (gain) loss on financial instruments	(12,513)	4,039	(2,921)	5,803	(2,426)	3,612	(3,271)	5,629
Incremental leasing costs	1,406	806	623	547	579	442	544	444
Preferred unit distributions	(4,641)	(4,611)	(4,584)	(4,596)	(4,682)	(4,638)	(4,547)	(4,568)
FFO	$ 56,391	$ 61,354	$ 54,556	$ 53,608	$ 53,439	$ 55,166	$ 54,478	$ 52,798
Add (deduct):								
Lease termination income	(568)	(3,891)	(1,958)	—	(173)	(170)	(3,340)	(810)
Non-recurring other income	—	—	—	—	—	(1,636)	—	—
Straight-line rent reversals due to lease terminations	—	—	—	—	—	—	812	—
FFO after adjustments	$ 55,823	$ 57,463	$ 52,598	$ 53,608	$ 53,266	$ 53,360	$ 51,950	$ 51,988
FFO per unit:								
Basic	$ 0.38	$ 0.41	$ 0.39	$ 0.39	$ 0.39	$ 0.40	$ 0.40	$ 0.39
Diluted	0.37	0.41	0.38	0.38	0.38	0.39	0.39	0.38
FFO per unit after adjustments:								
Basic	$ 0.37	$ 0.39	$ 0.37	$ 0.39	$ 0.38	$ 0.39	$ 0.38	$ 0.38
Diluted	0.37	0.38	0.37	0.38	0.38	0.38	0.37	0.37
Weighted-average number of common units outstanding:								
Basic	149,937	149,227	141,191	139,215	138,566	137,919	137,275	136,618
Diluted [1]	154,878	154,326	151,752	149,785	149,089	148,455	147,799	147,192

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

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

Reconciliation of FFO to AFFO

000's, except per unit amounts	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15
FFO after adjustments	$ 55,823	$ 57,463	$ 52,598	$ 53,608	$ 53,266	$ 53,360	$ 51,950	$ 51,988
Add (deduct):								
Capital expenditures reserve	(1,464)	(1,489)	(1,384)	(1,394)	(1,432)	(1,406)	(1,350)	(1,351)
Leasing costs reserve	(9,515)	(9,680)	(6,924)	(6,968)	(5,727)	(5,623)	(5,399)	(5,404)
Straight-line rent adjustment	(1,743)	(1,979)	(1,276)	(1,196)	(1,227)	(1,231)	(905)	(948)
Unit-based compensation expense	671	319	777	654	618	302	298	542
AFFO after adjustments	$ 43,772	$ 44,634	$ 43,791	$ 44,704	$ 45,498	$ 45,402	$ 44,594	$ 44,827
AFFO per unit after adjustments:								
Basic	$ 0.29	$ 0.30	$ 0.31	$ 0.32	$ 0.33	$ 0.33	$ 0.32	$ 0.33
Diluted	0.29	0.30	0.31	0.32	0.33	0.33	0.32	0.32
Weighted-average number of common units outstanding:								
Basic	149,937	149,227	141,191	139,215	138,566	137,919	137,275	136,618
Diluted [1]	149,937	153,868	151,391	144,744	148,766	148,119	147,475	146,819

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

Adjusted AFFO and per unit results are impacted by acquisition, disposition and (re)development activity, foreign exchange and changes to the leasing costs reserve during the period.

RELATED PARTY TRANSACTIONS

	Three months ended December 31, 2016	Three months ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2015
Property management fees	$ 82	$ 82	$ 327	$ 328
Capitalized leasing commissions	1	5	12	93
Capitalized project management fees	4	—	83	—
Capitalized building improvements	7,812	1,736	30,425	7,887
Capitalized development projects	3,649	6,666	6,236	15,552
Capitalized tenant inducements	885	524	2,418	1,288
Capitalized office furniture and fixtures	—	240	150	580
Realty tax assessment consulting fees	74	36	648	1,312
Rental revenues	(89)	(72)	(354)	(227)

The REIT incurred property management fees, leasing commission fees and project management fees under property management agreements with Marwest Management Canada Ltd. (''Marwest Management''), a company related to certain trustees and officers of the REIT, for three properties owned by the REIT. The amount payable at December 31, 2016, was $28 (December 31, 2015, $44).

The REIT incurred costs for building improvements, development projects and tenant inducements paid to Marwest Construction Ltd. (''Marwest Construction'') and Marwest Development Corporation, companies related to certain trustees and officers of the REIT. The increase in these costs is primarily due to the 360 Main Street curtain wall renewal project. The amount payable at December 31, 2016, was $8,680 (December 31, 2015, $1,724).

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

The REIT incurred costs for realty tax assessment consulting paid to Fairtax Realty Advocates, a company under control of close family members of key management personnel. The amount payable at December 31, 2016, was $68 (December 31, 2015, $194).

The REIT collected office rents and other related service fees from Marwest Management and Fairtax Realty Advocates.

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

OUTSTANDING UNIT DATA

The balance of units outstanding as of March 1, 2017, is as follows:

Units outstanding at December 31, 2016	150,333,077
Units issued (DRIP)	242,312
Units issued on conversion of debentures	1,318
Units issued on redemption of restricted units	1,682
Units outstanding at March 1, 2017	150,578,389

As of March 1, 2017, the balance of Series A preferred units outstanding is 3,450,000, the balance of Series C preferred units outstanding is 3,000,000, the balance of Series E preferred units outstanding is 4,000,000 and the balance of Series G preferred units outstanding is 3,200,000.

The balance of $16.36 options outstanding as of March 1, 2017 is 1,410,000. All of these options have vested.

The balance of restricted units outstanding as of March 1, 2017 is 350,733, none of which have vested.

The balance of deferred units outstanding as of March 1, 2017 is 50,987. All of these deferred units have vested, but are not yet redeemable.

OUTLOOK

After a year of GDP contraction in Saskatchewan and Alberta in 2016, Scotiabank's Global Outlook report dated January 17, 2017, is forecasting that GDP in these provinces will grow by 1.7% and 2.1%, respectively, in 2017, and greater GDP and job growth is predicted for 2018. This predicted growth reflects higher oil production and a gradual pick-up in energy investment, particularly on conventional projects. Scotiabank further reports that the possibility of the Keystone and Trans Mountain pipelines proceeding supports their growth predictions. Accordingly, we have experienced a modest increase in leasing activity in our Alberta portfolio, and are cautiously optimistic that this new activity is indicative of a shift to a more positive outlook for the Alberta market. In the meantime, we continue to monitor both the Alberta and Saskatchewan markets closely and work diligently to maximize occupancy and rental rates. Scotiabank predicts that real GDP in Canada will grow by 2.0% in 2017. GDP in British Columbia, Manitoba and Ontario in 2017 is forecast to grow by 2.3%, 2.0% and 2.3%, respectively, which are all consistent with or above the 2017 national forecast.

The above-mentioned Scotiabank Global Outlook report predicts that U.S. real GDP will grow at a rate of 2.3% in 2017. According to the United States Department of Labor, U.S. unemployment decreased nationally from 5.0% to 4.7% year-over-year in December. Unemployment rates in our U.S target markets are generally well 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 2017 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 primary and secondary markets in the U.S. As such, the Board of Trustees has increased our target U.S. weighting from 40.0% to 50.0% of total Property NOI. We will also continue to seek and invest in high-yield development opportunities in our target U.S. markets.

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 2017. We further predict that interest rates will remain low in the short to medium term, with long-term interest rate increases coming at a slow, methodical pace and well-communicated by the central banks.

During 2016, we acquired a portfolio of 16 Class A office properties in the U.S. for US$260,000, while disposing of 18 non-core assets in both Canada and the U.S. for aggregate sale prices of $349,412 and US$16,632. Subsequent to the end of the year, we completed or announced the sale of two office, one industrial and one retail property located in Alberta, and two retail properties located in British Columbia. The aggregate sale price of these dispositions is $151,132. Proceeds from these sales will be used to pay down debt. Also, subsequent to the end of the year, we completed the early redemption of the Series G convertible debentures that had a face value outstanding of US$88,000 at December 31, 2016.

Overall, we anticipate that real estate fundamentals in Canada and the U.S. will remain stable during the remainder of 2017 and that our properties will perform in line with the moderate growth expectations of our target markets. We will continue to focus on organic growth and value creation opportunities by extracting maximum value from our portfolio, selective redevelopment and repositioning of well-located assets in primary markets through property improvement projects, expansion of existing portfolio properties, selective recycling of capital and capitalizing on new development opportunities.

SUBSEQUENT EVENTS

As at December 31, 2016, Artis had $59,041 of cash on hand and $230,320 available on its revolving term credit facilities. Subsequent to December 31, 2016, the following transactions took place:

- The REIT completed the early redemption of the Series G convertible debentures that had a face value outstanding of US$88,000 at December 31, 2016.
- The REIT disposed of Airdrie Flex Industrial, an industrial property located in Airdrie, Alberta. The property was sold for $5,432.
- The REIT repaid a maturing variable rate mortgage on a retail property in the amount of $17,000.
- The REIT drew a net balance on its revolving term credit facilities in the amount of $150,000.
- The REIT settled forward contracts to sell $114,894 for US$88,000.
- The REIT entered into unconditional sale agreements for two retail properties located in British Columbia. The aggregate sale price of these properties is $80,100. The REIT anticipates that the dispositions will close in March 2017.
- The REIT entered into unconditional sale agreements for one retail and two office properties located in Alberta. The aggregate sale price of these properties is $65,600. The REIT anticipates that the dispositions will close in March and April of 2017.
- The REIT declared a monthly cash distribution of $0.09 per unit for the months of January and February 2017.
- The REIT declared a quarterly cash distribution of $0.3125 per Series G preferred unit for the quarter ending January 31, 2017.
- The REIT announced the suspension of its DRIP program until further notice.

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

INTEREST RATE AND DEBT FINANCING

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

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

Artis is also subject to interest rate risk associated with the REIT's revolving term credit facilities, mortgages and debentures payable due to the expected requirement to refinance such debts in the year of maturity. The REIT minimizes the risk by restricting debt to 70% of gross book value and by carefully monitoring the amount of variable rate debt. At December 31, 2016, 54.9% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 21.2% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At December 31, 2016, the REIT is a party to $1,309,535 of variable rate debt, including bank indebtedness (December 31, 2015, $935,647). At December 31, 2016, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $489,310 of variable rate debt (December 31, 2015, $367,889). The REIT has the ability to place interest rate swaps on top of variable rate debt at any time in order to effectively fix the interest rate.

At December 31, 2016, the REIT’s ratio of secured mortgages and loans to GBV was 40.6%, compared to 41.2% at December 31, 2015. The REIT's ratio of total long-term debt and bank indebtedness to GBV was 51.0%, compared to 52.4% at December 31, 2015. Approximately 29.3% of Artis’ maturing mortgage debt comes up for renewal in 2017, and 10.7% in 2018. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2017 mortgage maturities.

CREDIT RISK AND TENANT CONCENTRATION

Artis is exposed to risks relating to tenants that may be unable to pay their contracted rents. Management mitigates this risk by seeking to acquire properties across several asset classes and geographical regions. As well, management seeks to acquire properties with strong tenant covenants in place. Artis' portfolio includes 2,131 tenant leases with a weighted-average term to maturity of 4.2 years. Approximately 56.8% of the REIT’s gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is MTS Inc. which is one of Canada's leading national communication companies providing voice services, internet and data services, and television. MTS Inc. is a TSX listed entity with 2015 annual revenues in excess of $1 billion. The second largest tenant by gross revenue is AT&T, a multinational telecommunications conglomerate with over $160 billion in revenue annually. AT&T is one of the world’s largest communications companies with infrastructure that reaches 99% of the world economy. AT&T provides mobile phone, fixed phone, broadband subscription television and internet services with a large presence in the U.S. market. AT&T is headquartered in Dallas, Texas and has over 250,000 employees worldwide.

Top 20 Tenants by Gross Revenue [1]

Tenant	% of total gross revenue [2]	Owned share of GLA (in 000's of S.F.)	% of total GLA	Weighted-average remaining lease term
MTS Inc.	2.0%	322	1.3%	6.2
Graham Group Ltd.	1.6%	243	1.0%	17.6
AT&T	1.4%	257	1.0%	8.5
Worleyparsons Canada	1.3%	211	0.8%	4.7
Stantec Consulting Ltd.	1.2%	132	0.5%	6.6
TransAlta Corp	1.0%	336	1.4%	6.4
Schneider Electric Software Canada Inc.	1.0%	98	0.4%	6.7
TDS Telecommunications Corporation	1.0%	195	0.8%	8.0
Bellatrix Exploration Ltd.	1.0%	94	0.4%	7.1
TD Canada Trust	1.0%	134	0.5%	3.5
Shoppers Drug Mart	1.0%	153	0.6%	8.3
IHS Global Canada Limited	0.9%	78	0.3%	2.0
Home Depot	0.9%	186	0.7%	6.4
Canada Institute for Health Info.	0.8%	92	0.4%	8.7
CB Richard Ellis, Inc.	0.8%	108	0.4%	10.0
Fairview Health Services	0.8%	179	0.7%	6.7
Bell Canada	0.8%	80	0.3%	13.8
Birchcliff Energy	0.7%	59	0.2%	0.9
3M Canada Company	0.7%	319	1.3%	3.2
Cara Operations Limited	0.7%	100	0.4%	12.0
Total	20.6%	3,376	13.4%	7.4

[1] Excluding properties held for redevelopment.
[2] Total gross revenue is in Canadian and US dollars.

Government Tenants by Gross Revenue [1]

Tenant	% of total gross revenue [2]	Owned share of GLA (in 000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Federal Government	3.2%	494	2.0%	7.5
Provincial Government	2.2%	352	1.4%	3.3
Civic or Municipal Government	0.5%	106	0.4%	13.6
Total	5.9%	952	3.8%	6.6
Weighted-average term to maturity (entire portfolio)				4.2

[1] Excluding properties held for redevelopment.
[2] Total gross revenue is in Canadian and US dollars.

LEASE ROLLOVER RISK

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

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**
2017	2.2%	0.4%	2.3%	1.4%	2.6%	*1.2%*	1.0%	4.3%	0.8%	0.2%	15.2%
2018	2.1%	0.4%	2.6%	0.7%	1.2%	*1.0%*	0.1%	2.1%	0.8%	0.6%	10.6%
2019	1.8%	0.8%	1.0%	0.3%	1.7%	*0.8%*	0.5%	2.8%	0.7%	0.6%	10.2%
2020	1.6%	0.2%	1.7%	0.2%	2.9%	*0.3%*	0.8%	2.9%	0.8%	0.1%	11.2%
2021	3.1%	0.2%	2.0%	0.4%	1.4%	*1.8%*	0.7%	4.3%	0.5%	0.1%	12.7%
2022	1.0%	0.1%	0.2%	0.5%	0.4%	*0.5%*	0.1%	1.4%	0.2%	0.1%	4.0%
2023 & later	4.8%	2.2%	3.5%	2.0%	3.7%	*2.2%*	1.5%	4.3%	2.1%	1.0%	25.1%
Month-to-month	0.4%	—%	0.1%	—%	0.2%	*0.1%*	—%	0.3%	—%	—%	1.0%
Vacant	2.7%	0.4%	0.9%	0.1%	1.0%	*1.7%*	0.3%	1.7%	0.7%	0.2%	8.0%
New development/ redevelopment	0.4%	—%	0.8%	—%	—%	*—%*	—%	0.8%	—%	—%	2.0%
Total	20.1%	4.7%	15.1%	5.6%	15.1%	*9.6%*	5.0%	24.9%	6.6%	2.9%	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 Calgary office, Twin Cities industrial, Madison office, , Twin Cities office and Greater Phoenix Area 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 years ended December 31, 2016 and 2015. There can be no assurances, however, that the REIT will continue to be able to satisfy the REIT Exception in the future such that the REIT will not be subject to the tax imposed by the SIFT Rules.

The Tax Act also contains restrictions relating to the activities and the investments permitted by a mutual fund trust. Closed-end trusts must also comply with a number of technical tests relating to its investments and income. No assurance can be given that the REIT will be able to continue to comply with these restrictions at all times.

The REIT operates in the United States through U.S. REITs, which are capitalized by the REIT by way of equity, debt in the form of notes owed to the REIT and preferred shares. If the Internal Revenue Service or a court were to determine that the notes and related interest should be treated differently for tax purposes, this may adversely affect the REIT's ability to flow income from the U.S. to Canada.

FOREIGN CURRENCY RISK

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

OTHER RISKS

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

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

CRITICAL ACCOUNTING ESTIMATES

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

VALUATION OF INVESTMENT PROPERTIES

Investment properties include properties held to earn rental income and properties that are being constructed or developed for future use as investment properties. Investment properties are measured at fair value with any changes therein recognized in net income or loss for the 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 7.68% at December 31, 2015 and 7.71% at December 31, 2016. 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, 2015 and 6.59% at December 31, 2016.

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, 2015 and the year ended December 31, 2016.

ALLOCATION OF CONVERTIBLE DEBENTURES

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

CHANGES IN ACCOUNTING STANDARDS

New or Revised Accounting Standards Adopted During the Year

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

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

In December 2014, the IASB amended IAS 1 – *Presentation of Financial Statements*. The amendments were done under the IASB's Disclosure Initiative to improve presentation and disclosure requirements, and are effective for annual periods beginning on or after January 1, 2016. This amendment did not result in a material impact to the consolidated financial statements.

Future Changes in Accounting 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. The REIT does not expect a material impact to its consolidated financial statements from the adoption of this new standard.

A revised version of IFRS 9 – *Financial Instruments* ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39 – *Financial Instruments: Recognition and Measurement ("IAS 39")*. IFRS 9 establishes principles for the recognition, classification and measurement of financial assets and liabilities. IFRS 9 sets out a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of its financial assets. IFRS 9 retains most of the IAS 39 requirements for financial liabilities. The most significant change is when an entity elects to measure a financial liability at fair value, gains or losses due to changes in the credit risk of the instrument must be recognized in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The REIT does not expect a material impact to its consolidated financial statements from the adoption of this new standard.

The IASB issued IFRS 16 – *Leases* ("IFRS 16") in January 2016 which replaces IAS 17 - *Leases* and IFRIC 4 - *Determining whether an Arrangement contains a Lease*. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees. 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.

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 is currently evaluating the impact of this amendment.

CONTROLS AND PROCEDURES

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

The Chief Executive Officer and Chief Financial Officer evaluated, or caused to be evaluated, the effective design of the REIT's internal controls over financial reporting (as defined in NI 52-109). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as at December 31, 2016, the design of our internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. No material weaknesses in our internal control over financial reporting were identified.

DISCLOSURE CONTROLS AND PROCEDURES

The REIT's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the REIT is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of December 31, 2016, an evaluation was carried out, under the supervision of and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the REIT's disclosure controls and procedures (as defined in NI 52-109). Based on the evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the REIT's disclosure controls and procedures were effective for the year ended December 31, 2016.

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, 2017

"Jim Green"

Jim Green, CPA, CA
Chief Financial Officer
March 1, 2017

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, 2016 and December 31, 2015, and the consolidated statements of operations, the consolidated statements of changes in unitholders' equity and the consolidated statements of cash flows for the years then ended, and a summary of the significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Artis Real Estate Investment Trust as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
March 1, 2017
Winnipeg, Manitoba

Member of Deloitte Touche Tohmatsu Limited

CONSOLIDATED BALANCE SHEETS

	Note	December 31, 2016	December 31, 2015
ASSETS			
Non-current assets:			
Investment properties	4	$ 4,991,825	$ 5,078,021
Investment properties under development	4	65,199	26,892
Investments in joint ventures	5	213,565	173,066
Property and equipment	6	3,351	3,586
Notes receivable	7	12,972	15,776
		5,286,912	5,297,341
Current assets:			
Investment properties held for sale	4	119,178	115,504
Deposits on investment properties		369	50
Prepaid expenses and other assets	8	11,728	7,872
Notes receivable	7	2,815	2,744
Accounts receivable and other receivables	9	13,173	11,757
Cash held in trust		7,851	8,605
Cash		50,729	66,449
		205,843	212,981
		$ 5,492,755	$ 5,510,322
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities:			
Mortgages and loans payable	10	$ 1,520,124	$ 1,703,553
Senior unsecured debentures	11	199,740	199,631
Convertible debentures	12	119,358	209,140
Other long-term liabilities		4,997	2,910
		1,844,219	2,115,234
Current liabilities:			
Mortgages and loans payable	10	627,838	494,766
Security deposits and prepaid rent		35,213	32,049
Accounts payable and other liabilities	13	88,439	75,512
Bank indebtedness	14	269,680	225,000
		1,021,170	827,327
		2,865,389	2,942,561
Unitholders' equity		2,627,366	2,567,761
Commitments, contingencies and guarantees	26		
Subsequent events	30		
		$ 5,492,755	$ 5,510,322

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

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

	Note		2016		Year ended December 31, 2015
Revenue		$	549,151	$	535,574
Expenses:					
Property operating			126,098		120,188
Realty taxes			86,937		82,990
			213,035		203,178
Net operating income			336,116		332,396
Other income (expenses):					
Corporate expenses			(13,322)		(11,510)
Interest expense	18		(108,138)		(110,482)
Interest income			1,210		1,319
Net income from investments in joint ventures	5		13,367		297
Fair value loss on investment properties	4		(114,757)		(365,626)
Foreign currency translation loss			(2,345)		(16,413)
Transaction costs			(1,105)		(2,136)
Gain (loss) on financial instruments	19		5,592		(3,544)
Income (loss) before income taxes			116,618		(175,699)
Income tax expense	21		(683)		—
Net income (loss)			115,935		(175,699)
Other comprehensive (loss) income that may be reclassified to net income (loss) in subsequent periods:					
Unrealized foreign currency translation (loss) gain			(25,508)		123,592
Unrealized foreign currency translation gain on investments in joint ventures			4,863		24,135
Other comprehensive (loss) income that will not be reclassified to net income (loss) in subsequent periods:					
Unrealized (loss) gain from remeasurements of net pension obligation			(34)		2
			(20,679)		147,729
Total comprehensive income (loss)		$	95,256	$	(27,970)
Basic income (loss) per unit attributable to common unitholders	15 (d)	$	0.67	$	(1.41)
Diluted income (loss) per unit attributable to common unitholders	15 (d)	$	0.67	$	(1.41)
Weighted-average number of common units outstanding:					
Basic	15 (d)		144,917,941		137,600,613
Diluted	15 (d)		145,207,598		137,600,613

See accompanying notes to consolidated financial statements.

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, 2014	$ 1,780,674	$ 11,023	$ 530,052	$ 76,408	$ 5,225	$ 2,403,382	$ 325,623	$ 2,729,005
Changes for the year:								
Issuance of units, net of issue costs	34,397	—	—	—	(475)	33,922	—	33,922
Unit-based compensation expense (note 20 (c)(i))	—	—	—	—	256	256	—	256
Net loss	—	—	(175,699)	—	—	(175,699)	—	(175,699)
Other comprehensive income	—	—	—	147,729	—	147,729	—	147,729
Distributions	—	—	(167,452)	—	—	(167,452)	—	(167,452)
Unitholders' equity, December 31, 2015	1,815,071	11,023	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 20 (c)(i))	—	—	—	—	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

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note		2016		Year ended December 31, 2015
Cash provided by (used in):					
Operating activities:					
Net income (loss)		$	115,935	$	(175,699)
Distributions from joint ventures			4,612		2,587
Adjustments for non-cash items:					
Fair value loss on investment properties	4		114,757		365,626
Depreciation of property and equipment			859		755
Net income from investments in joint ventures	5		(13,367)		(297)
Tenant inducements amortized to revenue			16,196		13,433
Amortization of above- and below-market mortgages, net	18		(2,194)		(1,603)
Accretion on liability component of debentures	18		(851)		(720)
Straight-line rent adjustment	4		(5,446)		(2,970)
Unrealized foreign currency translation loss			5,974		11,825
(Gain) loss on financial instruments	19		(5,592)		3,544
Unit-based compensation			955		1,760
Amortization of financing costs included in interest expense	18		3,465		3,077
Other long-term employee benefits			1,819		1,702
Changes in non-cash operating items	22		14,698		(2,419)
			251,820		220,601
Investing activities:					
Acquisitions of investment properties, net of related debt	3		(150,714)		(42,586)
Proceeds from dispositions of investment properties, net of costs and related debt	3		290,412		106,110
Additions to investment properties	4		(57,413)		(24,765)
Additions to investment properties under development	4		(23,864)		(33,297)
Additions to joint ventures	5		(34,916)		(57,559)
Additions to tenant inducements			(40,691)		(31,023)
Additions to leasing commissions	4		(16,333)		(13,958)
Notes receivable principal repayments			2,497		2,388
Additions to property and equipment			(569)		(936)
Change in deposits on investment properties			(225)		—
Change in cash held in trust			(299)		(1,182)
			(32,115)		(96,808)
Financing activities:					
Issuance of common units, net of issue costs			142,488		33,922
Repayment of convertible debentures			(86,160)		—
Change in bank indebtedness			44,000		224,700
Distributions paid on common units			(159,587)		(148,784)
Distributions paid on preferred units			(18,432)		(18,435)
Mortgages and loans principal repayments			(59,770)		(59,580)
Repayment of mortgages and loans payable			(218,227)		(170,490)
Advance of mortgages and loans payable, net of financing costs			125,853		20,536
Issuance of preferred shares, net of costs			245		—
			(229,590)		(118,131)
Foreign exchange (loss) gain on cash held in foreign currency			(5,835)		10,980
(Decrease) increase in cash			(15,720)		16,642
Cash, beginning of year			66,449		49,807
Cash, end of year		$	50,729	$	66,449
Supplemental cash flow information:					
Interest paid		$	109,073	$	113,097
Interest received			1,215		1,321

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2016 and 2015

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 360 Main Street, Suite 300, Winnipeg, Manitoba, R3C 3Z3.

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

Note 2. Significant accounting policies

(a) Statement of compliance:

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

(b) Basis of presentation and measurement:

The consolidated financial statements 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 (r).

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

(c) Principles of consolidation:

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

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

(d) Translation of foreign currencies:

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

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

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

(e) Financial instruments:

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

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

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

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

(f) Investment properties:

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

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) 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.

(h) Assets held for sale and discontinued operations:

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

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

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

(i) Cash held in trust:

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

(j) 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.

(k) 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.

(l) 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 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.

(m) Earnings per unit:

Basic earnings per REIT unit is computed by dividing net income for the year attributable to common unitholders by the weighted-average 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.

(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 settlement date. Any change in the fair value of the liability is recognized as compensation expense for the year.

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) Long-term employee benefits:

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

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

(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 (k). 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 (k). The REIT makes judgments in determining whether certain leases are operating or finance leases. The REIT determined that all of its leases are operating leases.

- Classification of joint arrangements - The REIT's accounting policy relating to joint arrangements is described in note 2 (l) 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 28 (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 critical estimates and assumptions underlying the fair value of financial instruments are described in note 29.

- Allocation of convertible debentures between liability and equity components - The critical estimates and assumptions underlying the allocation of convertible debentures are described in note 12.

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

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

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

In December 2014, the IASB amended IAS 1 – *Presentation of Financial Statements.* The amendment was done under the IASB's Disclosure Initiative to improve presentation and disclosure requirements, and was effective for annual periods beginning on or after January 1, 2016. This amendment did not result in a material impact to the consolidated financial statements.

(r) 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. The REIT does not expect a material impact to its consolidated financial statements from the adoption of this new standard.

A revised version of IFRS 9 – *Financial Instruments* ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39 – *Financial Instruments: Recognition and Measurement ("IAS 39")*. IFRS 9 establishes principles for the recognition, classification and measurement of financial assets and liabilities. IFRS 9 sets out a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of its financial assets. IFRS 9 retains most of the IAS 39 requirements for financial liabilities. The most significant change is when an entity elects to measure a financial liability at fair value, gains or losses due to changes in the credit risk of the instrument must be recognized in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The REIT does not expect a material impact to its consolidated financial statements from the adoption of this new standard.

The IASB issued IFRS 16 – *Leases* ("IFRS 16") in January 2016 which replaces IAS 17 - *Leases* and IFRIC 4 - *Determining whether an Arrangement contains a Lease*. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees. 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.

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 is currently evaluating the impact of this amendment.

Note 3. Acquisitions and dispositions of investment properties

Acquisitions:

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]	Minneapolis, MN	August 11, 2016	Office

(1) The REIT acquired an 80% interest in this joint venture (see note 5).

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

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

(1) The REIT acquired a 50% interest in this joint venture.
(2) The REIT acquired a 75% interest in this joint venture.

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

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

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:

		2016		Year ended December 31, 2015
Investment properties (note 4)	$	340,115	$	105,022
Long-term debt, including acquired above- and below-market mortgages, net of financing costs		(189,401)		(62,436)
Cash consideration	$	150,714	$	42,586
Transaction costs expensed	$	1,105	$	553

Dispositions:

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.

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

Property	Property count	Location	Disposition date	Asset class
Moose Jaw Sobeys	1	Moose Jaw, SK	June 18, 2015	Retail
1045 Howe Street	1	Greater Vancouver Area, BC	June 24, 2015	Office
605 Waterford Park	1	Twin Cities Area, MN	October 9, 2015	Office
Willingdon Green	1	Greater Vancouver Area, BC	November 2, 2015	Office
Gateway II	1	Grande Prairie, AB	November 30, 2015	Retail
Mosaic Office Building	1	Tampa, FL	December 30, 2015	Office

The proceeds from the sale of the above properties, net of costs and related debt, were $106,110. The assets and liabilities associated with the properties were derecognized.

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

	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

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

During the year ended December 31, 2016, the REIT reclassified two industrial properties and one parcel of office development land from investment properties to investment properties under development.

The REIT reclassified four retail properties and one industrial property to investment properties held for sale that were listed with an external broker or under unconditional sale agreements at December 31, 2016. These properties had an aggregate mortgage payable balance of $51,894 at December 31, 2016, which is not accounted for as held for sale and is included in current liabilities.

At December 31, 2016, included in investment properties was $36,211 (December 31, 2015, $33,939) 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 $89,183 at December 31, 2016 (December 31, 2015, $93,575).

At December 31, 2016, investment properties with a fair value of $4,218,827 (December 31, 2015, $4,203,603) 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, 2016, properties with an appraised value of $522,603 (2015, $1,628,339) were appraised by qualified external valuation professionals. The REIT uses similar assumptions and valuation techniques in its internal valuations as used by the external valuation professionals.

The REIT determined the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method, which are generally accepted appraisal methodologies. There were no changes to the REIT's internal valuation methodology during the years ended December 31, 2016 and 2015.

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

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

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

Under the fair value hierarchy, the fair value of the REIT's investment properties is considered a Level 3, as described in note 29.

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

	December 31, 2016			December 31, 2015		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Western Canada:						
Discount rate	9.50%	6.25%	7.60%	9.50%	6.25%	7.66%
Terminal capitalization rate	9.00%	4.50%	6.81%	9.00%	4.50%	6.94%
Capitalization rate	8.75%	4.50%	6.75%	8.75%	4.50%	6.76%
Investment horizon (years)	12.0	9.0	10.2	12.0	9.0	10.2
Central Canada:						
Discount rate	9.00%	6.25%	7.70%	9.00%	6.25%	7.71%
Terminal capitalization rate	8.50%	5.75%	6.46%	8.50%	5.75%	6.59%
Capitalization rate	8.25%	5.50%	6.27%	8.25%	5.75%	6.38%
Investment horizon (years)	12.0	9.0	10.3	12.0	10.0	10.2
Eastern Canada:						
Discount rate	7.75%	6.50%	7.17%	7.75%	6.50%	7.21%
Terminal capitalization rate	7.00%	5.25%	6.35%	7.00%	5.50%	6.43%
Capitalization rate	7.00%	5.00%	6.25%	6.75%	5.50%	6.28%
Investment horizon (years)	12.0	10.0	10.1	12.0	10.0	10.4
U.S.:						
Discount rate	9.00%	7.00%	8.10%	9.50%	7.00%	7.95%
Terminal capitalization rate	8.75%	5.75%	7.16%	9.00%	5.75%	6.98%
Capitalization rate	8.50%	5.50%	6.89%	8.75%	5.75%	6.71%
Investment horizon (years)	20.0	10.0	11.1	20.0	10.0	11.3
Overall:						
Discount rate	9.50%	6.25%	7.71%	9.50%	6.25%	7.68%
Terminal capitalization rate	9.00%	4.50%	6.77%	9.00%	4.50%	6.81%
Capitalization rate	8.75%	4.50%	6.62%	8.75%	4.50%	6.60%
Investment horizon (years)	20.0	9.0	10.5	20.0	9.0	10.5

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

The following sensitivity table outlines the impact of a 0.25% change in the weighted-average capitalization rate on investment properties at December 31, 2016:

	Change to fair value if capitalization rate increases by 0.25%	Change to fair value if capitalization rate decreases by 0.25%
Western Canada	$ (58,827)	$ 63,631
Central Canada	(40,579)	43,996
Eastern Canada	(24,138)	26,193
U.S.	(64,954)	69,971
	$ (188,498)	$ 203,791

Note 5. Joint arrangements

The REIT had interests in the following joint arrangements:

			Ownership interest	
Property	Principal purpose	Type of arrangement	December 31, 2016	December 31, 2015
Park 8Ninety I	Investment property	Joint venture	95%	95%
Corridor Park	Investment property	Joint venture	90%	90%
Park Lucero I	Investment property	Joint venture	90%	90%
Park Lucero II	Investment property	Joint venture	90%	90%
Park Lucero III	Investment property	Joint venture	90%	-
Park Lucero IV	Investment property	Joint venture	90%	-
Millwright Building	Investment property	Joint venture	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%
Whistler Hilton Retail Plaza	Investment property	Joint operation	-	85%
Westbank Hub Centre North	Investment property	Joint operation	75%	75%
Westbank Hub Shopping Centre	Investment property	Joint operation	75%	75%
Cliveden Building	Investment property	Joint operation	50%	50%
Kincaid Building	Investment property	Joint operation	50%	50%

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

During the year ended December 31, 2016, the REIT entered into a joint venture arrangement for the Millwright Building, an office development project located in Minneapolis, Minnesota. The REIT contributed $15,818 to this joint venture arrangement.

The REIT also entered into new joint venture arrangements for additional phases of the Park Lucero industrial development project located in the Greater Phoenix Area, Arizona. The REIT contributed $6,105 to these joint venture arrangements during the year ended December 31, 2016.

The REIT also contributed $12,993 during the year ended December 31, 2016, to the Corridor Park, 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, 2016, the co-owners' share of mortgage liabilities was $114,575 (December 31, 2015, $118,080). Management believes that the assets available from its joint arrangements are sufficient for the purpose of satisfying such obligations.

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

	December 31, 2016	December 31, 2015
Non-current assets:		
Investment properties	$ 284,249	$ 246,144
Investment properties under development	92,305	61,465
Current assets:		
Prepaid expenses and other assets	292	351
Accounts receivable and other receivables	559	1,069
Cash	8,312	4,995
	385,717	314,024
Non-current liabilities:		
Mortgages and loans payable	117,804	112,535
Current liabilities:		
Mortgages and loans payable	34,709	19,663
Security deposits and prepaid rent	2,094	1,424
Accounts payable and other liabilities	17,545	7,336
	172,152	140,958
Investments in joint ventures	$ 213,565	$ 173,066

				Year ended December 31,
		2016		2015
Revenue	$	23,364	$	16,928
Expenses:				
Property operating		7,026		4,916
Realty taxes		3,740		2,456
		10,766		7,372
Net operating income		12,598		9,556
Other income (expenses):				
Interest expense		(4,579)		(2,982)
Interest income		5		2
Fair value gain (loss) on investment properties		5,343		(6,279)
Net income from investments in joint ventures	$	13,367	$	297

Note 6. Property and equipment

		December 31, 2016		December 31, 2015
Office furniture and fixtures	$	5,516	$	4,903
Office equipment and software		1,265		1,230
Accumulated depreciation		(3,430)		(2,547)
	$	3,351	$	3,586

Note 7. Notes receivable

		December 31, 2016		December 31, 2015
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.	$	14,968	$	16,873
Other notes receivable		819		1,647
		15,787		18,520
Current portion		2,815		2,744
Non-current portion	$	12,972	$	15,776

Note 8. Prepaid expenses and other assets

		December 31, 2016		December 31, 2015
Prepaid insurance	$	3,295	$	2,915
Prepaid realty taxes		1,156		1,308
Prepaid acquisition, disposition and development costs		1,304		1,601
Derivative instruments (note 29)		3,567		—
Other prepaid expenses		2,406		2,048
	$	11,728	$	7,872

Note 9. Accounts receivable and other receivables

	December 31, 2016	December 31, 2015
Rents receivable (note 28 (b))	$ 7,275	$ 6,513
Allowance for doubtful accounts (note 28 (b))	(1,166)	(630)
Accrued recovery income	2,880	3,159
Other amounts receivable	4,184	2,715
	$ 13,173	$ 11,757

Note 10. Mortgages and loans payable

	December 31, 2016	December 31, 2015
Mortgages and loans payable	$ 2,150,621	$ 2,196,837
Net above- and below-market mortgage adjustments	6,540	8,977
Financing costs	(9,199)	(7,495)
	2,147,962	2,198,319
Current portion	627,838	494,766
Non-current portion	$ 1,520,124	$ 1,703,553

The majority of the REIT's assets have been pledged as security under mortgages and other security agreements. 54.4% of the REIT's mortgages and loans payable bear interest at fixed rates (December 31, 2015, 69.0%), and a further 22.8% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place (December 31, 2015, 16.7%). The weighted-average effective rate on all mortgages and loans payable was 3.75% and the weighted-average nominal rate was 3.71% at December 31, 2016 (December 31, 2015, 3.96% and 3.89%, respectively). Maturity dates range from January 1, 2017 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, 2016, except for the debt service coverage ratio on a vacant retail property located in Canada. This mortgage payable matures in 2017 and the REIT has included the balance in the current portion of its mortgage and loans payable balance. The lender had not called this mortgage at December 31, 2016.

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, 2016, 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 and September 10, 2014	March 27, 2019	3.753%

	Face value	Unamortized accretion	Unamortized financing costs	Carrying value	Current portion	Non-current portion
December 31, 2016	$ 200,000	$ 476	$ (736)	$ 199,740	$ —	$ 199,740
December 31, 2015	200,000	678	(1,047)	199,631	—	199,631

During the year ended December 31, 2016, accretion to the liability of $202 and financing cost amortization of $311 were recorded (2015, $194 and $298, respectively).

Note 12. Convertible debentures

In conjunction with the prospectus that closed on April 22, 2010, the REIT issued Series F convertible redeemable 6.00% debentures totaling $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. None of the Series F convertible debentures were converted into units of the REIT in fiscal 2015. 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.

In conjunction with the prospectus that closed on April 21, 2011, the REIT issued Series G convertible redeemable 5.75% debentures totaling US$88,000. Interest is paid semi-annually on June 30 and December 31. The convertible debentures are convertible into units of the REIT by the holder at any time prior to maturity, being June 30, 2018, at a price of US$18.96 per unit. On and after June 30, 2016, the Series G convertible debentures are redeemable, in whole or in part, at a price equal to the principal amount plus accrued interest, at Artis' option on a minimum of 30 days' notice. None of the Series G convertible debentures were converted into units of the REIT in fiscal 2016 or 2015.

The REIT's convertible debentures are classified as compound financial instruments. The fair values of the convertible debentures were estimated in whole and separated into liability and equity components when the convertible debentures were reclassified from financial liabilities on August 2, 2012, when the REIT amended its Declaration of Trust to become a closed-end trust. The fair value of each convertible debentures series was estimated using the market price of the debentures.

Interest expense on the Series F convertible debentures was determined by applying an effective interest rate of 6.25% to the outstanding liability component. The difference between actual cash interest payments and interest expense recorded on the convertible debentures was accreted to the liability component.

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

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

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

Convertible redeemable debenture issue	Face value	Equity portion	Liability portion	Accretion	Carrying value	Current portion	Non-current portion
December 31, 2016	$ 118,158	$ —	$ 122,411	$ (3,053)	$ 119,358	$ —	$ 119,358
December 31, 2015	207,962	11,023	211,017	(1,877)	209,140	—	209,140

During the year ended December 31, 2016, accretion of $649 reduced the carrying value of the liability component (2015, $526).

Note 13. Accounts payable and other liabilities

	December 31, 2016	December 31, 2015
Accounts payable and accrued liabilities	$ 37,907	$ 31,332
Distributions payable	14,193	13,161
Accrued interest	11,591	8,820
Accrued realty taxes	8,580	3,978
Tenant installments payable	4,886	4,244
Derivative instruments (note 29)	7,957	10,811
Cash-settled unit-based payments liability	2,178	2,126
Other amounts payable	1,147	1,040
	$ 88,439	$ 75,512

Note 14. Bank indebtedness

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. 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. Amounts drawn on the facilities bear interest at prime plus 0.70% or at the bankers' acceptance rate plus 1.70%. At December 31, 2016, the REIT had $269,680 drawn on the facilities (December 31, 2015, $225,000).

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, 2016, the REIT was in compliance with these requirements.

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, 2014	136,284,463	$	1,780,674
Options exercised and restricted units redeemed	181,703		2,845
Distribution Reinvestment and Unit Purchase Plan	2,398,320		31,552
Balance at December 31, 2015	138,864,486		1,815,071
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

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.

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

(iii) Normal course issuer bid:

On December 15, 2016, 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 14,869,719 units, representing 10% of the REIT's public float of 148,697,195 units on December 7, 2016. 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, 2017, or the date on which the REIT has purchased the maximum number of units permitted under the bid. During the years ended December 31, 2016 and 2015, the REIT did not acquire units through the normal course issuer bid.

(iv) At-the-market equity financing:

The REIT had entered into an Equity Distribution Agreement dated September 17, 2010, as most recently amended and restated on September 15, 2014, with an exclusive agent for the issuance and sale, from time to time, until August 17, 2016 of up to 4,980,000 units of the REIT by way of "at-the-market distributions". No units were issued pursuant to this arrangement during the years ended December 31, 2016 and 2015.

(b) Preferred units:

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

(i) Series A:

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

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

(ii) Series C:

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

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

(iii) Series E:

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

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

(iv) Series G:

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

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

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

(c) Short form base shelf prospectuses:

On July 17, 2014, the REIT issued a short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of $2,000,000 of initial offering price: (i) trust units of the REIT; (ii) preferred trust units, which may be issuable in series; (iii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iv) unit purchase warrants; and (v) subscription receipts to purchase trust securities. At the date of expiry, the REIT had issued senior unsecured debentures under one offering in the amount of $75,000 and common units under one offering in the amount of $115,004 under this short form base shelf prospectus.

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

(d) Weighted-average common units:

				Year ended December 31,
		2016		2015
Net income (loss)	$	115,935	$	(175,699)
Adjustment for distributions to preferred unitholders (note 16)		(18,432)		(18,435)
Net income (loss) attributable to common unitholders		97,503		(194,134)
Adjustment for restricted units		(220)		—
Adjustment for deferred units		(3)		—
Diluted net income (loss) attributable to common unitholders	$	97,280	$	(194,134)
The weighted-average number of common units outstanding was as follows:				
Basic common units		144,917,941		137,600,613
Effect of dilutive securities:				
Restricted units		257,476		—
Deferred units		32,181		—
Diluted common units		145,207,598		137,600,613
Net income (loss) per unit attributable to common unitholders:				
Basic	$	0.67	$	(1.41)
Diluted	$	0.67	$	(1.41)

The computation of diluted net income (loss) 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, 2016, convertible debentures of 4,640,922 units and out-of-the-money options of 1,472,000 units were anti-dilutive. For the year ended December 31, 2015, all these instruments with an aggregate total of 12,797,335 units were anti-dilutive.

Note 16. Distributions to unitholders

Total distributions declared to unitholders were as follows:

			Year ended December 31, 2016					Year ended December 31, 2015
		Total distributions		Distributions per unit		Total distributions		Distributions per unit
Common unitholders	$	157,018	$	1.08	$	148,709	$	1.08
Preferred unitholders - Series A		4,528		1.31		4,528		1.31
Preferred unitholders - Series C		5,154		1.72		5,157		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

Note 17. 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, 2016	December 31, 2015
Not later than one year	$ 349,311	$ 342,430
Later than one year and not later than five years	1,015,516	981,797
Later than five years	707,161	727,252
	$ 2,071,988	$ 2,051,479

Note 18. Interest expense

	2016	Year ended December 31, 2015
Interest on mortgages and loans payable	$ 83,598	$ 86,860
Interest on senior unsecured debentures	7,516	7,495
Interest on convertible debentures	9,646	11,640
Interest on bank indebtedness	6,958	3,733
Net amortization of above- and below-market mortgages fair value adjustments	(2,194)	(1,603)
Amortization of financing costs	3,465	3,077
Accretion on liability component of debentures	(851)	(720)
	$ 108,138	$ 110,482

Included in the REIT's investments in joint ventures, interest of $565 was capitalized related to projects under development during the year ended December 31, 2016 (2015, $nil).

Note 19. Gain (loss) on financial instruments

	2016	Year ended December 31, 2015
Realized loss on convertible debentures	$ (741)	$ —
Unrealized gain on foreign currency contracts	709	—
Unrealized gain (loss) on interest rate swaps	5,624	(3,544)
	$ 5,592	$ (3,544)

Note 20. Employee benefits

(a) Short-term employee benefits:

	2016	Year ended December 31, 2015
Trustees	$ 642	$ 664
Key management personnel	4,202	3,650
Other employees	17,186	14,489
	$ 22,030	$ 18,803

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

(b) Long-term employee benefits:

(i) Defined benefit pension plans:

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

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

	2016	Year ended December 31, 2015
Accrued defined benefit obligation	$ 6,874	$ 5,259
Fair value of plan assets	7,167	5,293
Funded status	(293)	(34)
Assets not recognized due to asset ceiling	293	34
Net liability arising from defined benefit obligation	$ —	$ —

The net expense for the defined benefit plans for the year ended December 31, 2016 was $1,243 (2015, $1,121) and was included in corporate expenses.

(ii) Other long-term employee benefits:

The REIT has an obligation for future retirement payments to certain key management personnel upon completion of a defined service period. The REIT has recorded an expense of $1,852 related to these benefits for the year ended December 31, 2016 (2015, $1,702), which was included in corporate expenses.

(c) Unit-based compensation:

	2016	Year ended December 31, 2015
Trustees	$ 413	$ 266
Key management personnel	1,147	968
Other employees	861	526
	$ 2,421	$ 1,760

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.

(i) Unit options:

Unit-based compensation expense related to unit options outstanding under the equity incentive plan for the year ended December 31, 2016 amounted to $128 (2015, $256). 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:

	2016		Year ended December 31, 2015	
	Units	Weighted-average exercise price	Units	Weighted-average exercise price
Balance, beginning of year	2,316,000	$ 15.57	2,863,250	$ 15.17
Exercised	—	—	(359,000)	13.29
Expired	(844,000)	14.19	(188,250)	13.81
Balance, end of year	1,472,000	$ 16.36	2,316,000	$ 15.57
Options exercisable at end of year	1,472,000		1,939,875	

The weighted-average unit price at the date of exercise for unit options exercised during the year ended December 31, 2016 was $nil (2015, $14.27).

Options outstanding at December 31, 2016 consist of the following:

Exercise price	Number outstanding	Weighted-average remaining contractual life	Options outstanding weighted-average exercise price	Number exercisable
$ 16.36	1,472,000	0.25 years	$ 16.36	1,472,000

(ii) Restricted units:

Unit-based compensation expense related to restricted units outstanding under the equity incentive plan for the year ended December 31, 2016 amounted to $1,898 (2015, $1,281). Restricted units vest on and after the third anniversary of the date of grant. The restricted units accrue additional restricted units during the vesting period, and are credited when the restricted units vest. Each restricted unit is valued at the closing price of the REIT's common units on the balance sheet date.

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

	2016	Year ended December 31, 2015
	Units	Units
Balance, beginning of year	368,607	276,484
Granted	141,350	125,550
Accrued	34,147	23,914
Redeemed	(179,593)	(50,394)
Expired	(4,692)	(6,947)
Balance, end of year	359,819	368,607
Restricted units vested at end of year	7,961	965

(iii) Deferred units:

Unit-based compensation expense related to deferred units outstanding under the equity incentive plan for the year ended December 31, 2016 amounted to $395 (2015, $223). 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.

	2016	Year ended December 31, 2015
	Units	Units
Balance, beginning of year	12,531	1,744
Granted	28,237	10,300
Accrued	2,482	487
Balance, end of year	43,250	12,531
Deferred units vested at end of year	43,250	12,531

(iv) Installment units:

At December 31, 2016 and 2015, no installment units had been granted under the REIT's equity incentive plan.

Note 21. Income taxes

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

The REIT is subject to taxation in the U.S. on the taxable income earned by its U.S. management subsidiary. The REIT has recorded an income tax expense of $683 in relation to this subsidiary for the year ended December 31, 2016 (2015, $nil).

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 U.S. income taxes on the taxable income earned by these subsidiaries. These U.S. subsidiaries are subject to a 30% to 35% withholding tax on distributions to Canada. Any withholding taxes paid are recorded with the related distributions.

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

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

The SIFT Rules do not apply to a REIT that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the SIFT Rules and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions throughout the years ended December 31, 2016 and December 31, 2015. As a result, the REIT does not recognize any deferred income tax assets or liabilities for Canadian income tax purposes.

Note 22. Changes in non-cash operating items

		Year ended December 31,
	2016	2015
Prepaid expenses and other assets	$ (1,314)	$ (1,551)
Accounts receivable and other receivables	(1,244)	(314)
Security deposits and prepaid rent	2,063	(21)
Accounts payable and other liabilities	15,193	(533)
	$ 14,698	$ (2,419)

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, 2016	December 31, 2015
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%	—%
Artis US Holdings III, LLC	U.S.	100%	—%
Artis US Holdings III L.P.	U.S.	100%	—%
AX US Management, Inc.	U.S.	100%	—%
Park 8Ninety Phase I, LP	U.S.	95%	95%
Artis/Core Park West Land, Ltd.	U.S.	90%	90%
Park Lucero I, LP	U.S.	90%	90%
Park Lucero II, LP	U.S.	90%	90%
Park Lucero III, LP	U.S.	90%	—%
Park Lucero IV, LP	U.S.	90%	—%
Artis/Ryan Millwright, LP	U.S.	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%

Note 24. Related party transactions

The REIT may issue unit-based awards to trustees, officers, employees and consultants (note 20).

Other related party transactions are outlined as follows:

		Year ended December 31,
	2016	2015
Property management fees	$ 327	$ 328
Capitalized leasing commissions	12	93
Capitalized project management fees	83	—
Capitalized building improvements	30,425	7,887
Capitalized development projects	6,236	15,552
Capitalized tenant inducements	2,418	1,288
Capitalized office furniture and fixtures	150	580
Realty tax assessment consulting fees	648	1,312
Rental revenues	(354)	(227)

The REIT incurred property management fees, leasing commissions and project management fees under property management agreements with Marwest Management Canada Ltd. (''Marwest Management''), a company related to certain trustees and officers of the REIT, for three properties owned by the REIT. The amount payable at December 31, 2016, was $28 (December 31, 2015, $44).

The REIT incurred costs for building improvements, development projects and tenant inducements paid to Marwest Construction Ltd. (''Marwest Construction'') and Marwest Development Corporation, companies related to certain trustees and officers of the REIT. The amount payable at December 31, 2016, was $8,680 (December 31, 2015, $1,724).

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

The REIT incurred costs for realty tax assessment consulting paid to Fairtax Realty Advocates, a company under control of close family members of key management personnel. The amount payable at December 31, 2016, was $68 (December 31, 2015, $194).

The REIT collected office rents and other related service fees from Marwest Management and Fairtax Realty Advocates.

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

Note 25. 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 bank indebtedness, have not been allocated to the segments.

	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
Acquisition 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

	Year ended December 31, 2015						
	Western Canada	Central Canada	Eastern Canada	U.S.	REIT	Joint ventures adjustment	Total
Revenue	$ 227,113	$ 106,863	$ 60,977	$ 157,373	$ 176	$ (16,928)	$ 535,574
Expenses:							
Property operating	47,541	27,911	15,333	34,319	—	(4,916)	120,188
Realty taxes	31,120	15,335	10,502	28,489	—	(2,456)	82,990
	78,661	43,246	25,835	62,808	—	(7,372)	203,178
Net operating income	148,452	63,617	35,142	94,565	176	(9,556)	332,396
Other income (expenses):							
Corporate expenses	—	—	—	—	(11,510)	—	(11,510)
Interest expense	(37,804)	(16,600)	(11,123)	(25,114)	(22,823)	2,982	(110,482)
Interest income	1,094	37	37	45	108	(2)	1,319
Net income from investments in joint ventures	—	—	—	—	—	297	297
Fair value (loss) gain on investment properties	(370,570)	(1,049)	(2,316)	2,030	—	6,279	(365,626)
Foreign currency translation loss	—	—	—	—	(16,413)	—	(16,413)
Transaction costs	(1,103)	(157)	—	(876)	—	—	(2,136)
Loss on financial instruments	—	—	—	—	(3,544)	—	(3,544)
(Loss) income before income taxes	(259,931)	45,848	21,740	70,650	(54,006)	—	(175,699)
Income tax expense	—	—	—	—	—	—	—
Net (loss) income	$ (259,931)	$ 45,848	$ 21,740	$ 70,650	$ (54,006)	$ —	$ (175,699)
Acquisitions of investment properties	$ 54,772	$ 19,262	$ —	$ 129,754	$ —	$ (98,766)	$ 105,022
Additions to investment properties and investment properties under development	14,945	25,739	8,352	31,540	—	(22,514)	58,062
Additions to tenant inducements	14,276	4,759	3,008	10,931	—	(1,951)	31,023
Additions to leasing commissions	4,539	2,650	1,529	5,837	—	(597)	13,958

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

Note 26. Commitments, contingencies and guarantees

(a) Letters of credit:

As of December 31, 2016, the REIT had issued letters of credit in the amount of $3,841 (December 31, 2015, $844).

(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 two properties at December 31, 2016 (December 31, 2015, 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, 2016 was $14,810 (December 31, 2015, $9,337), with an estimated weighted-average remaining term of 3.4 years (December 31, 2015, 1.3 years). No liabilities in excess of the fair values of the guarantees has been recognized in these consolidated financial statements as the estimated fair values of the borrowers' interests in the underlying properties is greater than the mortgages payable for which the REIT provided the guarantees.

Note 27. Capital management

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

The REIT's Declaration of Trust permits the REIT to incur indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the REIT is not more than 70% of the gross book value of the REIT's total assets. Gross book value as defined in the Declaration of Trust includes the consolidated book value of the assets of the REIT, plus the amount of accumulated depreciation and amortization recorded in the books and records of the REIT, plus the amount of any deferred tax liability arising out of any indirect acquisitions, calculated in accordance with generally accepted accounting principles. As at December 31, 2016, the ratio of such indebtedness to gross book value was 47.6% (December 31, 2015, 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, 2016		December 31, 2015
Mortgages and loans payable	10	$	2,147,962	$	2,198,319
Senior unsecured debentures	11		199,740		199,631
Convertible debentures	12		119,358		209,140
Bank indebtedness	14		269,680		225,000
Total debt			2,736,740		2,832,090
Unitholders' equity			2,627,366		2,567,761
		$	5,364,106	$	5,399,851

Note 28. 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, 2016, the REIT was a party to $1,250,599 of variable rate debt, including bank indebtedness (December 31, 2015, $905,819). At December 31, 2016, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $489,310 of variable rate debt (December 31, 2015, $367,889).

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	$	6,484
Fixed rate debt due within one year		4,337
	$	10,821

(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 as well as the Series G convertible debentures are held in US dollars to act as a natural hedge. The REIT's Series C Units are also denominated in US dollars.

A $0.10 weakening in the US dollar against the average Canadian dollar exchange rate of 1.3221 for the year ended December 31, 2016, and the year end exchange rate of 1.3427 at December 31, 2016, would have increased net income by approximately $5,011 for the year ended December 31, 2016. A $0.10 weakening in the US dollar against the Canadian dollar would have increased other comprehensive loss by approximately $83,230 for the year ended December 31, 2016. 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 $1,043 during the year ended December 31, 2016 (2015, $1,008). The credit quality of the accounts receivable and other receivables amount is considered adequate.

	December 31, 2016	December 31, 2015
Past due 0 - 30 days	$ 3,663	$ 4,877
Past due 31 - 90 days	551	413
Past due more than 91 days	3,061	1,223
	7,275	6,513
Allowance for doubtful accounts	(1,166)	(630)
	$ 6,109	$ 5,883

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, 2016 including bank indebtedness, accounts payable and other liabilities, convertible debentures, senior unsecured debentures and mortgages and loans payable. All debentures are disclosed at their face value.

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Bank indebtedness	$ 269,680	$ 269,680	$ —	$ —	$ —
Accounts payable and other liabilities [(1)]	105,984	105,984	—	—	—
Convertible debentures	118,158	—	118,158	—	—
Senior unsecured debentures	200,000	—	200,000	—	—
Mortgages and loans payable [(1)]	2,304,481	642,964	485,821	671,267	504,429
	$ 2,998,303	$ 1,018,628	$ 803,979	$ 671,267	$ 504,429

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

Note 29. 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, 2016 and 2015.

		December 31, 2016		December 31, 2015	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	$ 4,991,825	$ 4,991,825	$ 5,078,021	$ 5,078,021
Investment properties under development	Level 3	65,199	65,199	26,892	26,892
Notes receivable	Level 2	15,787	16,973	18,520	20,236
Investment properties held for sale	Level 3	119,178	119,178	115,504	115,504
Derivative instruments	Level 2	3,567	3,567	—	—
		5,195,556	5,196,742	5,238,937	5,240,653
Liabilities:					
Mortgages and loans payable	Level 2	2,147,962	2,178,696	2,198,319	2,255,055
Senior unsecured debentures	Level 2	199,740	202,795	199,631	206,783
Convertible debentures	Level 1	119,358	118,158	209,140	208,817
Derivative instruments	Level 2	7,957	7,957	10,811	10,811
		2,475,017	2,507,606	2,617,901	2,681,466
		$ 2,720,539	$ 2,689,136	$ 2,621,036	$ 2,559,187

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

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

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

The REIT entered into interest rate swaps on a number of mortgages. The swaps are not designated in a hedge relationship. An unrealized gain of $5,624 was recorded for the year ended December 31, 2016 (2015, loss of $3,544), in relation to the fair value of these interest rate swaps.

The REIT recorded an unrealized gain of $709 for the year ended December 31, 2016 on the fair value of outstanding foreign currency contracts (2015, $nil).

Note 30. Subsequent events

The following events occurred subsequent to December 31, 2016:

- The REIT completed the early redemption of the Series G convertible debentures that had a face value outstanding of US$88,000 at December 31, 2016.
- The REIT disposed of Airdrie Flex Industrial, an industrial property located in Airdrie, Alberta. The property was sold for $5,432.
- The REIT repaid a maturing variable rate mortgage on a retail property in the amount of $17,000.
- The REIT drew a net balance on its revolving term credit facilities in the amount of $150,000.
- The REIT settled forward contracts to sell $114,894 for US$88,000.
- The REIT entered into unconditional sale agreements for two retail properties located in British Columbia. The aggregate sale price of these properties is $80,100. The REIT anticipates that the dispositions will close in March 2017.
- The REIT entered into unconditional sale agreements for one retail and two office properties located in Alberta. The aggregate sale price of these properties is $65,600. The REIT anticipates that the dispositions will close in March and April of 2017.
- The REIT declared a monthly cash distribution of $0.09 per unit for the months of January and February 2017.
- The REIT declared a quarterly cash distribution of $0.3125 per Series G preferred unit for the quarter ending January 31, 2017.
- The REIT announced the suspension of its DRIP program until further notice.

Note 31. Approval of financial statements

The consolidated financial statements were approved by the Board of Trustees and authorized for issue on March 1, 2017.

WINNIPEG HEAD OFFICE

300 - 360 Main Street
Winnipeg, Manitoba R3C 3Z3
T 204.947.1250
F 204.947.0453
www.artisreit.com
AX.UN - TSX

CALGARY

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

EDMONTON

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

TORONTO

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

PHOENIX

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

MADISON

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