ARTIS
REIT

Management's Discussion and Analysis
Q3-18

TSX: AX.UN AX.PR.A AX.PR.E AX.PR.G AX.PR.I
OTCQX: ARESF

Management's Discussion and Analysis - Q3-18

(In thousands of Canadian dollars, unless otherwise noted)

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Artis Real Estate Investment Trust should be read in conjunction with the REIT's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2018 and 2017, the audited annual consolidated financial statements for the years ended December 31, 2017 and 2016, and the notes thereto. Unless otherwise noted, all amounts in this MD&A are based on the consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Additionally, "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 November 1, 2018. Additional information about Artis, including the REIT's most recent Annual Information Form, has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com or on our website at www.artisreit.com.

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, including the implementation of Artis' new initiatives, 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 related to the implementation of Artis' new initiatives, risks associated with real property ownership, debt financing, foreign currency, credit and tenant concentration, lease rollover, availability of cash flow, general uninsured losses, future property acquisitions and dispositions, environmental matters, tax related matters, changes in legislation and changes in the tax treatment of trusts, cyber security, new or (re)developments, unitholder liability, potential conflicts of interest, potential dilution and reliance on key personnel. 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

In addition to reported IFRS measures, the following non-GAAP measures are 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. Artis applies IFRS, which is the section of GAAP applicable to publicly accountable enterprises. These non-GAAP measures are not defined under IFRS and are not intended to represent operating profits for the period, or from a property, nor should any of these measures be viewed as an alternative to net income, cash flow from operations or other measures of financial performance calculated in accordance with IFRS. Readers should be further cautioned that the following measures as calculated by Artis may not be comparable to similar measures presented by other issuers.

Proportionate Share

The REIT has properties held in its investments in joint ventures, which are accounted for using the equity method in its consolidated financial statements in accordance with IFRS. Amounts presented on a Proportionate Share basis include Artis' interest in properties held in its joint ventures based on its percentage of ownership in these properties in addition to the amounts per its consolidated financial statements. Management is of the view that presentation on a Proportionate Share basis is meaningful for investors as it is representative of how Artis manages its properties as well as certain operating and financial metrics. Artis does not independently control its unconsolidated joint ventures, and the presentation of pro-rata assets, liabilities, revenue and expenses may not accurately depict the legal and economic implications of the REIT's interest in its joint ventures. Income statement and balance sheet metrics, such as those identified below, are shown on both an IFRS and a Proportionate Share basis. Unless otherwise noted, comparative period amounts have been updated to reflect the current period's presentation. 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.

Property Net Operating Income ("Property NOI")

Artis calculates Property NOI as revenues less property operating expenses such as utilities, repairs and maintenance and realty taxes. Property NOI does not include charges for interest or other expenses not specific to the day-to-day operation of the REIT's properties. Management considers Property NOI to be a valuable measure for evaluating the operating performance of the REIT's properties. Refer to the Revenue and Property NOI section of this MD&A for further discussion and calculation of this measure.

Same Property NOI

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

Funds from Operations ("FFO")

Artis calculates FFO substantially in accordance with the guidelines set out by the Real Property Association of Canada ("REALpac"), as issued in February 2018. These guidelines have been applied consistently to all comparative periods included in this MD&A. Management considers FFO to be a valuable recurring earnings measure for evaluating the REIT's operating performance as it adjusts net income for gains or losses that are not recurring in nature such as fair value gains or losses on investment properties. Refer to the FFO and AFFO section of this MD&A for further discussion and a reconciliation of net income to this measure.

Adjusted Funds from Operations ("AFFO")

Artis calculates AFFO substantially in accordance with the guidelines set out by REALpac, as issued in February 2018. These guidelines have been applied consistently to all comparative periods included in this MD&A. Management considers AFFO to be a valuable recurring earnings measure for evaluating the REIT's operating performance. Refer to the FFO and AFFO section of this MD&A for further discussion and a reconciliation of net income to this measure.

FFO and AFFO Payout Ratios

Artis calculates FFO and AFFO payout ratios by dividing the distributions per common unit by diluted FFO per unit and diluted AFFO per unit, respectively, over the same period. Management uses the FFO and AFFO payout ratios to measure the REIT's ability to pay distributions.

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

Artis calculates EBITDA as net income, adjusted for interest expense, transaction costs, income taxes and all non-cash revenue and expense items. Management considers this ratio to be a valuable measure of Artis' ability to service the interest requirements on its outstanding debt. Refer to the Income Statement Metrics section of this MD&A for a reconciliation of net income to this measure, on both an IFRS and Proportionate Share basis.

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 used to measure its leverage. Refer to the Balance Sheet Metrics section of this MD&A for a 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 Balance Sheet Metrics section of this MD&A for a calculation of this measure.

Net Asset Value ("NAV") per Unit

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

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OVERVIEW

Artis is one of the largest diversified commercial real estate investment trusts in Canada and is an unincorporated closed-end real estate investment trust, created under, and governed by, the laws of the Province of Manitoba. The REIT was created pursuant to the Declaration of Trust dated November 8, 2004, as most recently amended and restated on July 20, 2016 (the "Declaration of Trust").

Certain of the REIT's securities are listed on the Toronto Stock Exchange ("TSX"). The REIT's common units trade under the symbol AX.UN and the REIT's preferred units trade under the symbols AX.PR.A, AX.PR.E, AX.PR.G and AX.PR.I. The REIT's common units also trade in the United States on the OTCQX Best Market ("OTCQX"), under the symbol ARESF. As at November 1, 2018, there were 153,820,601 common units, 15,650,000 preferred units, 510,342 restricted units and 91,001 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 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 is set by the Board of Trustees (the "Board" or "Trustees") in accordance with the Declaration of Trust. Prior to November 1, 2018, the distribution was $1.08 per unit annualized. Effective November 1, 2018, the distribution was revised to $0.54 per unit annualized.

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

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

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

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

OVERVIEW OF NEW INITIATIVES

Effective November 1, 2018, the REIT will implement new initiatives, including revising the distribution to $0.54 per unit annualized. Additionally, the REIT will focus on immediately repurchasing units through the Normal Course Issuer Bid, divesting between $800 million to $1 billion of assets and reducing debt. The improved balance sheet and increase in retained cash flow will be used to repurchase units, fund development and intensification projects and pursue select acquisitions in Artis' target markets that will improve the value and quality of the portfolio.

Given the current real estate and economic outlook, including rising interest rates, and in consideration of Artis' units trading at a significant discount to NAV, the REIT anticipates that these initiatives will improve Artis' growth profile, strengthen the balance sheet and ensure that the REIT is best positioned for long-term and sustainable AFFO and NAV per unit growth.

Additional information pertaining to these new initiatives can be found in the Press Release dated November 1, 2018, which is available at www.sedar.com and on Artis' website at www.artisreit.com/newsroom/ and in the Q3-18 Investor Presentation which can be found on Artis' website at www.artisreit.com/investor-link/investor-presentations/.

THIRD QUARTER OVERVIEW

During the third quarter of 2018, we acquired Stapley Center, an office property located in the Greater Phoenix Area, Arizona. The property consists of three two-storey office buildings totalling 277,264 square feet of leasable area and is 96.1% leased. Stapley Center was acquired for US$48,500 representing a capitalization rate of 8.0%.

Occupancy remained relatively consistent at 91.2% (93.5% including commitments) at September 30, 2018, compared to 91.4% (93.5% including commitments) at June 30, 2018. In our Calgary office segment, a new long-term lease with a government tenant commenced in Q3-18 resulting in an increase in occupancy in this segment to 81.7% at September 30, 2018, from 79.7% at June 30, 2018. Also during the quarter, we achieved Same Property NOI growth of 3.9%, primarily due to positive leasing activity in the U.S. and the impact of foreign exchange. A decrease in net income was reported in Q3-18 compared to Q3-17, which can be largely attributed to a fair value loss on investment properties primarily due to a decline in the value of Alberta office properties and select U.S. office properties.

We continue to make progress on the construction of our new development projects. In Q2-18, we announced that a conditional lease had been negotiated for an approximately 36,000 square foot build-to-suit development at Park 8Ninety in the Greater Houston Area, Texas. This new 10-year lease is now unconditional and will commence in Q3-19. Construction of this project is under way. Additionally, construction of Park Lucero Phase IV in the Greater Phoenix Area, Arizona, is nearing completion. Park Lucero Phase IV is the final phase of a four-phase project. Phases I, II and III are 100% occupied, and leasing interest in Phase IV is strong.

We remain confident that our current development projects and our future development pipeline demonstrate a healthy future growth profile. The success of our recently completed development projects (summarized in the table below) demonstrates our ability to deliver positive growth for our unitholders while improving the overall quality and calibre of our real estate portfolio. We will continue to capitalize on our strategic partnerships, large network of relationships with key industry personnel, and our own extensively experienced leasing and asset management teams to transform potential growth into realized growth for our unitholders in a patient and diligent manner.

Recent Development Projects

Property	Location	Asset Class	Completion Year	Owned share of developed GLA (000's of S.F.)	Committed % at September 30, 2018
2190 McGillivray Boulevard	Winnipeg, MB	Retail (densification)	2011/2015	24	100.0%
Centrepoint	Winnipeg, MB	Office	2015	52	100.0%
Park Lucero Phase I	Greater Phoenix Area, AZ	Industrial	2015	209	100.0%
Park Lucero Phase II	Greater Phoenix Area, AZ	Industrial	2017	119	100.0%
Park Lucero Phase III	Greater Phoenix Area, AZ	Industrial	2017	147	100.0%
175 Westcreek Boulevard	Greater Toronto Area, ON	Industrial	2017	130	100.0%
Park 8Ninety Phase I	Greater Houston Area, TX	Industrial	2017	418	88.0%

Corporate Sustainability Progress

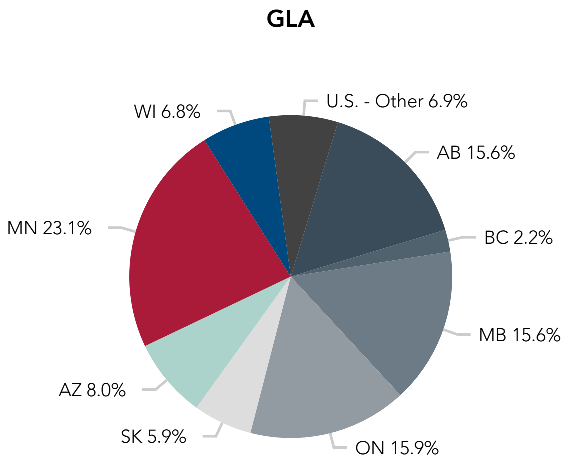
Corporate sustainability is a high priority for Artis. We are committed to improving the energy efficiency of our properties and reducing our environmental footprint. At September 30, 2018, we had 16 properties with a LEED certification, 18 properties with a Building Owners and Managers Association (BOMA) Building Environmental Standards (BEST) certification and 15 properties with an Energy Star certification.

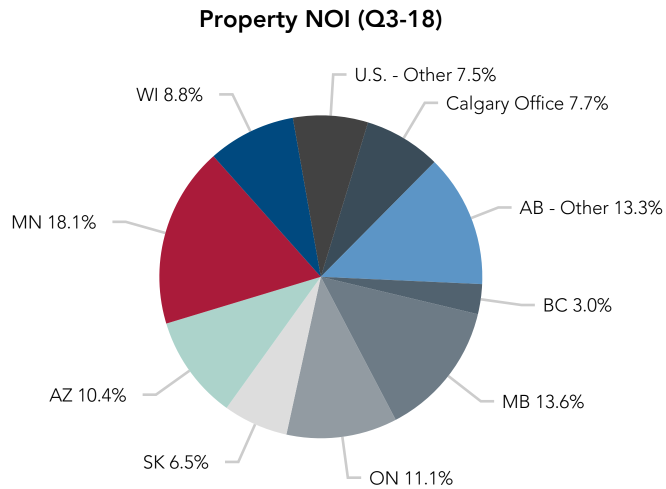
For more information on Artis' comprehensive corporate sustainability program, including Artis' annual Corporate Sustainability Report, please visit www.artisreit.com.

PORTFOLIO SUMMARY

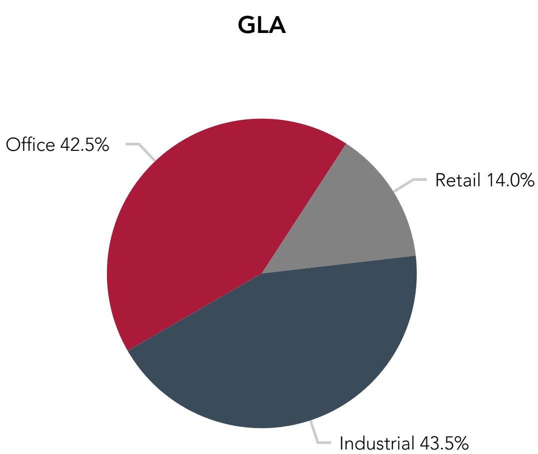
At September 30, 2018, the REIT's portfolio was comprised of 234 commercial properties (inclusive of properties held in joint venture arrangements) totalling approximately 24.8 million square feet ("S.F.") of gross leasable area ("GLA").

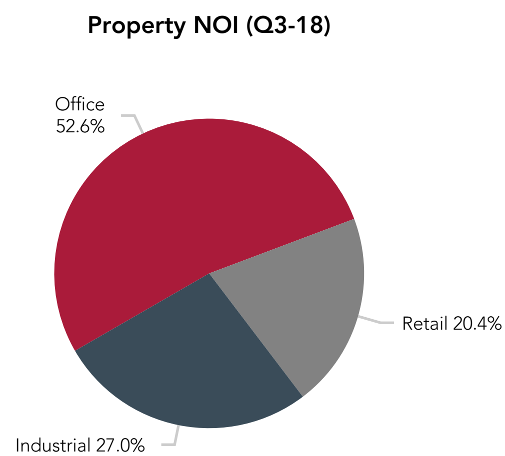
Diversification by Geographical Region (Proportionate Share basis)



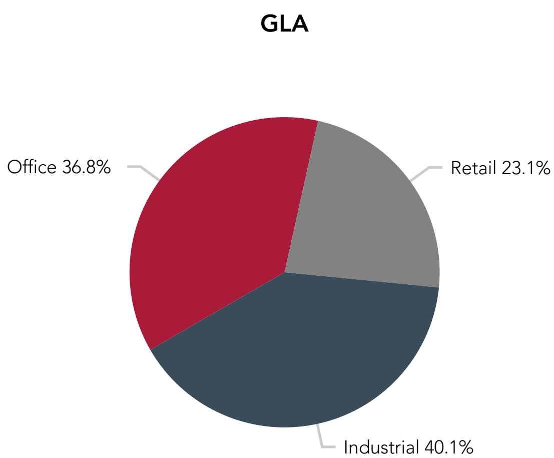


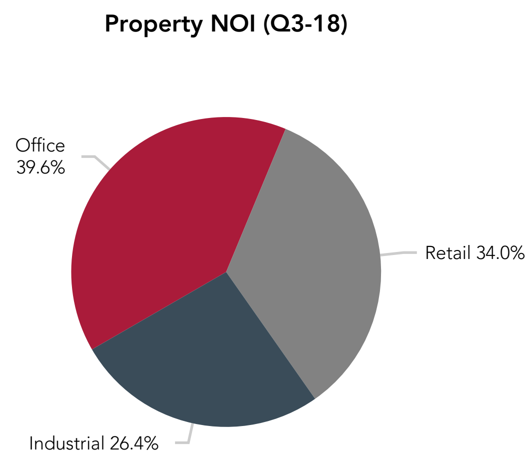
Diversification by Asset Class - *Total Canadian and U.S. Portfolio (Proportionate Share basis)*



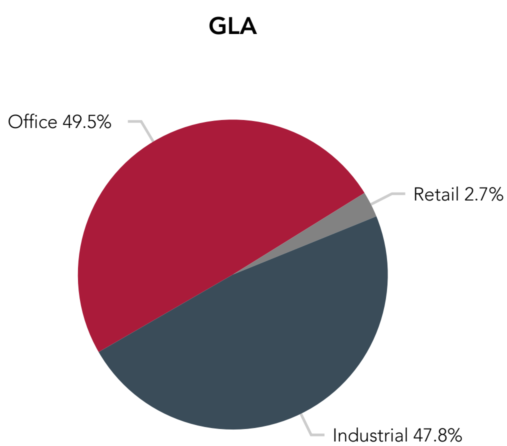


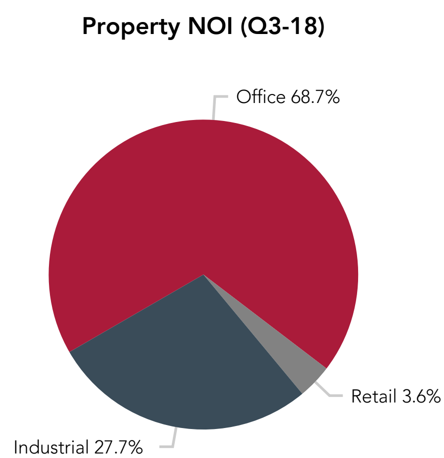
Diversification by Asset Class - ***Canadian Portfolio (Proportionate Share basis)***





Diversification by Asset Class - ***U.S. Portfolio (Proportionate Share basis)***





Portfolio by Asset Class (1)

Asset class	City	Province / State	Property count	Owned share of GLA (000's of S.F.)	% of portfolio GLA	% Occupied	% Committed (2)
Canadian portfolio:							
Office	Calgary	AB	12	1,743	7.0%	81.7%	82.9%
	Greater Edmonton Area	AB	1	48	0.2%	97.5%	97.5%
	Greater Toronto Area	ON	7	1,087	4.4%	78.5%	81.9%
	Greater Vancouver Area	BC	2	164	0.7%	98.4%	98.4%
	Nanaimo	BC	1	38	0.2%	100.0%	100.0%
	Ottawa	ON	2	287	1.2%	96.7%	96.7%
	Saskatoon	SK	1	64	0.3%	70.8%	100.0%
	Winnipeg	MB	10	1,516	6.0%	81.9%	90.3%
Office total			36	4,947	20.0%	82.6%	86.7%
Retail	Calgary	AB	5	345	1.4%	100.0%	100.0%
	Estevan	SK	2	175	0.7%	88.0%	92.6%
	Fort McMurray	AB	8	195	0.8%	94.8%	95.4%
	Grande Prairie	AB	5	365	1.5%	65.5%	71.3%
	Greater Edmonton Area	AB	5	440	1.8%	97.6%	99.6%
	Greater Vancouver Area	BC	1	165	0.7%	99.1%	99.6%
	Nanaimo	BC	3	74	0.3%	63.2%	94.7%
	Regina	SK	8	533	2.0%	93.2%	93.4%
	Saskatoon	SK	3	219	0.9%	97.9%	99.1%
	Winnipeg	MB	7	655	2.6%	96.2%	98.6%
Retail total			47	3,166	12.7%	91.7%	94.3%
Industrial	Calgary	AB	6	362	1.5%	89.8%	100.0%
	Greater Edmonton Area	AB	3	156	0.6%	100.0%	100.0%
	Greater Toronto Area	ON	28	2,524	10.1%	96.8%	96.9%
	Greater Vancouver Area	BC	2	98	0.4%	100.0%	100.0%
	Red Deer	AB	1	126	0.5%	79.3%	79.3%
	Regina	SK	2	143	0.6%	100.0%	100.0%
	Saskatoon	SK	5	327	1.3%	100.0%	100.0%
	Winnipeg	MB	28	1,692	6.8%	93.1%	97.0%
Industrial total			75	5,428	21.8%	95.2%	97.1%
Total Canadian portfolio			158	13,541	54.5%	89.8%	92.7%
U.S. portfolio:							
Office	Greater Denver Area	CO	4	917	3.7%	90.1%	90.1%
	Greater Phoenix Area	AZ	6	1,173	4.7%	93.2%	93.3%
	Madison	WI	16	1,693	6.8%	88.3%	89.1%
	New Hartford	NY	1	123	0.5%	100.0%	100.0%
	Twin Cities Area	MN	5	1,335	5.4%	94.8%	96.1%
Office total			32	5,241	21.1%	91.6%	92.3%
Retail	Twin Cities Area	MN	7	298	1.2%	96.5%	96.5%
Industrial	Greater Denver Area	CO	1	138	0.6%	100.0%	100.0%
	Greater Phoenix Area	AZ	6	813	3.3%	96.5%	96.5%
	Twin Cities Area	MN	25	3,952	15.9%	96.5%	97.5%
	Greater Houston Area	TX	1	418	1.7%	65.0%	88.3%
Industrial total			33	5,321	21.5%	94.1%	96.7%
Total U.S. portfolio			72	10,860	43.8%	93.0%	94.6%
Total Canadian and U.S. portfolio			230	24,401	98.3%	91.2%	93.5%

(1) Information is as at September 30, 2018, and excludes properties listed in the Property Held for Redevelopment table and the New Development Activity table on the following page, and includes properties held in joint venture arrangements.

(2) Percentage committed is based on occupancy at September 30, 2018, plus commitments on vacant space.

Properties Held for Redevelopment

Asset class	City	Province / State	Property count	Owned share of GLA (000's of S.F.)	% of portfolio GLA	Property	% Committed (1)
Office	Calgary	AB	1	92	0.4%	Sierra Place	5.4%
Industrial	Greater Toronto Area	ON	1	53	0.2%	2145-2155 Dunwin Drive	55.3%
Total properties held for redevelopment			2	145	0.6%		23.7%

(1) Percentage committed is based on occupancy at September 30, 2018, plus commitments on vacant space.

Redevelopments in Process:

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

Artis has implemented a plan to convert an industrial property into commercial condominium units at 2145-2155 Dunwin Drive, located in the Greater Toronto Area, Ontario. 2145-2155 Dunwin Drive is a 52,969 square foot two-storey complex that is located just minutes from Queen Elizabeth Way and Highway 403. The completion of the conversion is expected in Q2-19. Interest in these commercial condominium units is strong.

New Development Activity (1)

Asset class	City	Province / State	Property count	Owned share of GLA (000's of S.F.)	% of portfolio GLA	Property	% Completed	% Committed (2)
Office	Minneapolis	MN	1	139	0.6%	Millwright Building	100.0%	62.0%
Office	Greater Denver Area	CO	1	118	0.5%	169 Inverness Drive West Phase I	100.0%	—%
Total completed new developments			2	257	1.1%			
Industrial	Greater Phoenix Area	AZ	*1*	*96*	—	Park Lucero Phase IV	90.0%	—%
Industrial	Greater Houston Area	TX	*1*	*519*	—	Cedar Port Phase I	15.0%	100.0%
Industrial	Greater Denver Area	CO	*1*	*336*	—	Tower Business Center	10.0%	—%
Industrial	Greater Houston Area	TX	*1*	*36*	—	Park 8Ninety build-to-suit	15.0%	100.0%
Industrial	Greater Houston Area	TX	*1*	*543*	—	Park 8Ninety Phase II	10.0%	40.0%
Residential/ Commercial	Winnipeg	MB	*1*	*580*	—	300 Main	6.0%	—%
Retail	Winnipeg	MB	*1*	*27*	—	330 Main	4.0%	90.0%
Total new developments in process (3)			*7*	*2,137*				

(1) Information is at September 30, 2018, and includes properties held in joint venture arrangements.

(2) Percentage committed is based on occupancy at September 30, 2018, plus commitments on vacant space.

(3) Property count and owned share of GLA for new developments in process (properties that are not 100% completed) are not included in portfolio property count and GLA totals. GLA numbers are estimates.

Completed New Developments and New Developments in Process:

In Q3-16, Artis entered into a joint venture arrangement for an 80% ownership interest in the Millwright Building, an office development project located in Minneapolis, Minnesota. This project, a new best-in-class mid-rise office building, is located in close proximity to the new US Bank Stadium, home of the Minnesota Vikings, in the Downtown East office market. Base-building construction of this new development, which comprises approximately 174,000 square feet, was completed in Q1-17.

Artis owns a 127 acre parcel of development land called Park 8Ninety located in the Southwest industrial submarket in the Greater Houston Area, Texas, which is expected to be developed in several phases into approximately 1,774,000 square feet of new generation industrial real estate. Construction of Park 8Ninety Phase I was completed in Q2-17, comprising three buildings and totalling approximately 440,000 square feet. Site work began in Q2-18 for Park 8Ninety Phase II and a build-to-suit development on the land. Park 8Ninety Phase II is expected to comprise approximately 572,000 square feet, while the build-to-suit is expected to comprise 36,000 square feet and is 100% leased to a national tenant pursuant to a long-term lease. Artis has a 95% ownership interest in Park 8Ninety Phase I and Park 8Ninety Phase II (in the form of a joint venture arrangement).

In Q1-18, Artis completed base-building 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 comprising approximately 118,000 square feet. The site can accommodate a total development of 320,000 square feet and is located on the I-25 with immediate connectivity to the light rail transit system. Leasing at this project is under way.

Artis has completed construction of the first three phases of Park Lucero, a four-phase industrial project located in the Greater Phoenix Area, Arizona. The three completed phases, which total approximately 485,000 square feet, are 100% leased. In Q1-18, Artis commenced construction of Park Lucero Phase IV, which is expected to comprise approximately 96,000 square feet, resulting in a total project size of approximately 580,000 square feet upon completion of all four phases. Leasing interest in Park Lucero Phase IV has been strong. Artis owns a 100% interest in Park Lucero Phases I, III and IV, and has a 90% ownership interest in Park Lucero Phase II as a joint venture arrangement.

In Q1-18, Artis acquired Cedar Port, two parcels of land totalling 52.5 acres in Houston (Baytown), Texas, for the multi-phase development of approximately 1,000,000 square feet of industrial real estate. Site work is under way for Phase I of this project, which is anticipated to total approximately 519,000 square feet and is 100% leased for a 12.5-year term with annual rent escalations of 2.5%. Artis anticipates the completion of this project in Q2-19.

In Q2-18, Artis acquired an 80% interest in Tower Business Center (in the form of a joint venture arrangement), a two-building industrial development in the Greater Denver Area, Colorado. This site, totalling approximately 30 acres, is located in close proximity to I-10 and is part of a large industrial/retail community. Site work is under way for this development, which is expected to comprise two buildings totalling approximately 420,000 square feet of leasable area once completed. Artis anticipates the completion of this project in Q2-19.

Construction is under way for the development of 300 Main and 330 Main, two new projects that will span nearly one city block in downtown Winnipeg, Manitoba. These sites are located above the Shops of Winnipeg Square retail concourse and Winnipeg Square Parkade, and adjacent to 360 Main, a 30-storey Class A office tower, all of which are owned by Artis. 300 Main will be a best-in-class amenity-rich apartment building with main floor commercial space, while 330 Main will be a state-of-the-art multi-tenant retail property. 330 Main is approximately 90% pre-leased pursuant to a 20-year lease with rental increases every five years.

Future Development Program

Early Planning Stages:

Artis is exploring opportunities for a densification project at 415 Yonge Street in Toronto, Ontario. 415 Yonge Street is in a prime location in downtown Toronto, across from the College Station subway stop and in close proximity to the University of Toronto and Ryerson University. Preliminary plans to build 375 apartment units above this 19-storey office building are underway.

Artis is exploring opportunities for a densification project at Concorde Corporate Centre in the Greater Toronto Area, Ontario. The site provides direct access to Don Valley Parkway and convenient access to other major thoroughfares in the Greater Toronto Area. Preliminary plans are underway to build approximately 600 apartment units on the site.

Development plans are underway to rezone the Stampede Station II site on Macleod Trail in Calgary, Alberta, from the current 300,000 square foot potential office project to a 30-storey multi-family project with 300 suites.

Additional information about these developments will be released as progress is made and key milestones are achieved.

Future Development:

Asset class	City	Province / State	Estimated owned share of GLA (000's of S.F.)	Property
Industrial	Greater Houston Area	TX	520	Cedar Port Phase II
Residential	Toronto	ON	403	415 Yonge Street Apartments
Residential	Greater Toronto Area	ON	800	Concorde Apartments
Residential	Calgary	AB	315	Stampede Station Apartments
Industrial	Greater Houston Area	TX	688	Park 8Ninety - Future Phases
Office	Greater Houston Area	TX	1,458	Corridor Park
Office	Twin Cities Area	MN	335	801 Carlson Parkway
Office	Greater Denver Area	CO	120	Inverness Drive West Phase II
Office	Madison	WI	43	Aspen Land
Office	Madison	WI	244	Heartland Trail Land

2018 - THIRD QUARTER HIGHLIGHTS

PORTFOLIO ACTIVITY

During Q3-18, Artis acquired one office property.

	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, June 30, 2018	70	10,260	54	3,464	109	10,802	233	24,526
Acquisition	1	277	—	—	—	—	1	277
Portfolio properties, September 30, 2018	71	10,537	54	3,464	109	10,802	234	24,803

(1) Based on owned share of GLA, and includes properties held in joint venture arrangements.

Acquisition

During Q3-18, Artis purchased the following property:

Property	Property count	Location	Acquisition date	Asset class	Owned share of GLA	Purchase price
Stapley Center	1	Greater Phoenix Area, AZ	August 13, 2018	Office	277,264	US $48,500

FINANCING ACTIVITIES

Short Form Base Shelf Prospectuses

On August 23, 2018, 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 $1,000,000 (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 September 30, 2018, the REIT had not issued any securities under this short form base shelf prospectus.

Under the short form base shelf prospectus issued on August 8, 2016, the REIT had issued senior unsecured debentures under one offering in the amount of $200,000 and preferred units under one offering in the amount of $125,000. This short form base shelf prospectus expired on September 8, 2018.

Unsecured Revolving Term Credit Facilities

During Q3-18, Artis drew a net balance of $17,165 on its unsecured revolving term credit facilities. Proceeds of the credit facilities were primarily used for repayment of maturing mortgages and for ongoing development expenditures.

Mortgage Debt Financing and Repayment Activity

During Q3-18, Artis repaid one maturing variable rate mortgage in the amount of $47,274. In Q3-18, Artis drew on development loans, net of financing costs, in the amount of $461.

Series E Preferred Units Distribution Rate Reset

On September 30, 2018, the annual distribution rate was reset for the Series E preferred units. The REIT did not exercise its right to redeem any of the Series E preferred units and none of these units were reclassified to Series F preferred units. Accordingly, all 4,000,000 Series E preferred units remain issued and outstanding for the subsequent five-year period commencing October 1, 2018. During this period, Series E preferred unitholders will be entitled to receive a cumulative distribution yield of 5.472% per annum, payable quarterly, if, as and when declared by the Board of Trustees.

OTCQX Best Market

On September 5, 2018, the REIT qualified to trade in the United States on the OTCQX Best Market, under the symbol ARESF.

DISTRIBUTIONS

Artis declared distributions of $46,815 (YTD - $140,497) to unitholders in Q3-18, which included distributions to preferred unitholders in the amount of $5,283 (YTD - $16,487).

SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	Three months ended September 30, 2018	Three months ended September 30, 2017	Change	% Change	Nine months ended September 30, 2018	Nine months ended September 30, 2017	Change	% Change
Revenue	$ 128,097	$ 127,008	$ 1,089	0.9 %	$ 380,006	$ 390,072	$ (10,066)	(2.6)%
Property NOI	76,211	77,304	(1,093)	(1.4)%	227,064	236,282	(9,218)	(3.9)%
Net income	25,719	64,803	(39,084)	(60.3)%	151,416	180,372	(28,956)	(16.1)%
Total comprehensive income	2,017	19,978	(17,961)	(89.9)%	190,484	95,377	95,107	99.7 %
Basic income per common unit	0.13	0.40	(0.27)	(67.5)%	0.88	1.11	(0.23)	(20.7)%
Diluted income per common unit	0.13	0.40	(0.27)	(67.5)%	0.87	1.10	(0.23)	(20.9)%
Distributions to common unitholders	$ 41,532	$ 40,660	$ 872	2.1 %	$ 124,010	$ 121,974	$ 2,036	1.7 %
Distributions per common unit	0.27	0.27	—	— %	0.81	0.81	—	— %
FFO (1)	$ 50,461	$ 53,690	$ (3,229)	(6.0)%	$ 141,615	$ 162,985	$ (21,370)	(13.1)%
FFO per unit (1)	0.33	0.36	(0.03)	(8.3)%	0.92	1.08	(0.16)	(14.8)%
FFO payout ratio (1)	81.8%	75.0%		6.8 %	88.0%	75.0%		13.0 %
Normalized FFO (1)(2)	$ 50,461	$ 53,690	$ (3,229)	(6.0)%	$ 150,032	$ 162,985	$ (12,953)	(7.9)%
Normalized FFO per unit (1)(2)	0.33	0.36	(0.03)	(8.3)%	0.98	1.08	(0.10)	(9.3)%
Normalized FFO payout ratio (1)(2)	81.8%	75.0%		6.8 %	82.7%	75.0%		7.7 %
AFFO (1)	$ 37,583	$ 38,590	$ (1,007)	(2.6)%	$ 103,467	$ 119,474	$ (16,007)	(13.4)%
AFFO per unit (1)	0.24	0.26	(0.02)	(7.7)%	0.67	0.79	(0.12)	(15.2)%
AFFO payout ratio (1)	112.5%	103.8%		8.7 %	120.9%	102.5%		18.4 %
Normalized AFFO (1)(2)	$ 37,583	$ 38,590	$ (1,007)	(2.6)%	$ 111,884	$ 119,474	$ (7,590)	(6.4)%
Normalized AFFO per unit (1)(2)	0.24	0.26	(0.02)	(7.7)%	0.73	0.79	(0.06)	(7.6)%
Normalized AFFO payout ratio (1)(2)	112.5%	103.8%		8.7 %	111.0%	102.5%		8.5 %

(1) Represents a non-GAAP measure. Refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

(2) Normalized FFO and normalized AFFO exclude certain non-recurring adjustments. Please refer to the FFO and AFFO section of this MD&A for further discussion of these adjustments.

Property NOI, FFO and AFFO in Q3-18 were primarily impacted by dispositions completed in 2017 and 2018, partially offset by the impact of acquisitions and (re)developments completed in 2017 and 2018 and a higher US dollar to Canadian dollar average exchange rate of 1.3069 in Q3-18 compared to 1.2526 in Q3-17.

The largest contributor to the decrease in net income in Q3-18 was the change in fair values on investments properties.

The decrease in total comprehensive income in Q3-18 was primarily due to the impact of changes in foreign currency translations and fair values on investment properties.

The following non-GAAP metrics are prepared using amounts from the REIT's consolidated financial statements, which are prepared in accordance with IFRS. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

	Three months ended September 30, 2018	Three months ended September 30, 2017	Change	% Change	Nine months ended September 30, 2018	Nine months ended September 30, 2017	Change	% Change
Interest coverage ratio	2.96	3.11	(0.15)	(4.8)%	2.91	3.10	(0.19)	(6.1)%
Normalized interest coverage ratio (1)	2.96	3.11	(0.15)	(4.8)%	2.95	3.10	(0.15)	(4.8)%
EBITDA interest coverage ratio	3.32	3.47	(0.15)	(4.3)%	3.26	3.44	(0.18)	(5.2)%
Normalized EBITDA interest coverage ratio (1)	3.32	3.47	(0.15)	(4.3)%	3.31	3.44	(0.13)	(3.8)%

000's, except per unit amounts	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Secured mortgages and loans to GBV	29.4%	30.2%	30.2%	29.9%
Total long-term debt and credit facilities to GBV	47.5%	47.9%	47.8%	47.9%
Total long-term debt and credit facilities to EBITDA	8.1	8.4	8.5	7.9
Total long-term debt and credit facilities to normalized EBITDA (2)	8.1	8.4	8.2	7.9
NAV per unit	$ 15.11	$ 15.39	$ 15.03	$ 14.86
Fair value of unencumbered properties	$ 1,714,863	$ 1,591,976	$ 1,689,925	$ 1,649,077
Total assets	$ 5,435,895	$ 5,528,722	$ 5,427,394	$ 5,215,896
Total non-current financial liabilities	2,145,517	2,158,444	1,791,677	1,695,705

The following non-GAAP metrics are prepared on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

	Three months ended September 30, 2018	Three months ended September 30, 2017	Change	% Change	Nine months ended September 30, 2018	Nine months ended September 30, 2017	Change	% Change
Interest coverage ratio	2.91	3.04	(0.13)	(4.3)%	2.86	3.06	(0.20)	(6.5)%
Normalized interest coverage ratio (1)	2.91	3.04	(0.13)	(4.3)%	2.90	3.06	(0.16)	(5.2)%
EBITDA interest coverage ratio	3.14	3.23	(0.09)	(2.8)%	3.09	3.24	(0.15)	(4.6)%
Normalized EBITDA interest coverage ratio (1)	3.14	3.23	(0.09)	(2.8)%	3.14	3.24	(0.10)	(3.1)%

	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Secured mortgages and loans to GBV	30.9%	31.7%	31.7%	31.9%
Total long-term debt and credit facilities to GBV	48.6%	49.0%	48.9%	49.3%
Total long-term debt and credit facilities to EBITDA	8.4	8.8	8.9	8.4
Total long-term debt and credit facilities to normalized EBITDA (2)	8.4	8.8	8.5	8.4
Fair value of unencumbered properties	$ 1,761,289	$ 1,636,911	$ 1,729,678	$ 1,687,754
Total assets	$ 5,568,560	$ 5,658,520	$ 5,553,071	$ 5,382,008
Total non-current financial liabilities	2,172,994	2,210,991	1,866,408	1,807,853

(1) Normalized interest coverage ratio and normalized EBITDA interest coverage ratio exclude certain non-recurring adjustments. Please refer to the Income Statement Metrics section of this MD&A for further discussion of these adjustments.

(2) Normalized EBITDA excludes the non-recurring pension liability adjustment of $3,392 included in corporate expenses in Q1-18.

ANALYSIS OF OPERATING RESULTS

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

	Three months ended September 30,					
	2018			2017		
	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share
Revenue	$ 128,097	$ 5,496	$ 133,593	$ 127,008	$ 7,083	$ 134,091
Expenses:						
Property operating	31,281	1,283	32,564	30,065	2,061	32,126
Realty taxes	20,605	1,144	21,749	19,639	1,065	20,704
	51,886	2,427	54,313	49,704	3,126	52,830
Net operating income	76,211	3,069	79,280	77,304	3,957	81,261
Other income (expenses):						
Corporate expenses	(2,585)	—	(2,585)	(3,334)	—	(3,334)
Interest expense	(25,032)	(1,457)	(26,489)	(23,882)	(1,886)	(25,768)
Interest income	371	2	373	300	2	302
Net income from investments in joint ventures	5,343	(5,343)	—	7,896	(7,896)	—
Fair value (loss) gain on investment properties	(32,096)	3,729	(28,367)	2,486	5,823	8,309
Foreign currency translation gain (loss)	6,692	—	6,692	(3,542)	—	(3,542)
Transaction costs	(227)	—	(227)	(567)	—	(567)
Fair value (loss) gain on derivative instruments and other transactions	(2,714)	—	(2,714)	8,231	—	8,231
Income before income taxes	25,963	—	25,963	64,892	—	64,892
Income tax expense	(244)	—	(244)	(89)	—	(89)
Net income	25,719	—	25,719	64,803	—	64,803
Other comprehensive loss:						
Unrealized foreign currency translation loss	(21,608)	(2,094)	(23,702)	(33,545)	(11,210)	(44,755)
Unrealized foreign currency translation loss on joint ventures	(2,094)	2,094	—	(11,210)	11,210	—
Unrealized loss from remeasurements of net pension obligation	—	—	—	(70)	—	(70)
	(23,702)	—	(23,702)	(44,825)	—	(44,825)
Total comprehensive income	$ 2,017	$ —	$ 2,017	$ 19,978	$ —	$ 19,978

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

	Nine months ended September 30,					
	2018			2017		
	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share
Revenue	$ 380,006	$ 16,763	$ 396,769	$ 390,072	$ 19,774	$ 409,846
Expenses:						
Property operating	92,382	4,539	96,921	91,633	5,883	97,516
Realty taxes	60,560	3,400	63,960	62,157	3,242	65,399
	152,942	7,939	160,881	153,790	9,125	162,915
Net operating income	227,064	8,824	235,888	236,282	10,649	246,931
Other income (expenses):						
Corporate expenses	(12,250)	—	(12,250)	(10,446)	—	(10,446)
Interest expense	(74,311)	(4,317)	(78,628)	(73,034)	(4,597)	(77,631)
Interest income	1,285	6	1,291	841	5	846
Net income from investments in joint ventures	10,839	(10,839)	—	15,538	(15,538)	—
Fair value (loss) gain on investment properties	(13,523)	4,629	(8,894)	(212)	9,481	9,269
Foreign currency translation gain	4,006	—	4,006	2,877	—	2,877
Transaction costs	(5,930)	—	(5,930)	(567)	—	(567)
Fair value gain on derivative instruments and other transactions	14,699	1,697	16,396	8,841	—	8,841
Income before income taxes	151,879	—	151,879	180,120	—	180,120
Income tax (expense) recovery	(463)	—	(463)	252	—	252
Net income	151,416	—	151,416	180,372	—	180,372
Other comprehensive income (loss):						
Unrealized foreign currency translation gain (loss)	35,491	3,577	39,068	(68,892)	(16,025)	(84,917)
Unrealized foreign currency translation gain (loss) on joint ventures	3,577	(3,577)	—	(16,025)	16,025	—
Unrealized loss from remeasurements of net pension obligation	—	—	—	(78)	—	(78)
	39,068	—	39,068	(84,995)	—	(84,995)
Total comprehensive income	$ 190,484	$ —	$ 190,484	$ 95,377	$ —	$ 95,377

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

INCOME STATEMENT METRICS

Quarterly Interest Coverage Ratio

	IFRS		Proportionate Share	
	Three months ended September 30,		Three months ended September 30,	
	2018	2017	2018	2017
Property NOI	$ 76,211	$ 77,304	$ 79,280	$ 81,261
Interest income	371	300	373	302
Corporate expenses	(2,585)	(3,334)	(2,585)	(3,334)
	73,997	74,270	77,068	78,229
Interest expense	$ 25,032	$ 23,882	$ 26,489	$ 25,768
Interest coverage ratio	2.96	3.11	2.91	3.04
Normalized interest coverage ratio	2.96	3.11	2.91	3.04

Quarterly EBITDA Interest Coverage Ratio

	IFRS		Proportionate Share	
	Three months ended September 30,		Three months ended September 30,	
	2018	2017	2018	2017
Net income	$ 25,719	$ 64,803	$ 25,719	$ 64,803
Add (deduct):				
Tenant inducements amortized to revenue	4,871	4,292	5,052	4,689
Straight-line rent adjustments	(1,338)	(1,555)	(2,145)	(1,954)
Interest expense	25,032	23,882	26,489	25,768
Adjustment for investments in joint ventures (1)	(2,898)	(3,939)	—	—
Fair value loss (gain) on investment properties	32,096	(2,486)	28,367	(8,309)
Foreign currency translation (gain) loss	(6,692)	3,542	(6,692)	3,542
Transaction costs	227	567	227	567
Fair value loss (gain) on derivative instruments and other transactions	2,714	(8,231)	2,714	(8,231)
Depreciation of property and equipment	264	211	264	211
Income tax expense	244	89	244	89
EBITDA	80,239	81,175	80,239	81,175
Interest expense	25,032	23,882	26,489	25,768
Add (deduct):				
Amortization of financing costs	(933)	(831)	(1,036)	(949)
Amortization of above- and below-market mortgages, net	28	283	28	283
Accretion on liability component of debentures	54	52	54	52
Adjusted interest expense	$ 24,181	$ 23,386	$ 25,535	$ 25,154
EBITDA interest coverage ratio	3.32	3.47	3.14	3.23
Normalized EBITDA	$ 80,239	$ 81,175	$ 80,239	$ 81,175
Normalized EBITDA interest coverage ratio	3.32	3.47	3.14	3.23

(1) This adjustment is to remove non-cash items and interest expense that are included in net income from investments in joint ventures.

Year-to-Date Interest Coverage Ratio

	IFRS		Proportionate Share	
	Nine months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Property NOI	$ 227,064	$ 236,282	$ 235,888	$ 246,931
Interest income	1,285	841	1,291	846
Corporate expenses	(12,250)	(10,446)	(12,250)	(10,446)
	216,099	226,677	224,929	237,331
Interest expense	$ 74,311	$ 73,034	$ 78,628	$ 77,631
Interest coverage ratio	2.91	3.10	2.86	3.06
Normalized interest coverage ratio (1)	2.95	3.10	2.90	3.06

Year-to-Date EBITDA Interest Coverage Ratio

	IFRS		Proportionate Share	
	Nine months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net income	$ 151,416	$ 180,372	$ 151,416	$ 180,372
Add (deduct):				
Tenant inducements amortized to revenue	14,609	12,611	15,264	13,848
Straight-line rent adjustments	(4,401)	(4,654)	(5,661)	(5,488)
Interest expense	74,311	73,034	78,628	77,631
Adjustment for investments in joint ventures (2)	(2,614)	(4,481)	—	—
Fair value loss (gain) on investment properties	13,523	212	8,894	(9,269)
Foreign currency translation gain	(4,006)	(2,877)	(4,006)	(2,877)
Transaction costs	5,930	567	5,930	567
Fair value gain on derivative instruments and other transactions	(14,699)	(8,841)	(16,396)	(8,841)
Depreciation of property and equipment	800	676	800	676
Income tax expense (recovery)	463	(252)	463	(252)
EBITDA	235,332	246,367	235,332	246,367
Interest expense	74,311	73,034	78,628	77,631
Add (deduct):				
Amortization of financing costs	(2,625)	(2,539)	(2,928)	(2,845)
Amortization of above- and below-market mortgages, net	242	899	242	899
Accretion on liability component of debentures	160	279	160	279
Adjusted interest expense	$ 72,088	$ 71,673	$ 76,102	$ 75,964
EBITDA interest coverage ratio	3.26	3.44	3.09	3.24
Normalized EBITDA (1)	$ 238,724	$ 246,367	$ 238,724	$ 246,367
Normalized EBITDA interest coverage ratio (1)	3.31	3.44	3.14	3.24

(1) This ratio excludes the non-recurring pension liability adjustment of $3,392 included in corporate expenses in Q1-18.

(2) This adjustment is to remove non-cash items and interest expense that are included in net income from investments in joint ventures.

REVENUE AND PROPERTY NOI

	Three months ended September 30,					
	2018			2017		
	IFRS	Adjustment (1)	Total Proportionate Share	IFRS	Adjustment (1)	Total Proportionate Share
Revenue:						
Rental income	$ 131,264	$ 4,860	$ 136,124	$ 129,289	$ 7,081	$ 136,370
Tenant inducements amortized to revenue	(4,871)	(181)	(5,052)	(4,292)	(397)	(4,689)
Straight-line rent adjustments	1,338	807	2,145	1,555	399	1,954
Lease termination income	366	10	376	456	—	456
	128,097	5,496	133,593	127,008	7,083	134,091
Property operating and realty tax expenses	51,886	2,427	54,313	49,704	3,126	52,830
Property NOI	$ 76,211	$ 3,069	$ 79,280	$ 77,304	$ 3,957	$ 81,261

	Nine months ended September 30,					
	2018			2017		
	IFRS	Adjustment (1)	Total Proportionate Share	IFRS	Adjustment (1)	Total Proportionate Share
Revenue:						
Rental income	$ 386,865	$ 16,118	$ 402,983	$ 396,645	$ 20,162	$ 416,807
Tenant inducements amortized to revenue	(14,609)	(655)	(15,264)	(12,611)	(1,237)	(13,848)
Straight-line rent adjustments	4,401	1,260	5,661	4,654	834	5,488
Lease termination income	3,349	40	3,389	1,384	15	1,399
	380,006	16,763	396,769	390,072	19,774	409,846
Property operating and realty tax expenses	152,942	7,939	160,881	153,790	9,125	162,915
Property NOI	$ 227,064	$ 8,824	$ 235,888	$ 236,282	$ 10,649	$ 246,931

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

Rental income is revenue earned from tenants primarily related to lease agreements.

Tenant inducement costs are amortized over the term of the tenant's lease.

Rent steps are accounted for by straight-lining the incremental increases over the entire non-cancelable lease term.

Lease termination income relates to payments received from tenants where the REIT and the tenant agreed to terminate a lease prior to the contractual expiry date. Lease termination income is common in the real estate industry, however, it is unpredictable and period-over-period changes are not indicative of trends.

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

SAME PROPERTY NOI ANALYSIS [1]

Same Property NOI includes investment properties that were owned for a full quarterly reporting period in both the current and comparative year, and excludes properties held for (re)development and properties transferred to inventory. In Q3-18, Same Property NOI excludes Centrepoint, an office property in Winnipeg, Manitoba, which is under an unconditional sale agreement.

	Three months ended September 30, 2018	Three months ended September 30, 2017	Change	% Change	Nine months ended September 30, 2018	Nine months ended September 30, 2017	Change	% Change
Property NOI	$ 79,280	$ 81,261			$ 235,888	$ 246,931		
Add (deduct) Property NOI from:								
Acquisitions	(3,799)	(8)			(8,439)	(8)		
Dispositions	(341)	(6,637)			(1,900)	(21,374)		
(Re)development properties	178	123			(1,631)	270		
Other [2]	(292)	(1,527)			(3,306)	(3,137)		
	(4,254)	(8,049)			(15,276)	(24,249)		
Straight-line rent adjustments	(1,981)	(1,897)			(4,735)	(5,338)		
Tenant inducements amortized to revenue	5,012	3,848			14,573	11,746		
Same Property NOI	$ 78,057	$ 75,163	$ 2,894	3.9%	$ 230,450	$ 229,090	$ 1,360	0.6%

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

(2) Primarily includes lease termination income adjustments.

Lease termination income related to significant tenants 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 [1]

	Three months ended September 30, 2018	Three months ended September 30, 2017	Change	% Change	Nine months ended September 30, 2018	Nine months ended September 30, 2017	Change	% Change
Canada:								
Office	$ 19,248	$ 19,286	$ (38)	(0.2)%	$ 58,227	$ 59,559	$ (1,332)	(2.2)%
Retail	15,206	15,157	49	0.3 %	45,283	44,450	833	1.9 %
Industrial	11,407	11,178	229	2.0 %	33,877	33,459	418	1.2 %
Total Canada	45,861	45,621	240	0.5 %	137,387	137,468	(81)	(0.1)%
U.S.:								
Office	17,353	16,681	672	4.0 %	51,695	50,874	821	1.6 %
Retail	1,104	1,128	(24)	(2.1)%	3,413	3,237	176	5.4 %
Industrial	6,180	5,778	402	7.0 %	17,153	16,016	1,137	7.1 %
Total U.S.	24,637	23,587	1,050	4.5 %	72,261	70,127	2,134	3.0 %
Total in functional currency	70,498	69,208	1,290	1.9 %	209,648	207,595	2,053	1.0 %
Foreign exchange	7,559	5,955	1,604	26.9 %	20,802	21,495	(693)	(3.2)%
Total in Canadian dollars	$ 78,057	$ 75,163	$ 2,894	3.9 %	$ 230,450	$ 229,090	$ 1,360	0.6 %

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

For the nine months ended September 30, 2018, Artis' Canadian office segment decreased $1,332 primarily due to increased vacancy in two properties currently being re-purposed. Excluding the impact of the Calgary office properties, the Canadian office segment decreased $528 (YTD - decreased $1,500) or 4.2% (YTD - 3.8%) in Q3-18.

Same Property Occupancy Report [(1)]

Geographical Region	As at September 30, 2018	2017
Alberta	86.0%	88.1%
British Columbia	94.2%	93.1%
Manitoba	89.4%	93.5%
Ontario	91.7%	95.1%
Saskatchewan	94.1%	92.3%
Arizona	95.3%	85.1%
Minnesota	94.9%	93.5%
Wisconsin	88.3%	92.0%
U.S. - Other	83.8%	80.5%
Total	90.8%	91.5%

Asset Class	As at September 30, 2018	2017
Office	87.9%	87.7%
Retail	88.7%	94.4%
Industrial	94.5%	93.8%
Total	90.8%	91.5%

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

Same Property NOI by Geographical Region and stabilized Same Property NOI [(1)]

	Three months ended September 30, 2018	2017	Change	% Change	Nine months ended September 30, 2018	2017	Change	% Change
Alberta	$ 17,788	$ 17,454	$ 334	1.9 %	$ 52,873	$ 52,800	$ 73	0.1 %
British Columbia	2,418	2,355	63	2.7 %	8,468	7,956	512	6.4 %
Manitoba	11,414	11,321	93	0.8 %	33,268	33,559	(291)	(0.9)%
Ontario	9,149	9,266	(117)	(1.3)%	28,062	27,434	628	2.3 %
Saskatchewan	5,092	5,225	(133)	(2.5)%	14,716	15,719	(1,003)	(6.4)%
Arizona	4,962	4,484	478	10.7 %	14,006	14,186	(180)	(1.3)%
Minnesota	11,075	10,451	624	6.0 %	32,725	30,957	1,768	5.7 %
Wisconsin	5,275	5,510	(235)	(4.3)%	16,192	15,913	279	1.8 %
U.S. - Other	3,325	3,142	183	5.8 %	9,338	9,071	267	2.9 %
Total Same Property NOI in functional currency	70,498	69,208	1,290	1.9 %	209,648	207,595	2,053	1.0 %
Less: properties planned for disposition	*(1,104)*	*(1,128)*	*24*	*(2.1)%*	*(3,791)*	*(3,512)*	*(279)*	*7.9 %*
Less: properties planned for re-purposing	*(2,055)*	*(2,957)*	*902*	*(30.5)%*	*(4,981)*	*(8,853)*	*3,872*	*(43.7)%*
Less: Calgary office segment	*(7,059)*	*(6,569)*	*(490)*	*7.5 %*	*(20,684)*	*(20,516)*	*(168)*	*0.8 %*
Stabilized Same Property NOI in functional currency	*60,280*	*58,554*	*1,726*	*2.9 %*	*180,192*	*174,714*	*5,478*	*3.1 %*
Foreign exchange	*7,220*	*5,671*	*1,549*	*27.3 %*	*19,823*	*20,508*	*(685)*	*(3.3)%*
Stabilized Same Property NOI in Canadian dollars	*$ 67,500*	*$ 64,225*	*$ 3,275*	*5.1 %*	*$ 200,015*	*$ 195,222*	*$ 4,793*	*2.5 %*

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

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

During 2017, management made the strategic decision to list all seven Minnesota retail properties for sale. Additionally, the REIT had an unconditional sale agreement for Centrepoint, an office property in Winnipeg, Manitoba. These properties are part of a capital recycling program to acquire newer generation real estate in Artis' target markets.

Sears Centre, a retail property located in Grande Prairie, Alberta, is being considered for re-purposing. North 48 Commercial Centre, an office property located in Saskatoon, Saskatchewan, is undergoing significant improvements to convert a previously single tenant space to accommodate multiple tenants. During Q3-18, a new long-term lease for approximately 70% of this space commenced. Additionally, 360 Main, an office property located in Winnipeg, Manitoba, is undergoing significant improvements to accommodate two major tenants with long-term leases, one of which commenced in Q3-18.

The Calgary office segment has been considered a non-stabilized segment as the volatility of oil prices has impacted Alberta's economy and created non-stabilized results. Management has been proactive in new leasing and tenant retention initiatives, and is focused on minimizing risk wherever possible. In Q3-18, the Calgary office segment increased quarter-over-quarter by $490 or 7.5% primarily due to the commencement of a long-term lease in one of the Calgary office properties.

PROPERTY NOI BY ASSET CLASS

Canadian Portfolio:

In Q3-18, Proportionate Share Property NOI decreased $5,543 in the office segment, $204 in the retail segment, and $68 in the industrial segment compared to Q3-17. The office segment decreased primarily due to dispositions in 2017 and 2018. Vacancy at 360 Main, an office property in Winnipeg, Manitoba undergoing significant improvements to accommodate a major tenant with a long-term lease, also continues to impact the office segment.

	Three months ended September 30,					
	2018			2017		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	$ 17,010	$ 14,831	$ 10,178	$ 22,461	$ 15,035	$ 10,253
Property NOI from investments in joint ventures	309	—	1,352	401	—	1,345
Proportionate Share Property NOI	$ 17,319	$ 14,831	$ 11,530	$ 22,862	$ 15,035	$ 11,598
Share of Property NOI	*39.6%*	*34.0%*	*26.4%*	*46.2%*	*30.4%*	*23.4%*

U.S. Portfolio:

In Q3-18, Proportionate Share Property NOI increased $2,355 in the office segment, $1,608 in the industrial segment, and decreased $68 in the retail segment compared to Q3-17. The office segment increased due to acquisitions in 2018. Property NOI increased in the industrial segment primarily due to the completion of the Park Lucero Phase III development, and increased occupancy at Park Lucero Phase I. Acquisitions in 2017, partially offset by dispositions in 2017, also contributed to the industrial segment increase. The U.S. portfolio has also been impacted by the effect of foreign exchange.

	Three months ended September 30,					
	2018			2017		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	$ 23,995	$ 1,293	$ 8,778	$ 20,635	$ 1,361	$ 7,372
Property NOI from investments in joint ventures	370	—	1,038	1,375	—	836
Proportionate Share Property NOI	$ 24,365	$ 1,293	$ 9,816	$ 22,010	$ 1,361	$ 8,208
Share of Property NOI	*68.7%*	*3.6%*	*27.7%*	*69.7%*	*4.3%*	*26.0%*

Total Canadian and U.S. Portfolio:

	Three months ended September 30,					
	2018			2017		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	$ 41,005	$ 16,124	$ 18,956	$ 43,096	$ 16,396	$ 17,625
Property NOI from investments in joint ventures	679	—	2,390	1,776	—	2,181
Proportionate Share Property NOI	$ 41,684	$ 16,124	$ 21,346	$ 44,872	$ 16,396	$ 19,806
Share of Property NOI	*52.6%*	*20.4%*	*27.0%*	*55.4%*	*20.2%*	*24.4%*

Canadian Portfolio:

	Nine months ended September 30,					
	2018			2017		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	$ 54,019	$ 44,517	$ 30,369	$ 69,084	$ 46,164	$ 30,640
Property NOI from investments in joint ventures	967	—	4,057	1,100	—	4,002
Proportionate Share Property NOI	$ 54,986	$ 44,517	$ 34,426	$ 70,184	$ 46,164	$ 34,642
Share of Property NOI	*41.1%*	*33.2%*	*25.7%*	*46.5%*	*30.6%*	*22.9%*

U.S. Portfolio:

	Nine months ended September 30,					
	2018			2017		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	$ 67,992	$ 3,962	$ 25,954	$ 64,173	$ 4,028	$ 21,875
Property NOI from investments in joint ventures	1,995	—	1,805	4,567	—	980
Proportionate Share Property NOI	$ 69,987	$ 3,962	$ 27,759	$ 68,740	$ 4,028	$ 22,855
Share of Property NOI	*68.8%*	*3.9%*	*27.3%*	*71.9%*	*4.2%*	*23.9%*

Total Canadian and U.S. Portfolio:

	Nine months ended September 30,					
	2018			2017		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	$ 122,011	$ 48,479	$ 56,323	$ 133,257	$ 50,192	$ 52,515
Property NOI from investments in joint ventures	2,962	—	5,862	5,667	—	4,982
Proportionate Share Property NOI	$ 124,973	$ 48,479	$ 62,185	$ 138,924	$ 50,192	$ 57,497
Share of Property NOI	*53.0%*	*20.6%*	*26.4%*	*56.3%*	*20.4%*	*23.3%*

PROPERTY NOI BY GEOGRAPHICAL REGION

In Q3-18, Proportionate Share Property NOI decreased $3,676 in Alberta and $1,066 in British Columbia due to dispositions in 2017 and 2018. Property NOI in Arizona increased $2,262 due to acquisitions in 2017 and 2018. Property NOI in Wisconsin decreased $1,183 primarily due to lease termination income in 2017. Property NOI in U.S. - Other increased $2,333 due to an acquisition in 2017, as well as the Q1-18 acquisition of the remaining 50% interest in two office properties located in the Greater Denver Area, Colorado. The U.S. region has also been impacted by the effect of foreign exchange.

Three months ended September 30, 2018	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Property NOI	$ 15,771	$ 2,209	$ 10,472	$ 8,799	$ 4,768	$ 7,518	$ 14,243	$ 6,962	$ 5,343
Property NOI from investments in joint ventures	848	128	310	—	375	700	102	—	606
Proportionate Share Property NOI	$ 16,619	$ 2,337	$ 10,782	$ 8,799	$ 5,143	$ 8,218	$ 14,345	$ 6,962	$ 5,949
Share of Property NOI	*21.0%*	*3.0%*	*13.6%*	*11.1%*	*6.5%*	*10.4%*	*18.1%*	*8.8%*	*7.5%*

Three months ended September 30, 2017	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Property NOI	$ 19,447	$ 3,276	$ 10,760	$ 9,283	$ 4,982	$ 5,578	$ 13,724	$ 8,145	$ 1,922
Property NOI from investments in joint ventures	848	127	400	—	371	378	139	—	1,694
Proportionate Share Property NOI	$ 20,295	$ 3,403	$ 11,160	$ 9,283	$ 5,353	$ 5,956	$ 13,863	$ 8,145	$ 3,616
Share of Property NOI	*25.0%*	*4.2%*	*13.8%*	*11.5%*	*6.6%*	*7.3%*	*17.1%*	*10.0%*	*4.5%*

Nine months ended September 30, 2018	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Property NOI	$ 49,012	$ 8,386	$ 30,764	$ 26,995	$ 13,748	$ 20,620	$ 42,627	$ 21,026	$ 13,635
Property NOI from investments in joint ventures	2,544	386	967	—	1,127	921	362	—	2,517
Proportionate Share Property NOI	$ 51,556	$ 8,772	$ 31,731	$ 26,995	$ 14,875	$ 21,541	$ 42,989	$ 21,026	$ 16,152
Share of Property NOI	*21.9%*	*3.7%*	*13.5%*	*11.5%*	*6.3%*	*9.1%*	*18.2%*	*8.9%*	*6.9%*

Nine months ended September 30, 2017	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Property NOI	$ 62,168	$ 10,225	$ 31,652	$ 27,008	$ 14,835	$ 18,735	$ 42,171	$ 23,116	$ 6,054
Property NOI from investments in joint ventures	2,510	382	1,100	—	1,110	613	273	—	4,661
Proportionate Share Property NOI	$ 64,678	$ 10,607	$ 32,752	$ 27,008	$ 15,945	$ 19,348	$ 42,444	$ 23,116	$ 10,715
Share of Property NOI	*26.2%*	*4.3%*	*13.3%*	*11.0%*	*6.5%*	*7.8%*	*17.2%*	*9.4%*	*4.3%*

CORPORATE EXPENSES

	Three months ended September 30, 2018	2017	Change	% Change	Nine months ended September 30, 2018	2017	Change	% Change
Accounting, legal and consulting	$ 342	$ 455	$ (113)	(24.8)%	$ 1,689	$ 1,859	$ (170)	(9.1)%
Public company costs	409	375	34	9.1 %	1,358	1,177	181	15.4 %
Unit-based compensation	380	651	(271)	(41.6)%	1,626	1,798	(172)	(9.6)%
Salaries and benefits	826	911	(85)	(9.3)%	5,637	2,779	2,858	102.8 %
Depreciation of property and equipment	264	211	53	25.1 %	800	676	124	18.3 %
General and administrative	364	731	(367)	(50.2)%	1,140	2,157	(1,017)	(47.1)%
Total corporate expenses	$ 2,585	$ 3,334	$ (749)	(22.5)%	$ 12,250	$ 10,446	$ 1,804	17.3 %

Corporate expenses in Q3-18 were $2,585 (YTD - $12,250), or 2.0% (YTD - 3.2%) of total revenues compared to $3,334 (YTD - $10,446), or 2.6% (YTD - 2.7%) of total revenues in Q3-17. In Q1-18, Artis recorded a non-recurring pension liability adjustment of $3,392 which is included in salaries and benefits.

INTEREST EXPENSE

	Three months ended September 30, 2018	2017	Change	% Change	Nine months ended September 30, 2018	2017	Change	% Change
Mortgages and other loans (1)	$ 14,155	$ 15,436	$ (1,281)		$ 42,332	$ 50,674	$ (8,342)	
Debentures (1)	3,483	1,905	1,578		9,594	6,405	3,189	
Credit facilities (1)	4,995	4,920	75		16,007	10,042	5,965	
Preferred shares (1)	34	34	—		101	102	(1)	
	22,667	22,295	372	1.7%	68,034	67,223	811	1.2%
Foreign exchange	2,365	1,587	778		6,277	5,811	466	
Total interest expense	$ 25,032	$ 23,882	$ 1,150	4.8%	$ 74,311	$ 73,034	$ 1,277	1.7%
Mortgages and other loans included in investments in joint ventures (1)	1,230	1,608	(378)		3,685	3,875	(190)	
Foreign exchange included in investments in joint ventures	227	278	(51)		632	722	(90)	
Total Proportionate Share interest expense	$ 26,489	$ 25,768	$ 721	2.8%	$ 78,628	$ 77,631	$ 997	1.3%

(1) Amounts shown are in Canadian and US dollars.

Interest expense on mortgages and other loans has decreased primarily due to the repayment of mortgages on maturity and on the disposition of investment properties in 2017 and 2018. Interest on debentures has increased from the issuance of the Series B senior unsecured debentures in Q1-18. Interest on credit facilities has increased due to the new non-revolving term credit facilities drawn in Q3-17. Financing costs on mortgages and other loans, debentures and the credit facilities are netted against the related debt and amortized on an effective interest basis over the expected term of the debt.

The REIT's weighted-average effective rate at September 30, 2018, on mortgages and other loans secured by properties, inclusive of properties held in joint venture arrangements, was 4.19%, compared to 3.96% at December 31, 2017. The weighted-average nominal interest rate on mortgages and other loans secured by properties, inclusive of properties held in joint venture arrangements, at September 30, 2018, was 3.99%, compared to 3.79% at December 31, 2017.

FAIR VALUE (LOSS) GAIN ON INVESTMENT PROPERTIES

The changes in fair value on investment properties, period-over-period, are recognized as fair value gains and losses in the consolidated statement of operations. Fair values of the investment properties are determined through either the discounted cash flow method or the overall capitalization method. External valuations are performed for a selection of properties representing various geographical regions and asset classes across the REIT's portfolio. 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. In Q3-18, the Proportionate Share fair value loss on investment properties was $28,367 (YTD - loss of $8,894), compared to a gain of $8,309 (YTD - gain of $9,269) in Q3-17. The fair value loss in Q3-18 was primarily due to a decline in the value of Alberta office properties and select U.S. office properties.

FOREIGN CURRENCY TRANSLATION GAIN (LOSS)

In Q3-18, Artis held cash, deposits and a portion of its revolving term credit facilities in US dollars. These assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. This translation resulted in a foreign currency translation gain of $6,692 (YTD - gain of $4,006), compared to a loss of $3,542 (YTD - gain of $2,877) in Q3-17.

FAIR VALUE (LOSS) GAIN ON DERIVATIVE INSTRUMENTS AND OTHER TRANSACTIONS

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 $4,085 (YTD - gain of $10,690) in Q3-18, compared to an unrealized gain of $4,644 (YTD - gain of $7,465) in Q3-17. The REIT anticipates holding the mortgages, non-revolving term credit facilities and related interest rate swap contracts until maturity.

Artis also recorded an unrealized loss of $6,784 (YTD - loss of $1,637) in Q3-18 on the fair value of outstanding foreign currency contracts, compared to an unrealized gain of $3,587 (YTD - gain of $331) in Q3-17.

INCOME TAX

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

The REIT's U.S. properties are owned by subsidiaries that are REITs for U.S. income tax purposes. These subsidiaries intend to distribute all of their U.S. taxable income to Canada and are entitled to deduct such distributions for U.S. income tax purposes. As a result, the REIT does not record a provision for current federal U.S. income taxes on the taxable income earned by these subsidiaries. These U.S. subsidiaries are subject to certain state taxes and a 30% to 35% withholding tax on distributions to Canada. Any withholding taxes paid are recorded with the related distributions.

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

OTHER COMPREHENSIVE (LOSS) INCOME

Other comprehensive (loss) income includes the unrealized foreign currency translation losses in the aggregate amount of $23,702 (YTD - gains of $39,068) in Q3-18, compared to losses of $44,755 (YTD - losses of $84,917) in Q3-17. Foreign currency translation gains and losses relate to the REIT's net investments in its U.S. subsidiaries.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Artis calculates FFO and AFFO substantially in accordance with the guidelines set out by REALpac, as issued in February 2018.

Reconciliation of Net Income to FFO and AFFO

000's, except per unit amounts	Three months ended September 30, 2018	Three months ended September 30, 2017	Change	% Change	Nine months ended September 30, 2018	Nine months ended September 30, 2017	Change	% Change
Net income	$ 25,719	$ 64,803			$ 151,416	$ 180,372		
Add (deduct):								
Fair value loss (gain) on investment properties (1)	28,367	(8,309)			8,894	(9,269)		
Tenant inducements amortized to revenue (1)	5,052	4,689			15,264	13,848		
Transaction costs on acquisitions	227	567			905	567		
Foreign currency translation (gain) loss	(6,692)	3,542			(4,006)	(2,877)		
Fair value loss (gain) on derivative instruments and other transactions (1)	2,714	(8,231)			(16,396)	(8,841)		
Remeasurement component of unit-based compensation	(342)	76			(564)	181		
Distributions on preferred shares treated as interest expense	45	43			130	134		
Incremental leasing costs	654	1,058			2,459	2,645		
Preferred unit distributions	(5,283)	(4,548)			(16,487)	(13,775)		
FFO	$ 50,461	$ 53,690	$ (3,229)	(6.0)%	$ 141,615	$ 162,985	$ (21,370)	(13.1)%
Add (deduct):								
Amortization of recoverable capital expenditures (1)	$ (2,223)	$ (2,196)			$ (6,667)	$ (6,623)		
Non-recoverable property maintenance reserve (1)	(950)	(950)			(2,850)	(2,300)		
Leasing costs reserve (1)	(7,560)	(10,000)			(22,970)	(29,100)		
Straight-line rent adjustments (1)	(2,145)	(1,954)			(5,661)	(5,488)		
AFFO	$ 37,583	$ 38,590	$ (1,007)	(2.6)%	$ 103,467	$ 119,474	$ (16,007)	(13.4)%
FFO per unit:								
Basic	$ 0.33	$ 0.36	$ (0.03)	(8.3)%	$ 0.93	$ 1.08	$ (0.15)	(13.9)%
Diluted	0.33	0.36	(0.03)	(8.3)%	0.92	1.08	(0.16)	(14.8)%
AFFO per unit:								
Basic	$ 0.24	$ 0.26	$ (0.02)	(7.7)%	$ 0.68	$ 0.79	$ (0.11)	(13.9)%
Diluted	0.24	0.26	(0.02)	(7.7)%	0.67	0.79	(0.12)	(15.2)%

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

FFO and AFFO were significantly impacted in Q1-18 by a non-recurring pension liability adjustment and non-recurring termination fees, included in transaction costs, paid to internalize several property management contracts for properties the REIT owns. In the following table the REIT has calculated a normalized FFO and AFFO that excludes both of these adjustments.

000's, except per unit amounts	Three months ended September 30, 2018	2017	Change	% Change	Nine months ended September 30, 2018	2017	Change	% Change
FFO per above	$ 50,461	$ 53,690			$ 141,615	$ 162,985		
Add (deduct):								
Pension liability adjustment (1)	—	—			3,392	—		
Property management termination fees (2)	—	—			5,025	—		
Normalized FFO	$ 50,461	$ 53,690	$ (3,229)	(6.0)%	$ 150,032	$ 162,985	$ (12,953)	(7.9)%
Normalized AFFO	$ 37,583	$ 38,590	$ (1,007)	(2.6)%	$ 111,884	$ 119,474	$ (7,590)	(6.4)%
Normalized FFO per unit:								
Basic	$ 0.33	$ 0.36	$ (0.03)	(8.3)%	$ 0.98	$ 1.08	$ (0.10)	(9.3)%
Diluted	0.33	0.36	(0.03)	(8.3)%	0.98	1.08	(0.10)	(9.3)%
Normalized AFFO per unit:								
Basic	$ 0.24	$ 0.26	$ (0.02)	(7.7)%	$ 0.73	$ 0.79	$ (0.06)	(7.6)%
Diluted	0.24	0.26	(0.02)	(7.7)%	0.73	0.79	(0.06)	(7.6)%

(1) The non-recurring pension liability adjustment is to reflect the amounts that will be due upon expiry of key management personnel contracts.

(2) In Q1-18, the REIT internalized the property management of several of its investment properties and terminated the third party property management contracts.

Normalized FFO and AFFO in Q3-18 were primarily impacted by dispositions completed in 2017 and 2018, partially offset by the impact of acquisitions and (re)developments completed in 2017 and 2018 and a higher US dollar to Canadian dollar average exchange rate of 1.3069 in Q3-18 compared to 1.2526 in Q3-17.

Actual capital expenditures are by nature variable and unpredictable. Recoverable capital expenditures are building improvement or property maintenance expenditures recovered from tenants over time. Management has deducted from AFFO the actual amortization of recoverable capital expenditures included in property operating expenses charged to tenants for the period. Approximately 81.1% of this amortization (YTD - 80.6%) is recoverable from tenants in Q3-18, compared to 84.0% in Q3-17 (YTD - 83.1%). The non-recoverable property maintenance reserve reflects management's estimate of a normalized expenditure using the 2016, 2017 and 2018 actual expenditures and the 2018 annual budgeted expenditures. Refer to the capital expenditures disclosure under the Assets section of this MD&A for further discussion of actual expenditures for the period.

Actual leasing costs, which are not related to (re)development projects and include tenant improvements that are not capital in nature, tenant allowances and commissions, are also variable in nature. Leasing costs will fluctuate depending on the square footage of leases rolling over, in-place rates at expiry, tenant retention and local market conditions in a given year. In Q4-17, management changed the calculation of its leasing costs reserve applied in the calculation of AFFO to reflect the amortization of leasing costs over the related lease term. In the previously reported quarters for 2017, the leasing costs reserve applied in the calculation of AFFO reflected a rolling five-year average of actual leasing costs. Due to the leasing costs incurred in recent quarters related to leases with terms of 10 or more years and acquisition and disposition activity, management no longer believes that a rolling five-year average of actual leasing costs is an accurate reflection of leasing costs going forward and that using the amortization of leasing costs over the related lease term better matches these costs with the related revenue.

The following reconciles the weighted-average number of basic common units to diluted common units:

(000's)	Three months ended September 30, 2018	2017
Basic units	153,820	150,593
Add:		
Restricted units	506	372
Deferred units	75	70
Diluted units	154,401	151,035

(000's)	Nine months ended September 30, 2018	2017
Basic units	153,046	150,573
Add:		
Restricted units	452	332
Deferred units	64	62
Diluted units	153,562	150,967

PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at September 30, 2018, and the previous four periods, were as follows:

Occupancy Report by Asset Class (1)

	Q3-18 % Committed (2)	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17
Office	89.6%	87.3%	86.7%	84.9%	87.2%	88.5%
Retail	94.5%	92.1%	91.7%	91.9%	92.6%	96.1%
Industrial	96.9%	94.7%	95.8%	95.8%	95.6%	94.9%
Total portfolio	93.5%	91.2%	91.4%	90.6%	91.6%	92.4%

Occupancy Report by Geographical Region (1)

	Q3-18 % Committed (2)	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17
Canada:						
Alberta	88.3%	86.0%	84.6%	81.0%	82.1%	87.7%
British Columbia	98.7%	94.2%	94.7%	94.9%	94.8%	94.7%
Manitoba	94.6%	89.2%	89.4%	89.2%	92.0%	93.5%
Ontario	92.7%	91.7%	94.0%	94.6%	94.8%	94.7%
Saskatchewan	96.6%	94.5%	89.8%	90.2%	92.4%	92.8%
U.S.:						
Arizona	94.6%	94.5%	94.0%	91.3%	92.2%	93.1%
Minnesota	97.2%	96.1%	95.5%	95.1%	94.3%	92.8%
Wisconsin	89.1%	88.3%	88.7%	88.8%	92.3%	92.0%
Other	91.3%	85.2%	93.2%	91.9%	93.8%	92.4%
Total portfolio	93.5%	91.2%	91.4%	90.6%	91.6%	92.4%

(1) Based on properties included in the Portfolio Summary - Portfolio by Asset Class table.

(2) Percentage committed is based on occupancy at September 30, 2018, plus commitments on vacant space.

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary (1)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Leasable area renewed (in S.F.)	249,051	572,330	1,120,648	1,778,863
Increase in weighted-average rental rate	5.9%	0.6%	3.6%	2.6%

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

In Q3-18, 249,051 square feet was renewed at an increase in weighted-average rental rate of 5.9%, compared to 572,330 square feet renewed at an increase of 0.6% in Q3-17.

Excluding the impact of Calgary office segment lease renewals, Artis' increase in the weighted-average rental rate in Q3-18 was 6.1% (YTD - 4.3%).

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)	2018	2019	2020	2021	2022 & later	Total
Office - uncommitted	1,060,505	98,552	318,191	1,262,826	1,155,404	1,326,395	4,057,693	9,279,566
Office - committed	238,147	—	240,851	134,638	151,815	27,852	116,118	909,421
Total office	1,298,652	98,552	559,042	1,397,464	1,307,219	1,354,247	4,173,811	10,188,987
Retail - uncommitted	96,742	19,923	159,937	258,252	415,042	435,384	1,718,720	3,104,000
Retail - committed	81,943	—	154,697	51,540	2,320	48,197	21,056	359,753
Total retail	178,685	19,923	314,634	309,792	417,362	483,581	1,739,776	3,463,753
Industrial - uncommitted	330,925	39,515	89,528	1,073,379	1,261,357	1,450,475	5,812,213	10,057,392
Industrial - committed	242,399	—	237,828	133,216	7,320	—	69,999	690,762
Total industrial	573,324	39,515	327,356	1,206,595	1,268,677	1,450,475	5,882,212	10,748,154
Total - uncommitted	1,488,172	157,990	567,656	2,594,457	2,831,803	3,212,254	11,588,626	22,440,958
Total - committed	562,489	—	633,376	319,394	161,455	76,049	207,173	1,959,936
Total portfolio	2,050,661	157,990	1,201,032	2,913,851	2,993,258	3,288,303	11,795,799	24,400,894

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

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

In-Place Rents

In-place rents reflect the weighted-average net annual rental rate per square foot as at September 30, 2018, 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. These estimates are based on management's best estimate for each leasable space and may take into consideration the property manager's revenue budget, recent leasing activity, current prospects, future commitments or publicly available market information. Rates applied in future expiry years (with the exception of certain segments of the Alberta market) do not allow for the impact of inflation, nor do they attempt to factor in anticipated higher (or lower) than normal periods of demand or market rent inflation due to specific market conditions.

Market Rents by Asset Class (1)

Canadian Portfolio:

		2018		2019		2020		2021		2022 & later		Total
Office:												
In-place rents	$	20.17	$	15.34	$	16.13	$	18.02	$	17.03	$	16.94
Market rents		12.84		12.89		16.13		17.49		18.47		16.73
Change		(36.3)%		(16.0)%		— %		(2.9)%		8.5%		(1.2)%
Revenue impact (2)	$	(1,309)	$	(1,836)	$	2	$	(400)	$	2,715	$	(828)
Retail:												
In-place rents	$	15.47	$	25.45	$	23.56	$	24.21	$	20.97	$	21.59
Market rents		15.58		24.47		23.38		25.06		21.45		21.86
Change		0.7 %		(3.9)%		(0.8)%		3.6 %		2.3%		1.3 %
Revenue impact (2)	$	32	$	(291)	$	(60)	$	339	$	786	$	806
Industrial:												
In-place rents	$	6.54	$	7.37	$	7.92	$	7.50	$	9.07	$	8.52
Market rents		6.47		7.28		7.66		7.50		9.07		8.46
Change		(1.1)%		(1.2)%		(3.3)%		— %		—%		(0.7)%
Revenue impact (2)	$	(11)	$	(33)	$	(233)	$	(1)	$	(18)	$	(296)
Total Canadian portfolio:												
In-place rents	$	14.85	$	15.51	$	13.17	$	16.14	$	14.21	$	14.52
Market rents		12.74		13.96		13.00		16.10		14.73		14.49
Change		(14.2)%		(10.0)%		(1.3)%		(0.2)%		3.7%		(0.2)%
Revenue impact (2)	$	(1,288)	$	(2,160)	$	(291)	$	(62)	$	3,483	$	(318)

U.S. Portfolio:

		2018		2019		2020		2021		2022 & later		Total
Office:												
In-place rents	$	16.97	$	22.33	$	18.74	$	16.46	$	18.77	$	18.82
Market rents		16.42		23.51		19.13		16.76		19.39		19.34
Change		(3.3)%		5.3 %		2.1%		1.8 %		3.3%		2.8%
Revenue impact (2)	$	(210)	$	763	$	327	$	182	$	1,422	$	2,484
Retail:												
In-place rents	$	10.05	$	20.18	$	12.97	$	17.16	$	13.00	$	14.40
Market rents		13.15		21.21		14.60		16.98		14.11		15.39
Change		30.8 %		5.1 %		12.6%		(1.0)%		8.5%		6.9%
Revenue impact (2)	$	58	$	13	$	136	$	(16)	$	94	$	285
Industrial:												
In-place rents	$	5.24	$	5.43	$	6.23	$	5.34	$	6.29	$	5.93
Market rents		5.07		5.28		6.33		5.45		6.35		5.95
Change		(3.2)%		(2.8)%		1.6%		2.1 %		1.0%		0.3%
Revenue impact (2)	$	(32)	$	(124)	$	34	$	98	$	151	$	127
Total U.S. portfolio:												
In-place rents	$	12.96	$	12.75	$	14.94	$	10.13	$	12.07	$	12.29
Market rents		12.64		13.18		15.33		10.30		12.40		12.57
Change		(2.5)%		3.4 %		2.6%		1.7 %		2.7%		2.3%
Revenue impact (2)	$	(184)	$	652	$	497	$	264	$	1,667	$	2,896

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

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

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

	2018	2019	2020	2021	2022 & later	Total
Office:						
In-place rents	$ 17.99	$ 18.58	$ 17.84	$ 17.33	$ 17.99	$ 17.96
Market rents	15.28	17.81	18.09	17.17	18.98	18.15
Change	(15.1)%	(4.1)%	1.4 %	(0.9)%	5.5%	1.1 %
Revenue impact [2]	$ (1,519)	$ (1,073)	$ 329	$ (218)	$ 4,137	$ 1,656
Retail:						
In-place rents	$ 15.15	$ 25.22	$ 21.44	$ 22.93	$ 20.58	$ 20.96
Market rents	15.44	24.33	21.62	23.60	21.09	21.29
Change	1.9 %	(3.5)%	0.8 %	2.9 %	2.5%	1.6 %
Revenue impact [2]	$ 90	$ (278)	$ 76	$ 323	$ 880	$ 1,091
Industrial:						
In-place rents	$ 5.78	$ 5.99	$ 7.44	$ 6.14	$ 7.81	$ 7.24
Market rents	5.65	5.85	7.29	6.21	7.83	7.22
Change	(2.2)%	(2.3)%	(2.0)%	1.1 %	0.3%	(0.3)%
Revenue impact [2]	$ (43)	$ (157)	$ (199)	$ 97	$ 133	$ (169)
Total Canadian and U.S. portfolio:						
In-place rents	$ 13.92	$ 14.07	$ 13.94	$ 13.22	$ 13.29	$ 13.50
Market rents	12.69	13.55	14.01	13.28	13.73	13.62
Change	(8.8)%	(3.7)%	0.5 %	0.5 %	3.3%	0.9 %
Revenue impact [2]	$ (1,472)	$ (1,508)	$ 206	$ 202	$ 5,150	$ 2,578
Total Canadian and U.S. portfolio excluding Calgary office segment:						
In-place rents	*$ 12.77*	*$ 13.55*	*$ 13.93*	*$ 12.65*	*$ 13.18*	*$ 13.24*
Market rents	*12.80*	*13.71*	*14.03*	*12.87*	*13.42*	*13.43*
Change	*0.2 %*	*1.2 %*	*0.7 %*	*1.7 %*	*1.8%*	*1.4 %*
Revenue impact [2]	*$ 29*	*$ 452*	*$ 291*	*$ 655*	*$ 2,601*	*$ 4,028*

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

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

Market rents at September 30, 2018, were estimated to be 0.9% above in-place rents across the portfolio, unchanged from June 30, 2018. Today's market rents for the 2018 and 2019 lease expiries are estimated to be 8.8% and 3.7% below in-place rents, respectively. The office segment is expected to be the strongest contributor to incremental rental revenue over the long-term.

In certain years, market rents are estimated to be below in-place rents due to the impact of the Calgary office segment. Excluding the Calgary office segment, today's market rents for the 2018 and 2019 lease expiries are estimated to be 0.2% and 1.2% above in-place rents, respectively.

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

	Current vacancy	Monthly tenants [2]	2018	2019	2020	2021	2022 & later	Total
AB - uncommitted	347,935	17,130	198,323	323,873	251,414	534,644	1,890,540	3,563,859
AB - committed	88,489	—	91,081	33,357	—	—	2,218	215,145
Total Alberta	436,424	17,130	289,404	357,230	251,414	534,644	1,892,758	3,779,004
BC - uncommitted	7,179	14,161	29,167	124,907	19,367	57,961	221,937	474,679
BC - committed	24,234	—	24,581	8,996	8,037	—	—	65,848
Total British Columbia	31,413	14,161	53,748	133,903	27,404	57,961	221,937	540,527
MB - uncommitted	206,961	16,166	13,038	318,922	497,970	584,151	1,694,873	3,332,081
MB - committed	209,375	—	154,425	59,965	107,127	—	—	530,892
Total Manitoba	416,336	16,166	167,463	378,887	605,097	584,151	1,694,873	3,862,973
ON - uncommitted	286,263	70,421	27,208	334,364	747,052	392,356	1,837,494	3,695,158
ON - committed	39,075	—	46,530	107,267	2,014	—	7,649	202,535
Total Ontario	325,338	70,421	73,738	441,631	749,066	392,356	1,845,143	3,897,693
SK - uncommitted	50,078	6,171	13,548	66,343	63,775	119,815	1,063,065	1,382,795
SK - committed	30,098	—	13,061	14,417	1,252	—	18,838	77,666
Total Saskatchewan	80,176	6,171	26,609	80,760	65,027	119,815	1,081,903	1,460,461
AZ - uncommitted	107,072	3,562	3,161	153,692	325,553	248,437	1,121,972	1,963,449
AZ - committed	1,850	—	20,498	—	—	—	—	22,348
Total Arizona	108,922	3,562	23,659	153,692	325,553	248,437	1,121,972	1,985,797
MN - uncommitted	159,145	8,000	114,237	794,434	595,379	1,140,382	2,364,840	5,176,417
MN - committed	57,912	—	133,134	63,485	37,547	48,197	68,698	408,973
Total Minnesota	217,057	8,000	247,371	857,919	632,926	1,188,579	2,433,538	5,585,390
WI - uncommitted	184,340	11,474	41,026	151,994	234,018	78,230	696,501	1,397,583
WI - committed	13,967	—	138,814	—	5,478	27,852	109,770	295,881
Total Wisconsin	198,307	11,474	179,840	151,994	239,496	106,082	806,271	1,693,464
U.S. - Other - uncommitted	139,199	10,905	127,948	325,928	97,275	56,278	697,404	1,454,937
U.S. - Other - committed	97,489	—	11,252	31,907	—	—	—	140,648
Total U.S. - Other	236,688	10,905	139,200	357,835	97,275	56,278	697,404	1,595,585
Total - uncommitted	1,488,172	157,990	567,656	2,594,457	2,831,803	3,212,254	11,588,626	22,440,958
Total - committed	562,489	—	633,376	319,394	161,455	76,049	207,173	1,959,936
Total portfolio	2,050,661	157,990	1,201,032	2,913,851	2,993,258	3,288,303	11,795,799	24,400,894

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

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

Market Rents by Geographical Region [1]

	2018	2019	2020	2021	2022 & later	Total
Alberta:						
In-place rents	$ 17.02	$ 25.32	$ 22.01	$ 21.18	$ 19.02	$ 20.10
Market rents	11.86	19.15	21.03	21.10	20.57	19.78
Change	(30.3)%	(24.4)%	(4.5)%	(0.4)%	8.1 %	(1.6)%
Revenue impact [2]	$ (1,494)	$ (2,205)	$ (247)	$ (42)	$ 2,936	$ (1,052)
British Columbia:						
In-place rents	$ 23.86	$ 16.17	$ 22.81	$ 20.03	$ 16.46	$ 17.95
Market rents	24.11	16.91	23.55	19.52	17.43	18.60
Change	1.0 %	4.6 %	3.2 %	(2.5)%	5.9 %	3.6 %
Revenue impact [2]	$ 13	$ 99	$ 20	$ (29)	$ 217	$ 320
Manitoba:						
In-place rents	$ 9.43	$ 9.62	$ 12.89	$ 14.00	$ 13.31	$ 12.75
Market rents	10.42	9.75	12.92	13.12	13.31	12.68
Change	10.5 %	1.4 %	0.2 %	(6.3)%	— %	(0.5)%
Revenue impact [2]	$ 166	$ 52	$ 21	$ (511)	$ 11	$ (261)
Ontario:						
In-place rents	$ 9.05	$ 11.24	$ 9.27	$ 10.06	$ 10.08	$ 10.03
Market rents	9.46	11.23	9.10	11.48	10.28	10.27
Change	4.5 %	(0.1)%	(1.8)%	14.1 %	2.0 %	2.4 %
Revenue impact [2]	$ 30	$ (5)	$ (126)	$ 560	$ 366	$ 825
Saskatchewan:						
In-place rents	$ 23.20	$ 22.08	$ 22.37	$ 22.17	$ 13.81	$ 15.61
Market rents	23.10	20.83	23.00	21.83	13.76	15.50
Change	(0.4)%	(5.7)%	2.8 %	(1.5)%	(0.4)%	(0.7)%
Revenue impact [2]	$ (3)	$ (101)	$ 41	$ (40)	$ (47)	$ (150)
Arizona:						
In-place rents	$ 22.68	$ 25.07	$ 18.14	$ 14.33	$ 16.48	$ 17.26
Market rents	22.68	26.90	19.41	15.61	16.76	17.98
Change	— %	7.3 %	7.0 %	8.9 %	1.7 %	4.2 %
Revenue impact [2]	$ —	$ 282	$ 413	$ 317	$ 324	$ 1,336
Minnesota:						
In-place rents	$ 7.84	$ 6.47	$ 12.19	$ 8.41	$ 8.65	$ 8.63
Market rents	8.13	6.35	12.24	8.32	8.75	8.65
Change	3.7 %	(1.9)%	0.4 %	(1.1)%	1.2 %	0.2 %
Revenue impact [2]	$ 71	$ (105)	$ 34	$ (106)	$ 230	$ 124
Wisconsin:						
In-place rents	$ 16.47	$ 15.96	$ 15.20	$ 15.21	$ 14.66	$ 15.14
Market rents	15.26	15.94	15.85	15.95	15.75	15.74
Change	(7.3)%	(0.1)%	4.3 %	4.9 %	7.4 %	4.0 %
Revenue impact [2]	$ (217)	$ (4)	$ 155	$ 78	$ 879	$ 891
U.S. - Other:						
In-place rents	$ 15.85	$ 21.14	$ 21.52	$ 18.43	$ 13.91	$ 16.77
Market rents	15.58	22.48	20.44	17.98	14.24	17.17
Change	(1.7)%	6.3 %	(5.0)%	(2.4)%	2.4 %	2.4 %
Revenue impact [2]	$ (38)	$ 479	$ (105)	$ (25)	$ 234	$ 545
Total portfolio:						
In-place rents	$ 13.92	$ 14.07	$ 13.94	$ 13.22	$ 13.29	$ 13.50
Market rents	12.69	13.55	14.01	13.28	13.73	13.62
Change	(8.8)%	(3.7)%	0.5 %	0.5 %	3.3 %	0.9 %
Revenue impact [2]	$ (1,472)	$ (1,508)	$ 206	$ 202	$ 5,150	$ 2,578

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

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

LARGEST SEGMENTS BY PROPERTY NOI

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the office, retail and industrial asset classes. For the three months ended September 30, 2018, the five largest segments of the REIT's portfolio (by Proportionate Share Property NOI) were Madison office, Twin Cities Area office, Twin Cities Area industrial, Calgary office and Greater Phoenix Area office.

Madison Office Segment

The Madison office segment represents 8.8% of the Q3-18 Proportionate Share Property NOI and 6.8% of the overall portfolio by GLA. At September 30, 2018, the Madison office segment of Artis' portfolio was 88.3% occupied, compared to 88.7% at June 30, 2018. During the remainder of 2018, 179,840 square feet comes up for renewal, which represents 0.7% of the total portfolio GLA; 77.2% was renewed or committed to new leases at September 30, 2018. Of the total Madison office GLA, 47.6% expires in 2022 or later.

Twin Cities Area Office Segment

The Twin Cities Area office segment represents 8.3% of the Q3-18 Proportionate Share Property NOI and 5.4% of the overall portfolio by GLA. At September 30, 2018, the Twin Cities Area office segment of Artis' portfolio was 94.8% occupied, compared to 94.4% at June 30, 2018. During the remainder of 2018, 46,421 square feet comes up for renewal, which represents 0.2% of the total portfolio GLA; 26.8% was renewed or committed to new leases at September 30, 2018. Of the total Twin Cities Area office GLA, 45.5% expires in 2022 or later.

Twin Cities Area Industrial Segment

The Twin Cities Area industrial segment represents 8.0% of the Q3-18 Proportionate Share Property NOI and 15.9% of the overall portfolio by GLA. Direct vacancy in the Twin Cities Area industrial market, as reported by CBRE, was 4.3% at September 30, 2018, compared to 4.6% at June 30, 2018. The average asking market lease rate was $6.03 per square foot at September 30, 2018, compared to $5.92 per square foot at June 30, 2018. Occupancy in this segment of the portfolio was 96.5% at September 30, 2018, increased from 96.1% reported at June 30, 2018. During the remainder of 2018, 182,286 square feet comes up for renewal, which represents 0.7% of the total portfolio GLA; 63.8% was renewed or committed to new leases at September 30, 2018. Of Artis' total Twin Cities Area industrial GLA, 44.1% expires in 2022 or later.

Calgary Office Segment

The Calgary office segment represents 7.7% of the Q3-18 Proportionate Share Property NOI and 7.0% of the overall portfolio by GLA (excluding properties held for redevelopment). 34.9% of the total Calgary office GLA is located downtown, 31.3% is beltline and 33.8% is suburban. Overall direct vacancy in the Calgary office market, as reported by CBRE, was 18.4% at September 30, 2018, unchanged from June 30, 2018. At September 30, 2018, the Calgary office segment of Artis' portfolio was 81.7% occupied (excluding properties held for redevelopment), compared to 79.7% at June 30, 2018. During the remainder of 2018, 103,266 square feet comes up for renewal, which represents 0.4% of the total portfolio GLA. Of Artis' Calgary office GLA, 45.6% expires in 2022 or later (excluding properties held for redevelopment). Artis' largest 10 Calgary office tenants by GLA lease over half of Artis' Calgary office space with a weighted-average lease term of 5.2 years. The average size of Artis' Calgary office tenants is approximately 10,000 square feet.

Greater Phoenix Area Office Segment

The Greater Phoenix Area office segment represents 7.0% of the Q3-18 Proportionate Share Property NOI and 4.7% of the overall portfolio by GLA. Overall direct vacancy in the Greater Phoenix Area office market, as reported by Colliers International, was 14.2% at September 30, 2018, compared to 14.7% at June 30, 2018. At September 30, 2018, the Greater Phoenix area office segment of Artis' portfolio was 93.2% occupied, increased from 92.2% at June 30, 2018. During the remainder of 2018, 15,044 square feet comes up for renewal, which represents 0.1% of the total portfolio GLA; 79.0% had been renewed or committed to new leases at September 30, 2018. Of Artis' Greater Phoenix area office GLA, 42.3% expires in 2022 or later.

Additional Disclosure Pertaining to the Calgary Office Segment [(1)]

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

	Current vacancy	Monthly tenants [(2)]	2018	2019	2020	2021	2022 & later	Total
Downtown - uncommitted	239,964	12,991	18,838	76,523	6,123	32,355	155,274	542,068
Downtown - committed	6,923	—	—	—	—	—	—	6,923
Total downtown	246,887	12,991	18,838	76,523	6,123	32,355	155,274	548,991
Beltline - uncommitted	5,613	—	60,725	26,576	11,758	—	444,052	548,724
Beltline - committed	6,535	—	18,475	—	—	—	—	25,010
Total beltline	12,148	—	79,200	26,576	11,758	—	444,052	573,734
Suburban - uncommitted	52,724	4,139	3,545	37,335	29,656	288,690	194,931	611,020
Suburban - committed	7,034	—	1,683	395	—	—	—	9,112
Total suburban	59,758	4,139	5,228	37,730	29,656	288,690	194,931	620,132
Total - uncommitted	298,301	17,130	83,108	140,434	47,537	321,045	794,257	1,701,812
Total - committed	20,492	—	20,158	395	—	—	—	41,045
Total Calgary office	318,793	17,130	103,266	140,829	47,537	321,045	794,257	1,742,857

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

	Current vacancy	Monthly tenants [(2)]	2018	2019	2020	2021	2022 & later	Total
Other - uncommitted	762,204	81,422	235,083	1,122,392	1,107,867	1,005,350	3,263,436	7,577,754
Other - committed	217,655	—	220,693	134,243	151,815	27,852	116,118	868,376
Total other office	979,859	81,422	455,776	1,256,635	1,259,682	1,033,202	3,379,554	8,446,130

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

(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 decline in oil prices on the Calgary office market.

	2018	2019	2020	2021	2022 & later	Total
Downtown:						
In-place rents	$ 17.01	$ 26.82	$ 15.73	$ 19.69	$ 20.11	$ 21.55
Market rents	9.00	7.61	12.47	19.94	21.33	16.55
Change	(47.1)%	(71.6)%	(20.7)%	1.3 %	6.1%	(23.2)%
Revenue impact [(2)]	$ (151)	$ (1,470)	$ (20)	$ 8	$ 189	$ (1,444)
Beltline:						
In-place rents	$ 28.89	$ 28.35	$ 18.50	$ —	$ 14.64	$ 17.38
Market rents	12.09	13.66	10.00	—	19.67	18.11
Change	(58.2)%	(51.8)%	(45.9)%	— %	34.4%	4.2 %
Revenue impact [(2)]	$ (1,330)	$ (390)	$ (100)	$ —	$ 2,231	$ 411
Suburban:						
In-place rents	$ 17.72	$ 16.32	$ 12.66	$ 18.37	$ 11.14	$ 15.38
Market rents	13.82	13.68	13.85	16.77	11.80	14.64
Change	(22.0)%	(16.2)%	9.4 %	(8.7)%	5.9%	(4.8)%
Revenue impact [(2)]	$ (20)	$ (100)	$ 35	$ (461)	$ 129	$ (417)
Total Calgary Office:						
In-place rents	$ 26.16	$ 24.30	$ 14.50	$ 18.50	$ 14.85	$ 17.45
Market rents	11.62	10.38	12.72	17.09	18.06	16.42
Change	(55.6)%	(57.3)%	(12.3)%	(7.6)%	21.6%	(5.9)%
Revenue impact [(2)]	$ (1,501)	$ (1,960)	$ (85)	$ (453)	$ 2,549	$ (1,450)

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

	2018	2019	2020	2021	2022 & later	Total
Other office:						
In-place rents	$ 16.14	$ 17.93	$ 17.97	$ 16.97	$ 18.72	$ 18.05
Market rents	16.10	18.64	18.30	17.19	19.19	18.48
Change	(0.2)%	4.0%	1.8%	1.3%	2.5%	2.4%
Revenue impact [(2)]	$ (18)	$ 887	$ 414	$ 235	$ 1,588	$ 3,106

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

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

ANALYSIS OF FINANCIAL POSITION

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

	September 30, 2018			December 31, 2017		
	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share
ASSETS						
Non-current assets:						
Investment properties	$ 4,952,878	$ 261,713	$ 5,214,591	$ 4,720,362	$ 332,359	$ 5,052,721
Investment properties under development	87,014	18,037	105,051	79,701	—	79,701
Investments in joint ventures	178,158	(178,158)	—	200,383	(200,383)	—
Property and equipment	6,625	—	6,625	7,005	—	7,005
Notes receivable	14,065	—	14,065	12,982	—	12,982
	5,238,740	101,592	5,340,332	5,020,433	131,976	5,152,409
Current assets:						
Investment properties held for sale	88,458	26,106	114,564	110,188	26,187	136,375
Inventory properties	10,731	—	10,731	—	—	—
Deposits on investment properties	5,230	—	5,230	5,081	—	5,081
Prepaid expenses and other assets	27,736	250	27,986	17,134	282	17,416
Notes receivable	3,838	—	3,838	2,322	—	2,322
Accounts receivable and other receivables	18,942	1,043	19,985	16,816	655	17,471
Cash held in trust	8,424	—	8,424	8,090	—	8,090
Cash	33,796	3,674	37,470	35,832	7,012	42,844
	197,155	31,073	228,228	195,463	34,136	229,599
	$ 5,435,895	$ 132,665	$ 5,568,560	$ 5,215,896	$ 166,112	$ 5,382,008
LIABILITIES AND UNITHOLDERS' EQUITY						
Non-current liabilities:						
Mortgages and loans payable	$ 1,350,336	$ 27,477	$ 1,377,813	$ 1,190,525	$ 112,148	$ 1,302,673
Senior unsecured debentures	199,469	—	199,469	199,854	—	199,854
Credit facilities	588,266	—	588,266	298,922	—	298,922
Other long-term liabilities	7,446	—	7,446	6,404	—	6,404
	2,145,517	27,477	2,172,994	1,695,705	112,148	1,807,853
Current liabilities:						
Mortgages and loans payable	248,110	97,036	345,146	370,508	46,484	416,992
Senior unsecured debentures	199,940	—	199,940	—	—	—
Security deposits and prepaid rent	35,882	1,510	37,392	30,521	2,190	32,711
Accounts payable and other liabilities	82,515	6,642	89,157	75,570	5,290	80,860
Credit facilities	—	—	—	438,383	—	438,383
	566,447	105,188	671,635	914,982	53,964	968,946
	2,711,964	132,665	2,844,629	2,610,687	166,112	2,776,799
Unitholders' equity	2,723,931	—	2,723,931	2,605,209	—	2,605,209
	$ 5,435,895	$ 132,665	$ 5,568,560	$ 5,215,896	$ 166,112	$ 5,382,008

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

BALANCE SHEET METRICS

Under the terms of the REIT's Declaration of Trust, the total indebtedness of the REIT (excluding indebtedness related to convertible debentures) is limited to 70% of GBV.

Secured Mortgages and Loans to GBV and Total Long-term Debt and Credit Facilities to GBV Ratios

	IFRS		Proportionate Share	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
GBV	$ 5,441,026	$ 5,220,217	$ 5,573,691	$ 5,386,329
Secured mortgages and loans	1,598,446	1,561,033	1,722,959	1,719,665
Secured mortgages and loans to GBV	29.4%	29.9%	30.9%	31.9%
Preferred shares liability	$ 620	$ 601	$ 620	$ 601
Carrying value of debentures	399,409	199,854	399,409	199,854
Credit facilities	588,266	737,305	588,266	737,305
Total long-term debt and credit facilities	$ 2,586,741	$ 2,498,793	$ 2,711,254	$ 2,657,425
Total long-term debt and credit facilities to GBV	47.5%	47.9%	48.6%	49.3%

Total Long-term Debt and Credit Facilities to EBITDA Ratios

	IFRS		Proportionate Share	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Total long-term debt and credit facilities	$ 2,586,741	$ 2,498,793	$ 2,711,254	$ 2,657,425
EBITDA (1)	320,956	315,008	320,956	315,008
Total long-term debt and credit facilities to EBITDA	8.1	7.9	8.4	8.4
Normalized EBITDA	$ 320,956	$ 315,008	$ 320,956	$ 315,008
Total long-term debt and credit facilities to normalized EBITDA	8.1	7.9	8.4	8.4

(1) EBITDA, as calculated for the quarter under the Income Statement Metrics section of this MD&A, has been annualized for purposes of this ratio calculation.

Unencumbered Assets to Unsecured Debt Ratios

	IFRS		Proportionate Share	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Unencumbered assets	$ 1,714,863	$ 1,649,077	$ 1,761,289	$ 1,687,754
Senior unsecured debentures	399,409	199,854	399,409	199,854
Unsecured credit facilities	588,266	737,305	588,266	737,305
Total unsecured debt	$ 987,675	$ 937,159	$ 987,675	$ 937,159
Unencumbered assets to unsecured debt	1.7	1.8	1.8	1.8

NAV per Unit

000's, except unit and per unit amounts		September 30, 2018		December 31, 2017		Change
Unitholders' equity	$	2,723,931	$	2,605,209	$	118,722
Less value of preferred equity [(1)]		(391,250)		(360,338)		(30,912)
NAV attributable to common unitholders	$	2,332,681	$	2,244,871	$	87,810
Total number of dilutive units outstanding:						
Common units		153,820,601		150,599,666		3,220,935
Restricted units		506,336		394,040		112,296
Deferred units		75,025		81,635		(6,610)
		154,401,962		151,075,341		3,326,621
NAV per unit	$	15.11	$	14.86	$	0.25

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

ASSETS

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

The change in total investment properties is a result of the following:

	Per consolidated financial statements	Adjustment (1)	Total Proportionate Share
Balance, December 31, 2017	$ 4,910,251	$ 358,546	$ 5,268,797
Additions:			
Acquisitions	101,455	3,724	105,179
Transfers from investments in joint ventures (2)	88,536	(88,536)	—
Capital expenditures:			
Investment properties	16,037	1,352	17,389
Investment properties under development	15,240	612	15,852
Capitalized interest	505	—	505
Leasing commissions	5,203	947	6,150
Dispositions	(152,979)	—	(152,979)
Foreign currency translation gain	99,813	9,368	109,181
Straight-line rent adjustments	3,063	453	3,516
Tenant inducement additions, net of amortization	14,049	861	14,910
Fair value gain	18,573	900	19,473
Balance, June 30, 2018	5,119,746	288,227	5,407,973
Additions:			
Acquisitions	63,385	—	63,385
Capital expenditures			
Investment properties	9,149	1,823	10,972
Investment properties under development	13,086	3,091	16,177
Capitalized interest	300	—	300
Leasing commissions	3,156	565	3,721
Dispositions	(252)	—	(252)
Contributions to investments in joint ventures	(10,421)	10,421	—
Transfer to inventory properties (3)	(10,616)	—	(10,616)
Foreign currency translation loss	(37,013)	(3,356)	(40,369)
Straight-line rent adjustments	1,338	807	2,145
Tenant inducement additions, net of amortization	8,588	549	9,137
Fair value (loss) gain	(32,096)	3,729	(28,367)
Balance, September 30, 2018	$ 5,128,350	$ 305,856	$ 5,434,206

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

(2) On March 7, 2018, the REIT increased its ownership interest in 1700 Broadway and Hudson's Bay Centre to 100%.

(3) During the three months ended September 30, 2018, an investment property and the related development expenditures were transferred to inventory properties.

Acquisitions (1)*:*

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

	Three months ended September 30, 2018	2017	Change	% Change	Nine months ended September 30, 2018	2017	Change	% Change
Issuance of units	$ —	$ —	$ —		$ 43,651	$ —	$ 43,651	
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	—	2,962	(2,962)		38,388	2,962	35,426	
Cash consideration	63,385	16,707	46,678		80,173	16,707	63,466	
Bargain purchase gain	—	—	—		5,384	—	5,384	
Foreign currency translation gain	—	—	—		968	—	968	
Other net assets	—	(125)	125		—	(125)	125	
Total acquisitions	$ 63,385	$ 19,544	$ 43,841	224.3%	$ 168,564	$ 19,544	$ 149,020	762.5%

Capital expenditures (1)*:*

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

	Three months ended September 30, 2018	2017	Change	% Change	Nine months ended September 30, 2018	2017	Change	% Change
New and (re)development expenditures	$ 16,177	$ 12,037	$ 4,140		$ 32,029	$ 60,220	$ (28,191)	
Building improvements expenditures:								
Recoverable from tenants	1,443	1,474	(31)		4,044	4,835	(791)	
Non-recoverable	5,287	7,486	(2,199)		15,650	19,293	(3,643)	
Property maintenance expenditures:								
Recoverable from tenants	3,264	4,131	(867)		5,049	6,941	(1,892)	
Non-recoverable	978	1,279	(301)		3,618	2,856	762	
Total capital expenditures	$ 27,149	$ 26,407	$ 742	2.8%	$ 60,390	$ 94,145	$ (33,755)	(35.9)%

Leasing costs (1)*:*

Tenant inducements consist of costs incurred to improve the space that primarily benefit the tenant, as well as allowances paid to tenants. Leasing commissions are fees primarily paid to brokers.

	Three months ended September 30, 2018	2017	Change	% Change	Nine months ended September 30, 2018	2017	Change	% Change
Investment property leasing costs:								
Tenant inducements	$ 13,337	$ 15,184	$ (1,847)		$ 35,771	$ 29,855	$ 5,916	
Leasing commissions	2,050	2,568	(518)		6,897	8,901	(2,004)	
Investment property (re)development related leasing costs:								
Tenant inducements	852	956	(104)		3,540	12,644	(9,104)	
Leasing commissions	1,671	920	751		2,974	2,782	192	
Total leasing costs	$ 17,910	$ 19,628	$ (1,718)	(8.8)%	$ 49,182	$ 54,182	$ (5,000)	(9.2)%

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

In Q3-18, tenant inducements on investment properties paid to tenants with long-term leases included $3,564 related to a Winnipeg office tenant and $2,509 for a Calgary office tenant.

Investment properties held for sale:

At September 30, 2018, the REIT had one office property, held in a joint venture arrangement, and seven retail properties with an aggregate Proportionate Share fair value of $114,564 classified as held for sale. These properties were either listed for sale with an external broker or held under unconditional sale agreements.

Inventory properties:

During Q3-18, the REIT implemented a plan to convert an industrial property into commercial condominium units and transferred the fair value at the transfer date to inventory properties.

Foreign currency translation (loss) gain on investment properties:

In Q3-18, the Proportionate Share foreign currency translation loss on investment properties was $40,369 (YTD - gain of $68,812) due to the change in the period end US dollar to Canadian dollar exchange rate from 1.3168 at June 30, 2018, to 1.2945 at September 30, 2018.

Fair value (loss) gain on investment properties:

In Q3-18, the REIT recorded a loss on the Proportionate Share fair value of investment properties of $28,367 (YTD - loss of $8,894), compared to a gain of $8,309 (YTD - gain of $9,269) in Q3-17. The fair value loss in Q3-18 was primarily due to a decline in the value of Alberta office properties and select U.S. office properties.

Artis determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method. Capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one income is stabilized and capitalized at a rate deemed appropriate for each investment property. Individual properties were valued using capitalization rates in the range of 4.00% 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.

	September 30, 2018			December 31, 2017		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
Canada	8.50%	4.75%	6.43%	8.50%	5.00%	6.35%
U.S.	8.25%	5.75%	6.84%	8.25%	5.50%	6.79%
Total office	8.50%	4.75%	6.63%	8.50%	5.00%	6.54%
Retail:						
Canada	8.75%	5.25%	6.40%	8.50%	5.25%	6.34%
U.S.	8.50%	5.75%	6.98%	8.50%	5.75%	6.85%
Total retail	8.75%	5.25%	6.44%	8.50%	5.25%	6.38%
Industrial:						
Canada	7.75%	4.00%	5.98%	7.75%	4.25%	6.26%
U.S.	8.00%	5.25%	6.52%	7.75%	5.50%	6.55%
Total industrial	8.00%	4.00%	6.18%	7.75%	4.25%	6.37%
Total:						
Canadian portfolio	8.75%	4.00%	6.31%	8.50%	4.25%	6.33%
U.S. portfolio	8.50%	5.25%	6.76%	8.50%	5.50%	6.73%
Total portfolio	8.75%	4.00%	6.47%	8.50%	4.25%	6.46%

Notes Receivable

In conjunction with the 2007 acquisition of TransAlta Place, the REIT acquired a note receivable in the amount of $31,000. The balance of this note receivable at September 30, 2018 was $11,360 (December 31, 2017, $12,950). 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 September 30, 2018 was $17,903, compared to $15,304 at December 31, 2017.

Cash

At September 30, 2018, the REIT had $33,796 of cash on hand, compared to $35,832 at December 31, 2017. 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

Mortgages and Loans Payable

Artis finances acquisitions and development projects in part through the arrangement or assumption of mortgage financing and consequently, the majority of the REIT's investment properties are pledged as security under mortgages and other loans. The weighted-average term to maturity on all mortgages and loans payable, on a Proportionate Share basis, at September 30, 2018 was 3.4 years, compared to 3.6 years at December 31, 2017.

At September 30, 2018, Artis had mortgages and loans payable outstanding, as follows:

	IFRS		Proportionate Share	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Fixed rate mortgages	$ 695,935	$ 720,685	$ 743,886	$ 809,379
Variable rate mortgages:				
Hedged	457,962	456,956	457,962	456,956
Unhedged	449,807	385,058	527,165	455,739
Net above- and below-market mortgage adjustments	1,140	4,991	1,140	4,991
Financing costs	(6,398)	(6,657)	(7,194)	(7,400)
	$ 1,598,446	$ 1,561,033	$ 1,722,959	$ 1,719,665
% of unhedged variable rate mortgage debt of total debt, including credit facilities	17.3%	15.4%	19.4%	17.1%

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

The change in total mortgages and loans payable is a result of the following:

	Per consolidated financial statements	Adjustment (1)	Total Proportionate Share
Balance, December 31, 2017	$ 1,562,699	$ 159,375	$ 1,722,074
Add (deduct):			
Assumed fixed rate mortgages on acquisitions	80,454	(40,227)	40,227
Uplifts on fixed rate mortgage refinancings	15,478	—	15,478
New variable rate mortgages	51,365	—	51,365
Draws on variable rate construction loans	3,253	2,847	6,100
Repayment of maturing fixed rate mortgages	(30,879)	—	(30,879)
Repayment of variable rate mortgage related to the sale of an investment property	(10,926)	—	(10,926)
Repayment of fixed rate mortgage related to the sale of an investment property	(15,756)	—	(15,756)
Principal repayments	(22,248)	(1,135)	(23,383)
Foreign currency translation loss	43,692	3,629	47,321
Balance, June 30, 2018	1,677,132	124,489	1,801,621
Add (deduct):			
Draws on variable rate construction loans	1,282	2,495	3,777
Repayment of maturing variable rate mortgage	(47,274)	—	(47,274)
Principal repayments	(11,306)	(448)	(11,754)
Foreign currency translation gain	(16,130)	(1,227)	(17,357)
Balance, September 30, 2018	$ 1,603,704	$ 125,309	$ 1,729,013

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

During Q3-18, the REIT renewed two previously fixed rate mortgages at variable rates in the aggregate amount of $64,412.

Senior Unsecured Debentures

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

				September 30, 2018		December 31, 2017	
	Issued	Maturity	Interest rate	Carrying value	Face value	Carrying value	Face value
Series A	March 27, 2014, September 10, 2014	March 27, 2019	3.753%	$ 199,940	$ 200,000	$ 199,854	$ 200,000
Series B	February 7, 2018	February 7, 2020	Three month CDOR (1) plus 1.07%	199,469	200,000	—	—
				$ 399,409	$ 400,000	$ 199,854	$ 200,000

(1) CDOR is defined as Canadian Dollar Offered Rate.

Credit Facilities

The REIT has unsecured revolving term credit facilities in the aggregate amount of $500,000. The first tranche of the credit facilities in the amount of $300,000 matures on December 14, 2021. The second tranche of the credit facilities matures on April 29, 2023. The REIT can draw on the facilities in Canadian or US dollars. Amounts drawn on the facilities in Canadian dollars bear interest at the bankers' acceptance rate plus 1.70% or at prime plus 0.70%. Amounts drawn on the facilities in US dollars bear interest at LIBOR plus 1.70% or at the U.S. base rate plus 0.70%. At September 30, 2018, there was $290,026 drawn on these facilities (December 31, 2017, $438,383).

The REIT has two unsecured non-revolving term credit facilities in the aggregate amount of $300,000. The first credit facility of $150,000 matures on July 6, 2022 and the second credit facility matures on July 18, 2022. Amounts drawn on the facilities bear interest at 3.57% and 3.50%, respectively. At September 30, 2018, there was $300,000 drawn on these facilities (December 31, 2017, $300,000).

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 $15,750, which was paid subsequent to the end of the period.

UNITHOLDERS' EQUITY

Unitholders' equity increased overall by $118,722 between December 31, 2017 and September 30, 2018. This increase was primarily due to net income of $151,416, the issuance of new units for $165,440 and an unrealized foreign currency translation gain included in other comprehensive income of $39,068. The increase was partially offset by distributions made to unitholders of $140,497 and the repayment of preferred units of $96,705.

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.

	Three months ended September 30, 2018	Nine months ended September 30, 2018	Year ended December 31, 2017	Year ended December 31, 2016
Cash flow from operations	$ 64,743	$ 160,828	$ 214,005	$ 251,820
Net income	25,719	151,416	234,435	115,935
Distributions declared	46,815	140,497	181,052	175,450
Excess of cash flow from operations over distributions declared	17,928	20,331	32,953	76,370
(Shortfall) excess of net income over distributions declared	(21,096)	10,919	53,383	(59,515)

Artis' primary objective is to provide tax-efficient monthly cash distributions. The shortfall of net income over distributions declared during Q3-18 was primarily due to the non-cash impact of fair value losses on investment properties.

CAPITAL RESOURCES

At September 30, 2018, Artis had $33,796 of cash on hand. Management anticipates that the cash on hand may be invested in our portfolio of 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 September 30, 2018, the REIT had $209,974 available on its revolving term credit facilities.

At September 30, 2018, the REIT had 86 unencumbered properties and 11 unencumbered parcels of development land, inclusive of properties held in joint venture arrangements, representing a Proportionate Share fair value of $1,761,289.

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 September 30, 2018.

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 [1]

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and other liabilities	$ 89,157	$ 89,157	$ —	$ —	$ —
Credit facilities	590,026	—	—	590,026	—
Senior unsecured debentures [2]	400,000	200,000	200,000	—	—
Mortgages and loans payable	1,729,013	278,151	792,031	506,222	152,609
Total contractual obligations	$ 2,808,196	$ 567,308	$ 992,031	$ 1,096,248	$ 152,609

The REIT's schedule of mortgage maturities is as follows:

Year ended December 31,	Debt maturities	% of total principal	Scheduled principal repayments on non-matured debt	Total annual principal repayments	Weighted-average nominal interest rate on balance due at maturity
2018	$ 62,794	4.2%	$ 11,960	$ 74,754	4.39%
2019	318,216	21.1%	45,803	364,019	4.15%
2020	179,566	11.9%	38,363	217,929	3.87%
2021	419,563	27.8%	27,862	447,425	3.90%
2022	188,474	12.5%	21,088	209,562	3.88%
2023 & later	341,832	22.5%	73,492	415,324	3.91%
Total	$ 1,510,445	100.0%	$ 218,568	$ 1,729,013	3.97%

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

(2) It is assumed that the outstanding debentures are not redeemed prior to maturity and that they are paid out in cash on maturity.

SUMMARIZED QUARTERLY INFORMATION

$000's, except per unit amounts	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16
Revenue	$ 128,097	$ 126,140	$ 125,769	$ 126,256	$ 127,008	$ 129,507	$ 133,557	$ 140,663
Expenses:								
Property operating	31,281	30,301	30,800	32,222	30,065	29,737	31,831	36,334
Realty taxes	20,605	19,951	20,004	19,092	19,639	21,070	21,448	21,249
	51,886	50,252	50,804	51,314	49,704	50,807	53,279	57,583
Net operating income	76,211	75,888	74,965	74,942	77,304	78,700	80,278	83,080
Other income (expenses):								
Corporate expenses	(2,585)	(3,364)	(6,301)	(3,332)	(3,334)	(3,330)	(3,782)	(3,234)
Interest expense	(25,032)	(25,665)	(23,614)	(23,462)	(23,882)	(24,070)	(25,082)	(26,340)
Interest income	371	329	585	307	300	262	279	286
Net income from interests in joint ventures	5,343	475	5,021	5,742	7,896	1,528	6,114	6,081
Fair value (loss) gain on investment properties	(32,096)	24,505	(5,932)	4,906	2,486	(16,169)	13,471	(97,291)
Foreign currency translation gain (loss)	6,692	(519)	(2,167)	(3,144)	(3,542)	1,552	4,867	(4,695)
Transaction costs	(227)	(27)	(5,676)	(543)	(567)	—	—	(9)
Fair value (loss) gain on financial derivatives and other transactions	(2,714)	3,459	13,954	(1,420)	8,231	131	479	12,513
Income (loss) before income taxes	25,963	75,081	50,835	53,996	64,892	38,604	76,624	(29,609)
Income tax (expense) recovery	(244)	(106)	(113)	67	(89)	(51)	392	(683)
Net income (loss)	25,719	74,975	50,722	54,063	64,803	38,553	77,016	(30,292)
Other comprehensive (loss) income:								
Unrealized foreign currency translation (loss) gain	(23,702)	28,260	34,510	12,534	(44,755)	(30,072)	(10,090)	25,936
Unrealized (loss) gain from remeasurements of net pension obligation	—	—	—	(33)	(70)	38	(46)	(4)
	(23,702)	28,260	34,510	12,501	(44,825)	(30,034)	(10,136)	25,932
Total comprehensive income (loss)	$ 2,017	$ 103,235	$ 85,232	$ 66,564	$ 19,978	$ 8,519	$ 66,880	$ (4,360)
Net income (loss) per unit attributable to common unitholders:								
Basic	$ 0.13	$ 0.45	$ 0.30	$ 0.33	$ 0.40	$ 0.23	$ 0.48	$ (0.23)
Diluted	0.13	0.45	0.29	0.33	0.40	0.22	0.48	(0.23)
Secured mortgages and loans to GBV	29.4%	30.2%	30.2%	29.9%	31.4%	36.9%	38.5%	39.1%

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

Reconciliation of Net Income (Loss) to FFO and AFFO

000's, except per unit amounts	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16 (1)
Net income (loss)	$ 25,719	$ 74,975	$ 50,722	$ 54,063	$ 64,803	$ 38,553	$ 77,016	$ (30,292)
Add (deduct):								
Adjustment for investments in joint ventures (2)	(3,548)	796	(2,919)	(3,245)	(5,426)	1,069	(3,887)	(3,707)
Fair value loss (gain) on investment properties	32,096	(24,505)	5,932	(4,906)	(2,486)	16,169	(13,471)	97,291
Tenant inducements amortized to revenue	4,871	4,940	4,798	4,415	4,292	4,107	4,212	4,143
Transaction costs on acquisitions	227	27	651	543	567	—	—	9
Foreign currency translation (gain) loss	(6,692)	519	2,167	3,144	3,542	(1,552)	(4,867)	4,695
Fair value loss (gain) on derivative instruments and other transactions	2,714	(3,459)	(13,954)	1,420	(8,231)	(131)	(479)	(12,513)
Remeasurement component of unit-based compensation	(342)	(135)	(87)	289	76	(13)	118	(3)
Distributions on preferred shares treated as interest expense	45	43	42	43	43	45	46	20
Incremental leasing costs	654	889	916	1,252	1,058	792	795	1,406
Preferred unit distributions	(5,283)	(5,283)	(5,921)	(4,643)	(4,548)	(4,597)	(4,630)	(4,641)
FFO	$ 50,461	$ 48,807	$ 42,347	$ 52,375	$ 53,690	$ 54,442	$ 54,853	$ 56,408
Add (deduct):								
Amortization of recoverable capital expenditures (3)	$ (2,223)	$ (2,274)	$ (2,170)	$ (3,407)	$ (2,196)	$ (2,137)	$ (2,290)	$ (3,846)
Non-recoverable property maintenance reserve (3)	(950)	(950)	(950)	(950)	(950)	(700)	(650)	(650)
Leasing costs reserve (3)	(7,560)	(7,560)	(7,850)	(8,100)	(10,000)	(9,600)	(9,500)	(9,500)
Straight-line rent adjustments (3)	(2,145)	(1,719)	(1,797)	(1,925)	(1,954)	(1,871)	(1,663)	(1,743)
AFFO	$ 37,583	$ 36,304	$ 29,580	$ 37,993	$ 38,590	$ 40,134	$ 40,750	$ 40,669
FFO per unit:								
Basic	$ 0.33	$ 0.32	$ 0.28	$ 0.35	$ 0.36	$ 0.36	$ 0.36	$ 0.38
Diluted	0.33	0.32	0.28	0.35	0.36	0.36	0.36	0.37
AFFO per unit:								
Basic	$ 0.24	$ 0.24	$ 0.20	$ 0.25	$ 0.26	$ 0.27	$ 0.27	$ 0.27
Diluted	0.24	0.24	0.19	0.25	0.26	0.27	0.27	0.27
Weighted-average number of common units outstanding for FFO:								
Basic	153,820	153,798	151,494	150,594	150,593	150,581	150,545	149,937
Diluted (4)	154,401	154,346	152,041	151,022	151,035	150,966	150,947	154,921

(1) The 2016 balances have been revised to reflect the impact of the FFO and AFFO guidelines as issued by REALpac in February 2018.

(2) This adjustment is to remove certain non-cash items that are included in net income from investments in joint ventures.

(3) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.

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

000's, except per unit amounts		Q3-18		Q2-18		Q1-18		Q4-17		Q3-17		Q2-17		Q1-17		Q4-16 [(1)]
FFO per above	$	50,461	$	48,807	$	42,347	$	52,375	$	53,690	$	54,442	$	54,853	$	56,408
Add (deduct):																
Pension liability adjustment [(2)]		—		—		3,392		—		—		—		—		—
Property management termination fees [(2)]		—		—		5,025		—		—		—		—		—
Normalized FFO	$	50,461	$	48,807	$	50,764	$	52,375	$	53,690	$	54,442	$	54,853	$	56,408
Normalized AFFO	$	37,583	$	36,304	$	37,997	$	37,993	$	38,590	$	40,134	$	40,750	$	40,669
Normalized FFO per unit:																
Basic	$	0.33	$	0.32	$	0.34	$	0.35	$	0.36	$	0.36	$	0.36	$	0.38
Diluted		0.33		0.32		0.33		0.35		0.36		0.36		0.36		0.37
Normalized AFFO per unit:																
Basic	$	0.24	$	0.24	$	0.25	$	0.25	$	0.26	$	0.27	$	0.27	$	0.27
Diluted		0.24		0.24		0.25		0.25		0.26		0.27		0.27		0.27

(1) The 2016 balances have been revised to reflect the impact of the FFO and AFFO guidelines as issued by REALpac in February 2018.

(2) Please refer to the FFO and AFFO section of this MD&A for further discussion of these adjustments.

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

OUTSTANDING UNIT DATA

As of November 1, 2018, the balance of units outstanding is 153,820,601, the balance of Series A preferred units outstanding is 3,450,000, the balance of Series E preferred units outstanding is 4,000,000, the balance of Series G preferred units outstanding is 3,200,000 and the balance of Series I preferred units outstanding is 5,000,000.

The balance of restricted units outstanding as of November 1, 2018 is 510,342, none of which have vested.

The balance of deferred units outstanding as of November 1, 2018 is 91,001. All of these deferred units have vested, none of which are redeemable.

OUTLOOK

Scotiabank's Global Outlook dated October 15, 2018, predicts that real GDP growth in Canada will be 2.1% in 2018. The 2018 GDP growth forecast for British Columbia, Manitoba and Ontario is 2.4%, 1.9% and 2.1%, respectively, which are healthy growth rates that are near or above the 2018 national forecast. After a year of GDP contraction in Saskatchewan and Alberta in 2016, these provinces produced GDP growth in 2017 of 2.9% and 4.9%, respectively, while Scotiabank is forecasting continued GDP growth of 1.5% and 2.4%, respectively, and declining unemployment rates in 2018. We continue to monitor the Saskatchewan and Alberta markets closely and work diligently to maximize occupancy and rental rates, while diversifying our portfolio in an accretive manner so as to reduce and optimize our weighting in Alberta.

The Scotiabank Global Outlook report further predicts that GDP growth in the U.S. will be 2.9% in 2018. According to the United States Bureau of Labor Statistics, U.S. unemployment decreased nationally from 4.2% to 3.7% year-over-year in September. Most recently available unemployment rates in our U.S target markets are generally near or below the national average. We continue to monitor this and other key economic indicators in our target U.S. markets on a continuous basis. Given the health of the U.S. economy, strength of the US dollar, positive GDP growth expectations and decline in unemployment rates, we anticipate that there is further growth potential to be realized during the remainder of 2018 and beyond. We will continue to monitor acquisition opportunities in both Canada and the U.S., but anticipate that the majority our of near- to mid-term investments will be in high-yield development projects in our target U.S. markets. At the end of 2016, the Board of Trustees increased our target U.S. weighting from 40.0% to 50.0% of total Property NOI.

We continue to maintain our Investment Grade Credit Rating, BBB(low) with a Stable trend, from DBRS Limited. Additionally, DBRS Limited has assigned a rating of Pfd-3(low) with a Stable trend to Artis' preferred units. We anticipate that with this Investment Grade Credit Rating, the debt and equity markets will continue to be receptive to new financing during the remainder of 2018 and beyond. We further anticipate that interest rates will continue to increase at a methodical pace and will be well-communicated by the central banks. While borrowing costs remain low when compared to historical levels, we may look to reduce our variable rate debt in the near term.

Overall, we anticipate that real estate fundamentals in Canada and the U.S. will remain stable during the remainder of 2018 and in 2019, and that our properties will perform in line with the moderate growth expectations of our target markets. We will continue to focus on organic growth and value creation opportunities by extracting maximum value from our portfolio, redevelopment and repositioning of select assets in primary markets through property improvement projects, expansion of existing portfolio properties, selective recycling of capital and capitalizing on new development opportunities.

SUBSEQUENT EVENTS

As at September 30, 2018, Artis had $33,796 of cash on hand and $209,974 available on its revolving term credit facilities. Subsequent to September 30, 2018, the following transactions took place:

- On October 5, 2018, the REIT acquired an additional 10% interest in Park Lucero II, an industrial property located in the Greater Phoenix Area, Arizona for total consideration of US$1,582. Prior to the acquisition date, the REIT owned 90% of this investment property and the property was classified as a joint venture.
- On October 19, 2018, the REIT acquired a surface parking lot ancillary to an existing office property in Winnipeg, Manitoba for $10,500.
- On October 31, 2018, the REIT disposed of Centrepoint, an office property located in Winnipeg, Manitoba, held in one of its joint venture arrangements. The sale price of this property at the REIT's interest was $27,250 and a portion of the proceeds were used to repay the outstanding mortgage financing of $18,961.
- The REIT drew aggregate amounts of $30,000 and US$20,300 on its revolving term credit facilities.
- The REIT declared a monthly cash distribution of $0.09 per unit for the month of October 2018.
- The REIT declared a quarterly cash distribution of $0.3125 per Series G Unit for the quarter ending October 31, 2018.
- The REIT declared a quarterly cash distribution of $0.3750 per Series I Unit for the quarter ending October 31, 2018.
- Commencing November 1, 2018, the REIT revised the common unit distribution to $0.045 per unit per month.

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

INTEREST RATE AND DEBT FINANCING

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

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

Artis is also subject to interest rate risk associated with the REIT's credit facilities, mortgages and debentures payable due to the expected requirement to refinance such debts in the year of maturity. The REIT minimizes the risk by restricting debt to 70% of gross book value and by carefully monitoring the amount of variable rate debt. At September 30, 2018, 43.4% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 28.6% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At September 30, 2018, the REIT is a party to $1,497,795 of variable rate debt, including credit facilities (December 31, 2017, $1,580,397). At September 30, 2018, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $757,962 of variable rate debt (December 31, 2017, $756,956). 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 September 30, 2018, the REIT's ratio of secured mortgages and loans to GBV was 29.4%, compared to 29.9% at December 31, 2017. The REIT's ratio of total long-term debt and credit facilities to GBV was 47.5%, compared to 47.9% at December 31, 2017. Approximately 2.5% of Artis' maturing mortgage debt comes up for renewal in 2018, and 19.3% in 2019. Management is in discussion with various lenders with respect to the renewal or refinancing of the remainder of the 2018 mortgage maturities.

FOREIGN CURRENCY RISK

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

CREDIT RISK AND TENANT CONCENTRATION

Artis is exposed to risks relating to tenants that may be unable to pay their contracted rents. Management mitigates this risk by acquiring and owning properties across several asset classes and geographical regions. As well, management seeks to acquire properties with strong tenant covenants in place. Artis' portfolio includes 1,910 tenant leases with a weighted-average term to maturity of 4.8 years. Approximately 54.2% of the REIT's gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is Bell MTS, which is one of Canada's leading national communication companies providing voice services, internet and data services, and television. The second largest tenant by gross revenue is Graham Group Ltd., which provides construction management, general contracting, design build, and public-private partnership services to industrial, commercial, and infrastructure sectors.

Top 20 Tenants by Gross Revenue (1)

Tenant	% of total gross revenue (2)	Owned share of GLA (000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Bell MTS	2.2%	322	1.3%	4.4
Graham Group Ltd.	1.7%	243	1.0%	15.8
AT&T	1.5%	257	1.1%	6.8
WorleyParsons Canada	1.4%	170	0.7%	3.0
Whiting Oil and Gas Corporation	1.2%	223	0.9%	1.1
Bell Canada	1.2%	115	0.5%	10.8
TDS Telecommunications Corporation	1.1%	195	0.8%	6.3
TransAlta Corp	1.1%	336	1.4%	4.7
Home Depot	1.0%	122	0.5%	2.9
Bellatrix Exploration Ltd.	1.0%	94	0.4%	5.3
Shoppers Drug Mart	1.0%	136	0.6%	6.8
Canada Institute for Health Info.	0.9%	92	0.4%	6.9
CB Richard Ellis, Inc.	0.9%	108	0.4%	8.3
Fairview Health Services	0.8%	179	0.7%	4.9
3M Canada Company	0.8%	319	1.3%	1.5
Cara Operations Limited	0.8%	100	0.4%	10.3
TD Canada Trust	0.7%	96	0.4%	1.9
IHS Global Canada Limited	0.7%	59	0.2%	0.3
Co-operators General Insurance	0.7%	93	0.4%	4.3
Sobeys	0.7%	158	0.6%	3.2
Total	21.4%	3,417	14.0%	5.4

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

(2) Total gross revenue is in Canadian and US dollars.

Government Tenants by Gross Revenue (1)

Tenant	% of total gross revenue (2)	Owned share of GLA (000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Federal Government	3.0%	440	1.8%	7.4
Provincial Government	2.0%	287	1.2%	4.0
Civic or Municipal Government	0.4%	91	0.4%	13.6
Total	5.4%	818	3.4%	6.9
Weighted-average term to maturity (entire portfolio)				4.8

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

(2) Total gross revenue is in Canadian and US dollars.

LEASE ROLLOVER RISK

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

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

	Canada						U.S.				
Expiry Year	AB	BC	MB	SK	ON	*Calgary office only*	AZ	MN	WI	Other	Total
2018	1.2%	0.2%	0.7%	0.1%	0.3%	*0.4%*	0.1%	1.0%	0.7%	0.6%	4.9%
2019	1.4%	0.5%	1.5%	0.3%	1.8%	*0.5%*	0.7%	3.5%	0.6%	1.4%	11.7%
2020	1.0%	0.1%	2.4%	0.3%	3.0%	*0.2%*	1.3%	2.6%	1.0%	0.4%	12.1%
2021	2.2%	0.2%	2.4%	0.5%	1.6%	*1.3%*	1.0%	4.8%	0.4%	0.2%	13.3%
2022	1.0%	0.2%	1.1%	1.5%	2.3%	*0.2%*	0.3%	2.6%	0.3%	0.5%	9.8%
2023	2.2%	0.1%	1.1%	0.6%	1.1%	*1.5%*	0.5%	1.7%	0.2%	0.4%	7.9%
2024 & later	4.3%	0.7%	4.6%	2.3%	4.0%	*1.5%*	3.7%	5.5%	2.8%	1.9%	29.8%
Month-to-month	0.1%	0.1%	0.1%	—%	0.3%	*0.1%*	—%	—%	—%	—%	0.6%
Vacant	1.8%	0.1%	1.7%	0.3%	1.3%	*1.3%*	0.4%	0.9%	0.8%	1.0%	8.3%
New development/ redevelopment	0.4%	—%	—%	—%	0.2%	*0.4%*	—%	0.5%	—%	0.5%	1.6%
Total	15.6%	2.2%	15.6%	5.9%	15.9%	*7.4%*	8.0%	23.1%	6.8%	6.9%	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 Proportionate Share Property NOI) are Madison office, Twin Cities Area office, Twin Cities Area industrial, Calgary 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 nine months ended September 30, 2018 and the year ended December 31, 2017. There can be no assurances, however, that the REIT will continue to be able to satisfy the REIT Exception in the future such that the REIT will not be subject to the tax imposed by the SIFT Rules.

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

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

CYBER SECURITY RISK

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

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

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

DEVELOPMENT RISK

Artis is exposed to risks relating to completed developments not being leased or not leased at anticipated rates and the costs of development exceeding original estimates. At September 30, 2018, investment properties under development account for 1.7% of Artis' total investment properties (December 31, 2017, 1.7%).

OTHER RISKS

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

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

CRITICAL ACCOUNTING ESTIMATES

The policies that the REIT's management believes are the most subject to estimation and judgment are set out in the REIT's Management Discussion and Analysis for the year ended December 31, 2017.

CHANGES IN ACCOUNTING STANDARDS

New or Revised Accounting Standards Adopted During the Period

The IASB issued IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") in May 2014. IFRS 15 provides a single, principles based five-step model to be applied to the recognition of revenue from contracts with customers. IFRS 15 replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue*, IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate* and SIC 31 – *Revenue - Barter Transactions Involving Advertising Services*. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. IFRS 15 excludes contracts that are within the scope of IAS 17 - *Leases*, IFRS 4 - *Insurance Contracts* and IFRS 9 - *Financial Instruments*.

The REIT has completed its evaluation of the impact of IFRS 15 on its consolidated financial statements. The REIT's most material revenue category of base rental revenue is outside the scope of this standard. The only significant revenue category falling under IFRS 15 relates to property operating and realty tax cost recoveries. The REIT's practices of revenue recognition are unchanged upon adoption of this standard, therefore, the adoption of IFRS 15 did not result in a material impact to the consolidated financial statements. The REIT has elected to apply the standard on a modified retrospective basis. Under this approach, the 2017 comparative period was not restated. There was no cumulative transitional adjustment to the opening retained earnings balance required. The impact was limited to additional note disclosure on the disaggregation of its revenue categories, specifically as it relates to property operating and realty tax cost recoveries.

A revised version of IFRS 9 – *Financial Instruments* ("IFRS 9") was issued by the IASB in July 2014, replacing IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 establishes principles for the recognition, classification and measurement of financial assets and liabilities. IFRS 9 sets out a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of its financial assets. IFRS 9 retains most of the IAS 39 requirements for financial liabilities. The most significant change is when an entity elects to measure a financial liability at fair value, any gains or losses for the financial liability due to changes in an entity's credit risk must be recognized in other comprehensive income.

The following table summarizes the classification impacts of the adoption of IFRS 9. This adoption did not result in any changes to the measurement of the REIT's consolidated financial statements.

Financial instrument	Previous classification under IAS 39	New classification under IFRS 9
Financial assets:		
Notes receivable	Loans and receivables	Amortized cost
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Accounts receivable and other receivables	Loans and receivables	Amortized cost
Cash held in trust	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
Financial liabilities:		
Mortgages and loans payable	Other liabilities	Amortized cost
Senior unsecured debentures	Other liabilities	Amortized cost
Credit facilities	Other liabilities	Amortized cost
Preferred shares/units liabilities	Other liabilities	Amortized cost
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Accounts payable and other liabilities	Other liabilities	Amortized cost

IFRS 9 uses an expected credit loss ("ECL") model on financial assets measured at amortized cost and financial liabilities that are financial guarantee contracts or commitments to provide a loan at a below-market interest rate. The measurement options for the ECL are lifetime expected credit losses and 12-month expected credit losses. The ECL model is based on an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. As the REIT will follow the simplified approach of always measuring the loss allowance for trade receivables, contract assets and lease receivables at the lifetime ECL, IFRS 9 did not have a material impact on the REIT's note receivables and accounts receivables and other receivables balances.

The REIT does not have any instruments that are designated in a hedge relationship; therefore, the new general hedge accounting model included in IFRS 9 has not impacted the consolidated financial statements.

The REIT adopted IFRS 9 on the required effective date of January 1, 2018 and applied the standard on a retrospective basis using the available transitional provisions. Under this approach, the 2017 comparative period was not restated. There was no cumulative transitional adjustment to the opening retained earnings balance required.

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

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

In December 2016, the IASB amended IAS 40 - *Investment Property*. The amendments clarify that an asset be transferred to, or from, investment property only when there is a change in use, and are effective for annual periods beginning on or after January 1, 2018. These amendments did not result in a material impact to the consolidated financial statements.

In December 2016, the IASB issued *Annual Improvements to IFRS Standards 2014-2016 Cycle* effective for annual periods beginning on or after January 1, 2018. These amendments did not result in a material impact to the consolidated financial statements.

Future Changes in Accounting Standards

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*. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees. The REIT is completing its assessment of existing lease arrangements that would be capitalized under the new standard and the initial quantification of the existing obligations is not significant to the REIT's financial position. As the changes in IFRS 16 do not materially impact the lessor accounting model, the REIT expects the adoption of this new standard will have no significant impact on its consolidated financial statements. The REIT expects to complete the assessment by December 31, 2018.

CONTROLS AND PROCEDURES

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") evaluated, or caused to be evaluated, the design of the REIT's internal controls over financial reporting (as defined in NI 52-109). Based on this evaluation, the CEO and CFO have concluded that, as at September 30, 2018, the design of our internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. No changes were made in the REIT's design of internal controls over financial reporting during the nine months ended September 30, 2018, that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES

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

As of September 30, 2018, an evaluation was carried out, under the supervision of and with the participation of management, including the CEO and CFO, of the effectiveness of the REIT's disclosure controls and procedures (as defined in NI 52-109). Based on the evaluation, the CEO and CFO have concluded that the REIT's disclosure controls and procedures were effective for the nine months ended September 30, 2018.