



# Management's Discussion and Analysis Q1-19

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

# Management's Discussion and Analysis - Q1-19

(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 months ended March 31, 2019 and 2018, the audited annual consolidated financial statements for the years ended December 31, 2018 and 2017, 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 May 9, 2019. 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](http://www.sedar.com) or on our website at [www.artisreit.com](http://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. 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.

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

Artis calculated 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.

### **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 and properties that are unconditionally sold. 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 in accordance with the guidelines set out by the Real Property Association of Canada ("REALpac"), as issued in February 2019. 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 in accordance with the guidelines set out by REALpac, as issued in February 2019. 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.

### **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 ("U.S.") on the OTCQX Best Market ("OTCQX"), under the symbol ARESF. As at May 9, 2019, there were 142,181,322 common units, 15,508,200 preferred units, 542,915 restricted units and 130,437 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 annually is currently \$0.54 per common unit and is set by the Board of Trustees (the "Board" or "Trustees") in accordance with the Declaration of Trust.

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

- **Strategic Asset Ownership.** Artis' portfolio of office, retail and industrial real estate is strategically and diversely located in select primary and secondary markets in Canada and the 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.

## UPDATE ON NEW INITIATIVES

In November 2018, we announced several new initiatives that are focused on improving our growth profile, strengthening our balance sheet and ensuring the REIT is best positioned for long-term and sustainable AFFO and NAV per unit growth. These initiatives included revising the REIT's distribution, immediately and continually purchasing units under the normal course issuer bid ("NCIB"), optimizing our portfolio by narrowing our focus to key assets in fewer markets, and pursuing high-yield, accretive development projects in our target markets that will improve the value and quality of our portfolio.

### NCIB Activity

During the first quarter of 2019, we purchased 5,605,812 common units at a weighted-average price of \$10.57, and 95,900 preferred units at a weighted-average price of \$20.90 under our NCIB program. From November 1, 2018, when we announced our intention to purchase units under our NCIB until May 9, 2019, we have purchased 11,646,867 common units at a weighted-average price of \$10.36, and 141,800 preferred units at a weighted-average price of \$20.87.

### Property Dispositions

In November 2018, we announced our intention to sell between \$800,000 to \$1,000,000 of non-core assets over the following three years. From the date of this announcement until May 9, 2019, we have sold our 50% interest in Centrepont, an office property (held under a joint venture arrangement) in Winnipeg, Manitoba, for \$27,250 and 169 Inverness Drive West I, an office property in the Greater Denver Area, Colorado (along with excess development land at the site) for US\$27,000. We have also

entered into unconditional agreements to sell Britannia Building, an office property in Calgary, Alberta, 1700 Broadway, an office property in Denver, Colorado, Reenders Square, a retail property in Winnipeg, Manitoba, for aggregate sale prices of \$31,200 and US\$78,000. In addition to these unconditional sales, we have numerous properties that are listed for sale and are being actively marketed by qualified brokers in the respective markets. At March 31, 2019, we had 22 properties (along with, in some cases, excess land for development) classified as held for sale, including nine office properties and 13 retail properties that have a total fair value of \$518,405 (including properties that were unconditionally sold at May 9, 2019). Subsequent to March 31, 2019, we classified an additional eight investment properties and one parcel of development land with an aggregate fair value of \$345,162 as held for sale.

## FIRST QUARTER OVERVIEW

At March 31, 2019, our portfolio occupancy (including commitments) increased to 94.1% from 93.7% at December 31, 2018, and 93.1% at March 31, 2018. Same Property NOI period-over-period for the three months ended March 31 increased 5.1%, or 5.7% for stabilized properties. During the first quarter, we completed 332,258 square feet of lease renewal transactions. The weighted-average change in renewal rents compared to the expiring rents in Q1-19 was a decrease of 1.9% (decrease of 1.3% excluding Calgary office renewals). Our leasing team continues to work diligently on our upcoming renewals and leasing program.

## Environmental, Social and Governance ("ESG") Practices

### *Environmental Practices*

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 March 31, 2019, we had 18 properties with a Leadership in Energy and Environmental Design ("LEED") certification, 26 properties with a Building Owners and Managers Association ("BOMA") Building Environmental Standards ("BEST") certification and 21 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](http://www.artisreit.com).

### *Social Practices*

Artis demonstrates social responsibility through its relationships with employees, tenants and the communities in which we operate. Artis is committed to fostering a diverse, inclusive and safe work environment. Employees make meaningful contributions to local charities through fundraising activities and by volunteering their time. The REIT's social committee and health and wellness committee provide opportunities for social engagement and an array of valuable information on health and wellness. This focus on a positive culture in the workplace and strong community relationships fosters an environment that is conducive to an engaged and dedicated workforce.

### *Governance Practices*

Artis' Board has conducted a comprehensive strategic review of our corporate governance practices and executive compensation to better align the REIT with industry best practices. As part of this review, our Governance and Compensation Committee conducted a widespread unitholder outreach campaign that focused on engaging in open and active dialogue with unitholders to elicit input and feedback. As a result of this review, the Board approved the following policies and initiatives:

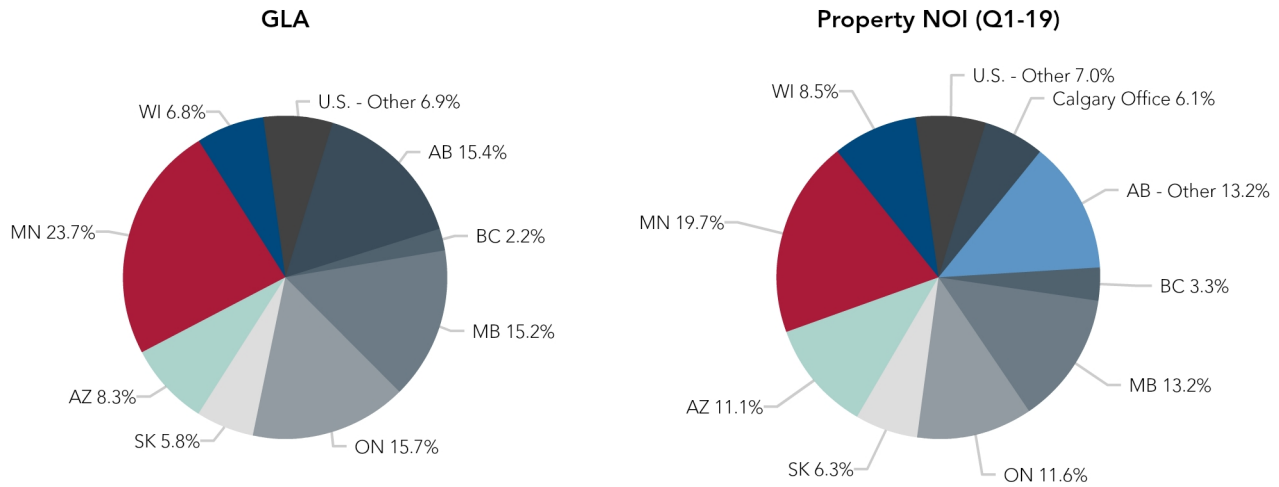
- a diversity policy which requires that, no later than the 2020 annual general meeting, at least 20% of the Trustees are female, a target which was achieved at the 2018 Annual General Meeting;
- a board renewal policy pursuant to which one trustee did not stand for re-election at the 2018 Annual General Meeting, and three new trustees were elected;
- the introduction of performance-based compensation for executives, which will be subject to objectively measurable criteria, commencing in the 2018 fiscal year;
- the adoption of a policy that requires employment contracts for new executives joining Artis or one of its subsidiaries to contain a "double-trigger" provision in the event of a "change of control" with a maximum severance multiplier of 2.0 of base salary and bonuses; and
- the submission to unitholders of a non-binding "say on pay" vote on an annual basis, commencing no later than Artis' 2019 annual general meeting with respect to compensation practices for the 2018 year.

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

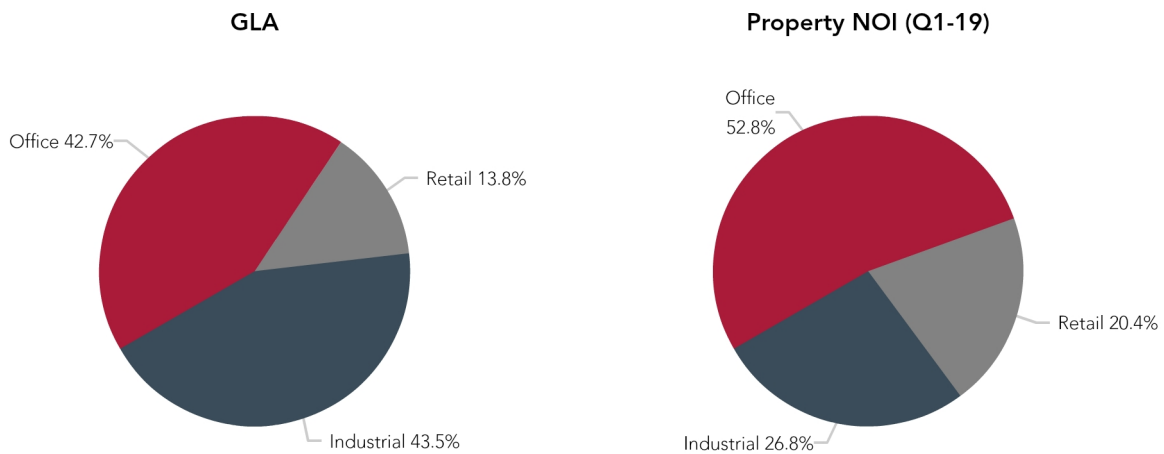
## PORTFOLIO SUMMARY

At March 31, 2019, the REIT's portfolio was comprised of 235 commercial properties (inclusive of properties held in joint venture arrangements) totalling approximately 25.1 million square feet ("S.F.") of gross leasable area ("GLA").

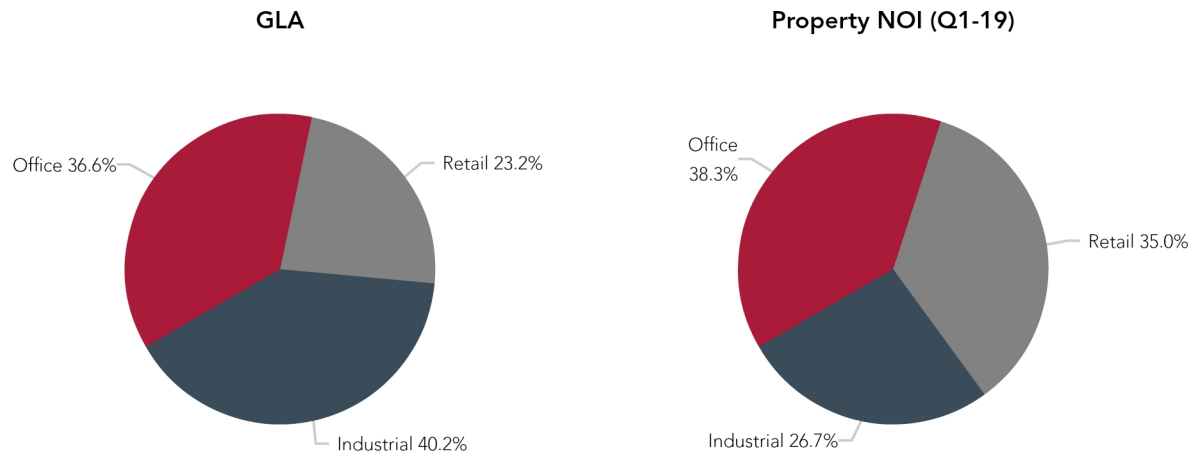
### Diversification by Geographical Region (Proportionate Share basis)



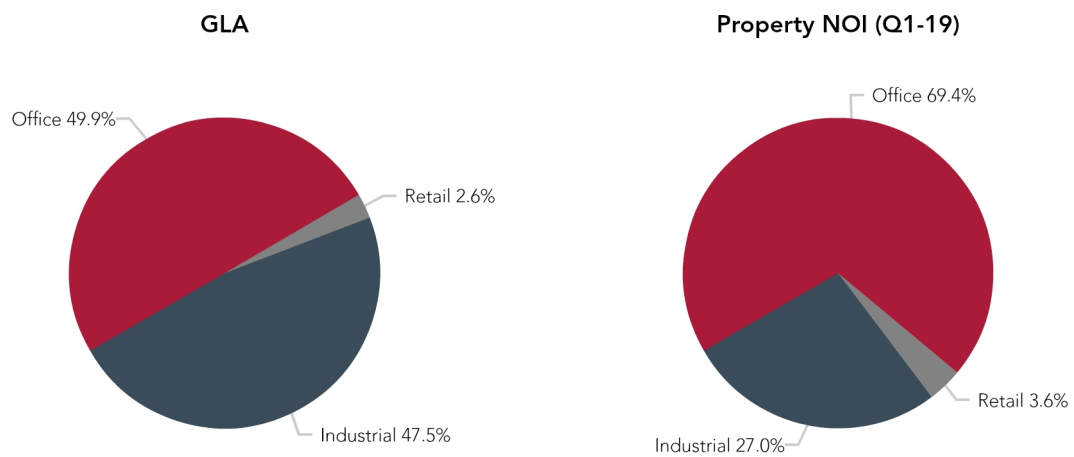
### Diversification by Asset Class - Total Canadian and U.S. Portfolio (Proportionate Share basis)



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



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





Portfolio by Asset Class <sup>(1)</sup>

Asset class	City	Province / State	Property count	Owned share of GLA (000's of S.F.)	% of portfolio GLA	% Occupied	% Committed <sup>(2)</sup>
Canadian portfolio:							
Office	Calgary	AB	12	1,744	6.9%	77.2%	79.5%
	Greater Edmonton Area	AB	1	48	0.2%	97.5%	97.5%
	Greater Toronto Area	ON	7	1,085	4.3%	87.1%	90.6%
	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	1.1%	96.7%	100.0%
	Saskatoon	SK	1	64	0.3%	100.0%	100.0%
	Winnipeg	MB	9	1,465	5.8%	83.4%	89.8%
Office total			35	4,895	19.5%	83.8%	87.5%
Retail	Calgary	AB	5	345	1.3%	97.9%	98.2%
	Estevan	SK	2	175	0.7%	86.9%	91.5%
	Fort McMurray	AB	8	195	0.8%	93.7%	94.4%
	Grande Prairie	AB	5	365	1.5%	68.5%	68.5%
	Greater Edmonton Area	AB	5	440	1.8%	99.6%	99.6%
	Greater Vancouver Area	BC	1	165	0.6%	99.1%	99.5%
	Nanaimo	BC	3	74	0.3%	94.7%	94.7%
	Regina	SK	8	533	2.1%	93.4%	93.8%
	Saskatoon	SK	3	219	0.8%	98.1%	98.1%
	Winnipeg	MB	7	654	2.7%	97.3%	97.6%
Retail total			47	3,165	12.6%	93.0%	93.5%
Industrial	Calgary	AB	6	362	1.4%	100.0%	100.0%
	Greater Edmonton Area	AB	3	156	0.6%	100.0%	100.0%
	Greater Toronto Area	ON	28	2,527	10.1%	96.6%	99.6%
	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	1,690	6.7%	95.2%	98.0%
Industrial total			75	5,429	21.6%	96.5%	98.7%
Total Canadian portfolio			157	13,489	53.7%	91.0%	93.4%
U.S. portfolio:							
Office	Greater Denver Area	CO	4	917	3.7%	90.3%	91.4%
	Greater Phoenix Area	AZ	6	1,173	4.6%	92.7%	93.5%
	Madison	WI	16	1,697	6.8%	88.2%	92.1%
	New Hartford	NY	1	123	0.5%	67.4%	67.4%
	Twin Cities Area	MN	7	1,695	6.7%	91.4%	91.9%
Office total			34	5,605	22.3%	90.0%	91.7%
Retail	Twin Cities Area	MN	7	298	1.2%	92.4%	92.4%
Industrial	Greater Denver Area	CO	1	138	0.5%	100.0%	100.0%
	Greater Phoenix Area	AZ	6	840	3.3%	96.6%	100.0%
	Twin Cities Area	MN	25	3,952	15.8%	97.1%	98.3%
	Greater Houston Area	TX	1	418	1.7%	88.5%	95.7%
Industrial total			33	5,348	21.3%	96.4%	98.4%
Total U.S. portfolio			74	11,251	44.8%	93.1%	94.9%
Total Canadian and U.S. portfolio			231	24,740	98.5%	92.0%	94.1%

(1) Information is as at March 31, 2019, 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 March 31, 2019, 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 % <sup>(1)</sup>
Office	Calgary	AB	1	92	0.4%	Sierra Place	5.4%
Industrial	Greater Toronto Area	ON	1	53	0.2%	2145-2155 Dunwin Drive	55.1%
Total properties held for redevelopment			2	145	0.6%		23.6%

(1) Percentage committed is based on occupancy at March 31, 2019, plus commitments on vacant space.

Redevelopment plans are underway to convert Sierra Place, located in Calgary, Alberta, from an office property to a multi-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 in 2019.

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 2019. Interest in these commercial condominium units is strong.

New Development Activity <sup>(1)</sup>

Asset class	City	Province / State	Property count	Owned share of GLA (000's of S.F.)	% of portfolio GLA	Property	Completed %	Committed % <sup>(2)</sup>
Office	Greater Denver Area	CO	1	119	0.5%	169 Inverness Drive West I	100.0%	0.0%
Industrial	Greater Phoenix Area	AZ	1	96	0.4%	Park Lucero IV	100.0%	100.0%
Total completed new developments			2	215	0.9%			
Industrial	Greater Denver Area	CO	1	336	—%	Tower Business Center	85.0%	—%
Industrial	Greater Houston Area	TX	1	519	—%	Cedar Port I	85.0%	100.0%
Industrial	Greater Houston Area	TX	1	33	—%	Park 8Ninety III	80.0%	100.0%
Industrial	Greater Houston Area	TX	1	543	—%	Park 8Ninety II	65.0%	40.0%
Retail	Winnipeg	MB	1	27	—%	330 Main	35.0%	90.0%
Residential/ Commercial	Winnipeg	MB	1	580	—%	300 Main	11.1%	—%
Total new developments in process <sup>(3)</sup>			6	2,038				

(1) Information is at March 31, 2019, and includes properties held in joint venture arrangements.

(2) Percentage committed is based on occupancy at March 31, 2019, 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.

In Q1-18, Artis completed base-building construction of 169 Inverness Drive West I, an office development situated on a 10 acre parcel of land adjacent to the AT&T Building in the Greater Denver Area, Colorado. This building and the excess development land, 169 Inverness Drive West II, were sold on April 9, 2019.

Artis has completed construction of all four phases of Park Lucero, an industrial development project located in the Greater Phoenix Area, Arizona. The four completed phases, which total approximately 583,000 square feet, are 100% leased. In Q4-18, Artis completed base-building construction of Park Lucero IV, a 96,000 square foot rear-load building, and leased the entire building to a single tenant pursuant to a lease commencing in Q2-19. Tenant improvement work is under way.

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 I was completed in Q2-17, comprising three buildings and totalling approximately 440,000 square feet. Site work began in Q2-18 for the Park 8Ninety II and Park 8Ninety III developments on the land. Park 8Ninety II is expected to comprise approximately 572,000 square feet, while Park 8Ninety III is expected to comprise 33,000 square feet and is 100% leased to a national tenant pursuant to a long-term lease. Both projects are expected to be complete in mid-2019. Artis has a 95% ownership interest in Park 8Ninety I and Park 8Ninety II (in the form of joint venture arrangements).

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 the first phase 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), an 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 market. Construction 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 300 Main and 330 Main, two new projects that will span nearly one city block in downtown Winnipeg, Manitoba, is under way. 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

Asset class	City	Province / State	Estimated owned share of GLA (000's of S.F.)	Property
Industrial	Greater Houston Area	TX	520	Cedar Port II
Industrial	Greater Houston Area	TX	688	Park 8Ninety - Future Phases
Office	Madison	WI	43	1630 Aspen
Office	Madison	WI	244	Heartland Trail Land

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

### Rezoning and Densification Initiatives

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.

Artis is exploring opportunities for a densification project at Poco Place in Port Coquitlam, British Columbia. The site provides access to major transportation routes and frontage on four streets, including Lougheed Highway, an east-west arterial corridor. Preliminary plans to build 600 to 900 apartment units are underway.

These projects will be planned for sale once rezoning and densification entitlements are achieved. Additional information about these projects will be released as progress is made.

Stampede Station II development land on Macleod Trail in Calgary, Alberta, has been rezoned from office to multi-residential. The original plan for a 300,000 square foot office project has been changed to a 30-storey multi-family project with 300 suites. This land has been classified as held for sale at March 31, 2019.

## 2019 - FIRST QUARTER HIGHLIGHTS

### FINANCING ACTIVITIES

#### Senior Unsecured Debentures

On February 7, 2019, the REIT entered into an interest rate swap agreement for the Series B senior unsecured debentures, effectively fixing the interest rate at 3.354%.

On February 22, 2019, under its August 23, 2018 short form base shelf prospectus, Artis issued two-year Series C fixed rate senior unsecured debentures for gross proceeds of \$250,000. These debentures bear interest at 3.674%.

On March 27, 2019, the REIT completed the redemption of the outstanding 3.753% Series A senior unsecured debentures with a face value of \$200,000.

#### Unsecured Revolving Term Credit Facilities

During Q1-19, Artis drew a net balance of \$40,862 on its revolving credit facilities. Proceeds of the revolving credit facilities were primarily used for the repayment of a maturing mortgage, ongoing development expenditures and unit purchases under the NCIB.

#### Mortgage Debt Financing and Repayment Activity

During Q1-19, Artis repaid one maturing mortgage in the amount of \$14,974 and drew on a development loan, net of financing costs, in the amount of \$79.

#### Normal Course Issuer Bid

In Q1-19, Artis utilized the NCIB to purchase 5,605,812 common units for an aggregate market price of \$59,271 and 32,200 Series A, 34,500 Series E and 29,200 Series G preferred units for an aggregate market price of \$2,004.

#### Short Form Base Shelf Prospectus

On August 23, 2018, the REIT issued a short form base shelf prospectus. The REIT may from time to time during the 25-month period that this short form base shelf prospectus is valid, offer and issue the following securities up to a maximum of \$1,000,000 (i) common units of the REIT; (ii) preferred 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 March 31, 2019, the REIT had issued senior unsecured debentures under one offering in the amount of \$250,000 under this short form base shelf prospectus.

### DISTRIBUTIONS

Artis declared distributions of \$25,252 to unitholders in Q1-19, which included distributions to preferred unitholders in the amount of \$5,434.

## SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	Three months ended March 31,			Change	% Change
	2019	2018			
Revenue	\$ 133,547	\$ 125,769	\$ 7,778		6.2 %
Property NOI	78,478	74,965	3,513		4.7 %
Net income	25,356	50,722	(25,366)		(50.0)%
Total comprehensive (loss) income	(4,508)	85,232	(89,740)		(105.3)%
Basic income per common unit	0.13	0.30	(0.17)		(56.7)%
Diluted income per common unit	0.13	0.29	(0.16)		(55.2)%
Distributions to common unitholders	\$ 19,818	\$ 40,951	\$ (21,133)		(51.6)%
Distributions per common unit	0.14	0.27	(0.13)		(48.1)%
FFO <sup>(1)</sup>	\$ 50,284	\$ 42,347	\$ 7,937		18.7 %
FFO per unit <sup>(1)</sup>	0.34	0.28	0.06		21.4 %
FFO payout ratio <sup>(1)</sup>	41.2%	96.4%			(55.2)%
Normalized FFO <sup>(1) (2)</sup>	\$ 50,284	\$ 50,764	\$ (480)		(0.9)%
Normalized FFO per unit <sup>(1) (2)</sup>	0.34	0.33	0.01		3.0 %
Normalized FFO payout ratio <sup>(1) (2)</sup>	41.2%	81.8%			(40.6)%
AFFO <sup>(1)</sup>	\$ 37,607	\$ 29,580	\$ 8,027		27.1 %
AFFO per unit <sup>(1)</sup>	0.25	0.19	0.06		31.6 %
AFFO payout ratio <sup>(1)</sup>	56.0%	142.1%			(86.1)%
Normalized AFFO <sup>(1) (2)</sup>	\$ 37,607	\$ 37,997	\$ (390)		(1.0)%
Normalized AFFO per unit <sup>(1) (2)</sup>	0.25	0.25	0.00		0.0 %
Normalized AFFO payout ratio <sup>(1) (2)</sup>	56.0%	108.0%			(52.0)%

(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 in Q1-18. Please refer to the FFO and AFFO section of this MD&A for further discussion of these adjustments.

Revenue, Property NOI, FFO and AFFO were primarily impacted by acquisitions and (re)developments completed in 2018, period-over-period Same Property NOI growth and a higher US dollar to Canadian dollar average exchange rate of 1.3292 in Q1-19 compared to 1.2648 in Q1-18, partially offset by dispositions completed in 2018.

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.

The largest contributors to the decrease in net income and total comprehensive (loss) income were foreign currency translations and the fair value changes on investment properties and derivative instruments and other transactions.

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		Change	% Change
	2019	March 31, 2018		
Interest coverage ratio	2.74	2.93	(0.19)	(6.5)%
Normalized interest coverage ratio <sup>(1)</sup>	2.74	3.08	(0.34)	(11.0)%
EBITDA interest coverage ratio	3.10	3.31	(0.21)	(6.3)%
Normalized EBITDA interest coverage ratio <sup>(1)</sup>	3.10	3.46	(0.36)	(10.4)%

	March 31, 2019	December 31, 2018	% Change
000's, except per unit amounts			
Secured mortgages and loans to GBV	28.8%	29.4%	(0.6)%
Total long-term debt and credit facilities to GBV	50.9%	49.9%	1.0 %
Total long-term debt and credit facilities to EBITDA	8.9	8.7	2.3 %
Total long-term debt and credit facilities to normalized EBITDA	8.9	8.7	2.3 %
NAV per unit	\$ 15.55	\$ 15.55	0.0 %
Fair value of unencumbered assets	\$ 1,867,277	\$ 1,805,382	3.4 %
Total assets	\$ 5,676,308	\$ 5,717,177	(0.7)%
Total non-current financial liabilities	2,244,999	2,252,874	(0.3)%

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		Change	% Change
	2019	March 31, 2018		
Interest coverage ratio	2.72	2.89	(0.17)	(5.9)%
Normalized interest coverage ratio <sup>(1)</sup>	2.72	3.02	(0.30)	(9.9)%
EBITDA interest coverage ratio	2.96	3.12	(0.16)	(5.1)%
Normalized EBITDA interest coverage ratio <sup>(1)</sup>	2.96	3.26	(0.30)	(9.2)%
	March 31, 2019	December 31, 2018	% Change	
Secured mortgages and loans to GBV	30.2%	30.6%	(0.4)%	
Total long-term debt and credit facilities to GBV	51.7%	50.6%	1.1 %	
Total long-term debt and credit facilities to EBITDA	9.2	9.0	2.2 %	
Total long-term debt and credit facilities to normalized EBITDA	9.2	9.0	2.2 %	
Fair value of unencumbered assets	\$ 1,910,221	\$ 1,847,443	3.4 %	
Total assets	\$ 5,818,441	\$ 5,841,846	(0.4)%	
Total non-current financial liabilities	2,305,333	2,296,891	0.4 %	

(1) Normalized interest coverage ratio and normalized EBITDA interest coverage ratio exclude certain non-recurring adjustments in Q1-18. Please refer to the Income Statement Metrics section of this MD&A for further discussion of these adjustments.

## 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 March 31,					
		2019			2018		
	Per consolidated financial statements	Adjustment <sup>(1)</sup>	Total Proportionate Share	Per consolidated financial statements	Adjustment <sup>(1)</sup>	Total Proportionate Share	
Revenue	\$ 133,547	\$ 5,042	\$ 138,589	\$ 125,769	\$ 6,476	\$ 132,245	
Expenses:							
Property operating	34,480	1,311	35,791	30,800	1,948	32,748	
Realty taxes	20,589	1,077	21,666	20,004	1,191	21,195	
	55,069	2,388	57,457	50,804	3,139	53,943	
Net operating income	78,478	2,654	81,132	74,965	3,337	78,302	
Other income (expenses):							
Corporate expenses	(4,117)	—	(4,117)	(6,301)	—	(6,301)	
Interest expense	(27,252)	(1,193)	(28,445)	(23,614)	(1,540)	(25,154)	
Interest income	441	2	443	585	2	587	
Net income from investments in joint ventures	2,657	(2,657)	—	5,021	(5,021)	—	
Fair value (loss) gain on investment properties	(18,527)	1,194	(17,333)	(5,932)	1,525	(4,407)	
Foreign currency translation gain (loss)	6,713	—	6,713	(2,167)	—	(2,167)	
Transaction costs	—	—	—	(5,676)	—	(5,676)	
Fair value (loss) gain on derivative instruments and other transactions	(12,345)	—	(12,345)	13,954	1,697	15,651	
Income before income taxes	26,048	—	26,048	50,835	—	50,835	
Income tax expense	(692)	—	(692)	(113)	—	(113)	
Net income	25,356	—	25,356	50,722	—	50,722	
Other comprehensive (loss) income:							
Unrealized foreign currency translation (loss) gain	(27,788)	(2,478)	(30,266)	31,228	3,282	34,510	
Unrealized foreign currency translation (loss) gain on joint ventures	(2,478)	2,478	—	3,282	(3,282)	—	
Unrealized gain from remeasurements of net pension obligation	402	—	402	—	—	—	
	(29,864)	—	(29,864)	34,510	—	34,510	
Total comprehensive (loss) income	\$ (4,508)	\$ —	\$ (4,508)	\$ 85,232	\$ —	\$ 85,232	

(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 March 31,		Three months ended March 31,	
	2019	2018	2019	2018
Property NOI	\$ 78,478	\$ 74,965	\$ 81,132	\$ 78,302
Interest income	441	585	443	587
Corporate expenses	(4,117)	(6,301)	(4,117)	(6,301)
	74,802	69,249	77,458	72,588
Interest expense	\$ 27,252	\$ 23,614	\$ 28,445	\$ 25,154
Interest coverage ratio	2.74	2.93	2.72	2.89
Normalized interest coverage ratio <sup>(1)</sup>	2.74	3.08	2.72	3.02

## Quarterly EBITDA Interest Coverage Ratio

	IFRS		Proportionate Share	
	Three months ended March 31,		Three months ended March 31,	
	2019	2018	2019	2018
Net income	\$ 25,356	\$ 50,722	\$ 25,356	\$ 50,722
Add (deduct):				
Tenant inducements amortized to revenue	5,465	4,798	5,689	5,101
Straight-line rent adjustments	(1,513)	(1,577)	(1,764)	(1,797)
Interest expense	27,252	23,614	28,445	25,154
Adjustment for investments in joint ventures <sup>(2)</sup>	(28)	(1,599)	—	—
Fair value loss on investment properties	18,527	5,932	17,333	4,407
Foreign currency translation (gain) loss	(6,713)	2,167	(6,713)	2,167
Transaction costs	—	5,676	—	5,676
Fair value loss (gain) on derivative instruments and other transactions	12,345	(13,954)	12,345	(15,651)
Depreciation of property and equipment	270	263	270	263
Income tax expense	692	113	692	113
EBITDA	81,653	76,155	81,653	76,155
Interest expense	27,252	23,614	28,445	25,154
Add (deduct):				
Amortization of financing costs	(954)	(842)	(985)	(955)
Amortization of above- and below-market mortgages, net	29	180	29	180
Accretion on liability component of debentures	51	53	51	53
Adjusted interest expense	\$ 26,378	\$ 23,005	\$ 27,540	\$ 24,432
EBITDA interest coverage ratio	3.10	3.31	2.96	3.12
Normalized EBITDA <sup>(1)</sup>	\$ 81,653	\$ 79,547	\$ 81,653	\$ 79,547
Normalized EBITDA interest coverage ratio <sup>(1)</sup>	3.10	3.46	2.96	3.26

(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 March 31,						
2019				2018		
	IFRS	Adjustment <sup>(1)</sup>	Total Proportionate Share	IFRS	Adjustment <sup>(1)</sup>	Total Proportionate Share
Revenue:						
Rental income	\$ 137,451	\$ 5,015	\$ 142,466	\$ 126,867	\$ 6,529	\$ 133,396
Tenant inducements amortized to revenue	(5,465)	(224)	(5,689)	(4,798)	(303)	(5,101)
Straight-line rent adjustments	1,513	251	1,764	1,577	220	1,797
Lease termination income	48	—	48	2,123	30	2,153
	133,547	5,042	138,589	125,769	6,476	132,245
Property operating and realty tax expenses	55,069	2,388	57,457	50,804	3,139	53,943
Property NOI	\$ 78,478	\$ 2,654	\$ 81,132	\$ 74,965	\$ 3,337	\$ 78,302

(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 <sup>(1)</sup>**

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. In Q1-19, Same Property NOI excludes Britannia Building, an office property in Calgary, Alberta and 1700 Broadway, an office property in Denver, Colorado, both of which were under unconditional sale agreements at March 31, 2019.

	Three months ended March 31,		Change	% Change
	2019	2018		
Property NOI	\$ 81,132	\$ 78,302		
Add (deduct) Property NOI from:				
Acquisitions	(3,257)	(130)		
Dispositions and unconditional dispositions	(2,154)	(2,750)		
(Re)development properties	192	10		
Other <sup>(2)</sup>	(193)	(2,172)		
	(5,412)	(5,042)		
Straight-line rent adjustments	(1,429)	(1,742)		
Tenant inducements amortized to revenue	5,599	4,509		
Same Property NOI	\$ 79,890	\$ 76,027	\$ 3,863	5.1%

(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 <sup>(1)</sup>**

	Three months ended March 31,		Change	% Change
	2019	2018		
Canada:				
Office	\$ 19,144	\$ 18,477	\$ 667	3.6 %
Retail	15,411	15,266	145	0.9 %
Industrial	11,546	11,167	379	3.4 %
Total Canada	46,101	44,910	1,191	2.7 %
U.S.:				
Office	16,616	16,475	141	0.9 %
Retail	1,130	1,157	(27)	(2.3)%
Industrial	7,675	6,972	703	10.1 %
Total U.S.	25,421	24,604	817	3.3 %
Total in functional currency	71,522	69,514	2,008	2.9 %
Foreign exchange	8,368	6,513	1,855	28.5 %
Total in Canadian dollars	\$ 79,890	\$ 76,027	\$ 3,863	5.1 %

(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.

Artis' Canadian office segment increased \$667 period-over-period. Excluding the impact of the Calgary office properties, the Canadian office segment increased \$981 or 8.2% period-over-period.

### Same Property Occupancy Report <sup>(1)</sup>

Geographical Region	As at March 31,		Asset Class	As at March 31,	
	2019	2018		2019	2018
Alberta	87.4%	84.7%	Office	88.2%	86.2%
British Columbia	98.5%	93.8%	Retail	90.1%	88.8%
Manitoba	91.0%	89.1%	Industrial	96.4%	93.1%
Ontario	93.9%	95.0%			
Saskatchewan	95.7%	90.2%	Total	92.3%	89.8%
Arizona	94.3%	91.3%			
Minnesota	95.1%	93.7%			
Wisconsin	88.2%	88.8%			
U.S. - Other	87.8%	69.1%			
Total	92.3%	89.8%			

(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 <sup>(1)</sup>

	Three months ended		Change	% Change
	2019	March 31, 2018		
Alberta	\$ 16,967	\$ 17,209	\$ (242)	(1.4)%
British Columbia	2,592	2,337	255	10.9 %
Manitoba	11,618	11,122	496	4.5 %
Ontario	9,710	9,398	312	3.3 %
Saskatchewan	5,214	4,844	370	7.6 %
Arizona	5,719	5,073	646	12.7 %
Minnesota	11,692	11,270	422	3.7 %
Wisconsin	5,309	5,503	(194)	(3.5)%
U.S. - Other	2,701	2,758	(57)	(2.1)%
Total Same Property NOI in functional currency	71,522	69,514	2,008	2.9 %
Less: properties planned for disposition	(4,107)	(3,716)	(391)	10.5 %
Less: Calgary properties planned for disposition	(904)	(1,508)	604	(40.1)%
Less: Calgary office segment	(5,257)	(4,967)	(290)	5.8 %
Stabilized Same Property NOI in functional currency	61,254	59,323	1,931	3.3 %
Foreign exchange	7,996	6,207	1,789	28.8 %
Stabilized Same Property NOI in Canadian dollars	\$ 69,250	\$ 65,530	\$ 3,720	5.7 %

(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 and the Calgary office segment.

Properties planned for disposition include 13 retail properties and six office properties. Two of these office properties are located in Calgary, Alberta.

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. As at March 31, 2019, the REIT had one Calgary office property which was unconditionally sold and two Calgary office properties planned for disposition.

### PROPERTY NOI BY ASSET CLASS

#### Canadian Portfolio:

In Q1-19, Proportionate Share Property NOI decreased \$3,107 in the office segment, increased \$321 in the retail segment, and increased \$203 in the industrial segment compared to Q1-18. The office segment decreased due to dispositions in 2018 and lease termination income received from a tenant in a Calgary office property in Q1-18. This surrendered space was fully re-leased to a tenant with a long-term lease.

	Three months ended March 31,					
	2019			2018		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	\$ 16,701	\$ 15,239	\$ 10,273	\$ 19,428	\$ 14,918	\$ 10,070
Property NOI from investments in joint ventures	(4)	—	1,352	376	—	1,352
Proportionate Share Property NOI	\$ 16,697	\$ 15,239	\$ 11,625	\$ 19,804	\$ 14,918	\$ 11,422
% of Proportionate Share Property NOI	38.3%	35.0%	26.7%	42.9%	32.3%	24.8%

#### U.S. Portfolio:

In Q1-19, Proportionate Share Property NOI increased \$4,127 in the office segment, decreased \$1 in the retail segment, and increased \$1,307 in the industrial segment compared to Q1-18. The office segment increased primarily due to acquisitions in 2018, including the Q1-18 acquisition of the remaining 50% interest of two office properties located in Denver, Colorado. The industrial segment increased primarily due to increased occupancy throughout the segment. The U.S. portfolio was also impacted by the effect of foreign exchange.

	Three months ended March 31,					
	2019			2018		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	\$ 25,505	\$ 1,335	\$ 9,386	\$ 20,664	\$ 1,336	\$ 8,490
Property NOI from investments in joint ventures	561	—	745	1,275	—	334
Proportionate Share Property NOI	\$ 26,066	\$ 1,335	\$ 10,131	\$ 21,939	\$ 1,336	\$ 8,824
% of Proportionate Share Property NOI	69.4%	3.6%	27.0%	68.3%	4.2%	27.5%

#### Total Canadian and U.S. Portfolio:

	Three months ended March 31,					
	2019			2018		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	\$ 42,206	\$ 16,574	\$ 19,659	\$ 40,092	\$ 16,254	\$ 18,560
Property NOI from investments in joint ventures	557	—	2,097	1,651	—	1,686
Proportionate Share Property NOI	\$ 42,763	\$ 16,574	\$ 21,756	\$ 41,743	\$ 16,254	\$ 20,246
% of Proportionate Share Property NOI	52.8%	20.4%	26.8%	53.4%	20.7%	25.9%

## PROPERTY NOI BY GEOGRAPHICAL REGION

In Q1-19, Proportionate Share Property NOI decreased \$2,381 in Alberta primarily due to dispositions in 2018 and lease termination income received from a tenant in a Calgary office property in Q1-18. This surrendered space was fully re-leased to a tenant with a long-term lease. Arizona increased \$2,454 primarily due to an acquisition in 2018 and increased occupancy at an industrial property, and Minnesota increased \$1,718 primarily due to an acquisition in 2018. U.S. - Other increased \$1,285 due to the Q1-18 acquisition of the remaining 50% interest in two office properties located in Denver, Colorado, as well as increased occupancy at an industrial property in the Greater Houston Area, Texas. The U.S. portfolio was also impacted by the effect of foreign exchange.

Three months ended March 31, 2019									
	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Property NOI	\$ 14,830	\$ 2,535	\$ 10,691	\$ 9,404	\$ 4,752	\$ 9,000	\$ 15,660	\$ 6,921	\$ 4,646
Property NOI from investments in joint ventures	848	129	(4)	—	376	—	305	—	1,000
Proportionate Share Property NOI	\$ 15,678	\$ 2,664	\$ 10,687	\$ 9,404	\$ 5,128	\$ 9,000	\$ 15,965	\$ 6,921	\$ 5,646
% of Proportionate Share Property NOI	19.3%	3.3%	13.2%	11.6%	6.3%	11.1%	19.7%	8.5%	7.0%

Three months ended March 31, 2018									
	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Property NOI	\$ 17,212	\$ 3,047	\$ 10,260	\$ 9,337	\$ 4,560	\$ 6,453	\$ 14,096	\$ 6,945	\$ 2,996
Property NOI from investments in joint ventures	847	129	376	—	376	93	151	—	1,365
Proportionate Share Property NOI	\$ 18,059	\$ 3,176	\$ 10,636	\$ 9,337	\$ 4,936	\$ 6,546	\$ 14,247	\$ 6,945	\$ 4,361
% of Proportionate Share Property NOI	23.1%	4.1%	13.5%	11.9%	6.3%	8.4%	18.2%	8.9%	5.6%

## CORPORATE EXPENSES

	Three months ended		Change	% Change
	2019	March 31, 2018		
Accounting, legal and consulting	\$ 918	\$ 415	\$ 503	121.2 %
Public company costs	476	538	(62)	(11.5)%
Unit-based compensation	1,274	578	696	120.4 %
Salaries and benefits	771	4,099	(3,328)	(81.2)%
Depreciation of property and equipment	270	263	7	2.7 %
General and administrative	408	408	—	0.0 %
Total corporate expenses	\$ 4,117	\$ 6,301	\$ (2,184)	(34.7)%

Corporate expenses in Q1-19 were \$4,117, or 3.1% of total revenues compared to \$6,301, or 5.0% of total revenues in Q1-18. In Q1-18, Artis recorded a non-recurring pension liability adjustment of \$3,392 which is included in salaries and benefits.

Unit-based compensation was impacted by fluctuations in Artis' unit price during the period.

**INTEREST EXPENSE**

	Three months ended March 31,				%
	2019	2018	Change		Change
Mortgages and other loans <sup>(1)</sup>	\$ 14,217	\$ 13,720	\$ 497		
Debentures <sup>(1)</sup>	4,601	2,768	1,833		
Credit facilities <sup>(1)</sup>	5,805	5,323	482		
Preferred shares <sup>(1)</sup>	33	33	—		
	24,656	21,844	2,812		12.9%
Foreign exchange	2,596	1,770	826		
Total interest expense	\$ 27,252	\$ 23,614	\$ 3,638		15.4%
Mortgages and other loans included in investments in joint ventures <sup>(1)</sup>	972	1,322	(350)		
Foreign exchange included in investments in joint ventures	221	218	3		
Total Proportionate Share interest expense	\$ 28,445	\$ 25,154	\$ 3,291		13.1%

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

Interest expense has increased primarily due to the issuance of the Series C senior unsecured debentures and due to additional amounts drawn on the revolving term credit facilities compared to Q1-18. 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 March 31, 2019, on mortgages and other loans secured by properties, inclusive of properties held in joint venture arrangements, was 4.30%, unchanged from December 31, 2018. The weighted-average nominal interest rate on mortgages and other loans secured by properties, inclusive of properties held in joint venture arrangements, at March 31, 2019, was 4.09%, unchanged from December 31, 2018.

**FAIR VALUE LOSS 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 Q1-19, the Proportionate Share fair value loss on investment properties was \$17,333, compared to a loss of \$4,407 in Q1-18. The fair value loss in Q1-19 was primarily due to a decline in the value of select U.S. office properties and Alberta office properties.

**FOREIGN CURRENCY TRANSLATION GAIN (LOSS)**

In Q1-19, 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 \$6,713 in Q1-19, compared to a loss of \$2,167 in Q1-18.

**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 loss on the fair value adjustment of the interest rate swaps outstanding of \$8,485 in Q1-19, compared to an unrealized gain of \$4,477 in Q1-18. The REIT anticipates holding the mortgages, non-revolving term credit facilities, senior unsecured debentures and related interest rate swap contracts until maturity.

Artis also recorded an unrealized loss of \$4,245 in Q1-19 on the fair value of outstanding foreign currency contracts, compared to an unrealized gain of \$3,813 in Q1-18.

**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 \$30,266 in Q1-19, compared to gains of \$34,510 in Q1-18. 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 in accordance with the guidelines set out by REALpac, as issued in February 2019.

**Reconciliation of Net Income to FFO and AFFO**

000's, except per unit amounts	Three months ended		Change	% Change
	2019	March 31, 2018		
Net income	\$ 25,356	\$ 50,722		
Add (deduct):				
Fair value loss on investment properties <sup>(1)</sup>	17,333	4,407		
Tenant inducements amortized to revenue <sup>(1)</sup>	5,689	5,101		
Transaction costs on acquisitions	—	651		
Foreign currency translation (gain) loss	(6,713)	2,167		
Fair value loss (gain) on derivative instruments and other transactions <sup>(1)</sup>	12,345	(15,651)		
Remeasurement component of unit-based compensation	531	(87)		
Distributions on preferred shares treated as interest expense	44	42		
Incremental leasing costs	1,133	916		
Preferred unit distributions	(5,434)	(5,921)		
FFO	\$ 50,284	\$ 42,347	\$ 7,937	18.7%
Add (deduct):				
Amortization of recoverable capital expenditures <sup>(1)</sup>	\$ (2,403)	\$ (2,170)		
Non-recoverable property maintenance reserve <sup>(1)</sup>	(950)	(950)		
Leasing costs reserve <sup>(1)</sup>	(7,560)	(7,850)		
Straight-line rent adjustments <sup>(1)</sup>	(1,764)	(1,797)		
AFFO	\$ 37,607	\$ 29,580	\$ 8,027	27.1%
FFO per unit:				
Basic	\$ 0.34	\$ 0.28	\$ 0.06	21.4%
Diluted	0.34	0.28	0.06	21.4%
AFFO per unit:				
Basic	\$ 0.25	\$ 0.20	\$ 0.05	25.0%
Diluted	0.25	0.19	0.06	31.6%

(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.

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 normalized FFO and AFFO which excludes both of these adjustments.



000's, except per unit amounts	Three months ended			% Change
	2019	March 31, 2018	Change	
FFO per above	\$ 50,284	\$ 42,347		
Add (deduct):				
Pension liability adjustment <sup>(1)</sup>	—	3,392		
Property management termination fees <sup>(2)</sup>	—	5,025		
Normalized FFO	\$ 50,284	\$ 50,764	\$ (480)	(0.9)%
Normalized AFFO	\$ 37,607	\$ 37,997	\$ (390)	(1.0)%
Normalized FFO per unit:				
Basic	\$ 0.34	\$ 0.34	\$ 0.00	0.0 %
Diluted	0.34	0.33	0.01	3.0 %
Normalized AFFO per unit:				
Basic	\$ 0.25	\$ 0.25	\$ 0.00	0.0 %
Diluted	0.25	0.25	0.00	0.0 %

(1) In Q1-18, the REIT recorded a non-recurring pension liability adjustment 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 normalized AFFO in Q1-19 were impacted by acquisitions, dispositions and (re) developments completed in 2018, period-over-period Same Property NOI growth and a higher US dollar to Canadian dollar average exchange rate of 1.3292 in Q1-19 compared to 1.2648 in Q1-18.

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 80.9% is recoverable from tenants in Q1-19, compared to 81.3% in Q1-18. The non-recoverable property maintenance reserve reflects management's estimate of a normalized expenditure using the 2016, 2017, 2018 and 2019 actual expenditures and the 2019 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 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. Management calculates the leasing cost reserve to reflect the amortization of leasing costs over the related lease term.

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

(000's)	Three months ended	
	2019	March 31, 2018
Basic units	148,564	151,494
Add:		
Restricted units	541	459
Deferred units	112	88
Diluted units	149,217	152,041

## PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at March 31, 2019, and the previous four periods, were as follows:

### Occupancy Report by Asset Class <sup>(1)</sup>

	Q1-19 % Committed <sup>(2)</sup>	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18
Office	89.7%	87.1%	87.6%	87.3%	86.7%	84.9%
Retail	93.4%	92.9%	92.7%	92.1%	91.7%	91.9%
Industrial	98.6%	96.4%	96.2%	94.7%	95.8%	95.8%
Total portfolio	94.1%	92.0%	92.1%	91.2%	91.4%	90.6%

### Occupancy Report by Geographical Region <sup>(1)</sup>

	Q1-19 % Committed <sup>(2)</sup>	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18
Canada:						
Alberta	86.3%	85.2%	87.0%	86.0%	84.6%	81.0%
British Columbia	98.6%	98.5%	95.0%	94.2%	94.7%	94.9%
Manitoba	94.8%	91.0%	90.2%	89.2%	89.4%	89.2%
Ontario	97.1%	93.9%	93.2%	91.7%	94.0%	94.6%
Saskatchewan	96.4%	95.7%	96.0%	94.5%	89.8%	90.2%
U.S.:						
Arizona	96.2%	94.3%	94.6%	94.5%	94.0%	91.3%
Minnesota	96.2%	95.2%	95.6%	96.1%	95.5%	95.1%
Wisconsin	92.1%	88.2%	88.7%	88.3%	88.7%	88.8%
Other	91.4%	88.9%	88.3%	85.2%	93.2%	91.9%
Total portfolio	94.1%	92.0%	92.1%	91.2%	91.4%	90.6%

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

(2) Percentage committed is based on occupancy at March 31, 2019, plus commitments on vacant space.

## PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

### Renewal Summary <sup>(1)</sup>

	Three months ended March 31,	
	2019	2018
Leasable area renewed (in S.F.)	332,258	522,283
(Decrease) increase in weighted-average rental rate	(1.9)%	1.1%

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

In Q1-19, 332,258 square feet were renewed at a decrease in the weighted-average rental rate of 1.9%, compared to 537,165 square feet renewed at an increase of nil% in Q4-18 and 522,283 square feet renewed at an increase of 1.1% in Q1-18.

Excluding the impact of Calgary office segment lease renewals, Artis' decrease in the weighted-average rental rate was 1.3% in Q1-19 (Q1-18 - increase of 2.7%).

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.)<sup>(1)</sup>**

	Current vacancy	Monthly tenants <sup>(2)</sup>	2019	2020	2021	2022	2023 & later	Total
Office - uncommitted	1,079,712	66,464	1,136,591	1,103,084	1,330,328	458,140	4,341,681	9,516,000
Office - committed	274,078	—	275,037	257,063	25,548	6,905	145,772	984,403
Total office	1,353,790	66,464	1,411,628	1,360,147	1,355,876	465,045	4,487,453	10,500,403
Retail - uncommitted	228,832	9,539	179,648	398,203	419,926	488,633	1,519,122	3,243,903
Retail - committed	15,892	—	83,589	24,951	48,197	—	46,803	219,432
Total retail	244,724	9,539	263,237	423,154	468,123	488,633	1,565,925	3,463,335
Industrial - uncommitted	154,254	—	889,946	945,125	1,615,491	1,421,154	5,193,219	10,219,189
Industrial - committed	229,472	—	195,629	58,719	—	69,999	3,014	556,833
Total industrial	383,726	—	1,085,575	1,003,844	1,615,491	1,491,153	5,196,233	10,776,022
Total - uncommitted	1,462,798	76,003	2,206,185	2,446,412	3,365,745	2,367,927	11,054,022	22,979,092
Total - committed	519,442	—	554,255	340,733	73,745	76,904	195,589	1,760,668
Total portfolio	1,982,240	76,003	2,760,440	2,787,145	3,439,490	2,444,831	11,249,611	24,739,760

(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 March 31, 2019, 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 <sup>(1)</sup>***Canadian Portfolio:*

	2019	2020	2021	2022	2023 & later	Total
Office:						
In-place rents	\$ 14.79	\$ 15.69	\$ 18.12	\$ 14.30	\$ 16.80	\$ 16.48
Market rents	12.73	16.15	17.46	16.15	17.68	16.51
Change	(13.9)%	2.9 %	(3.6)%	12.9 %	5.2 %	0.2 %
Revenue impact <sup>(2)</sup>	\$ (1,544)	\$ 211	\$ (498)	\$ 191	\$ 1,757	\$ 117
Retail:						
In-place rents	\$ 25.06	\$ 23.40	\$ 24.42	\$ 20.70	\$ 21.44	\$ 22.27
Market rents	24.50	23.33	25.03	20.83	21.75	22.47
Change	(2.2)%	(0.3)%	2.5 %	0.6 %	1.4 %	0.9 %
Revenue impact <sup>(2)</sup>	\$ (139)	\$ (22)	\$ 247	\$ 60	\$ 454	\$ 600
Industrial:						
In-place rents	\$ 7.45	\$ 7.43	\$ 7.62	\$ 7.10	\$ 9.69	\$ 8.59
Market rents	7.37	7.24	7.45	7.06	9.66	8.52
Change	(1.1)%	(2.6)%	(2.2)%	(0.6)%	(0.3)%	(0.8)%
Revenue impact <sup>(2)</sup>	\$ (27)	\$ (116)	\$ (92)	\$ (38)	\$ (101)	\$ (374)
Total Canadian portfolio:						
In-place rents	\$ 14.82	\$ 14.06	\$ 16.17	\$ 11.77	\$ 14.73	\$ 14.49
Market rents	13.55	14.11	15.97	11.91	15.07	14.52
Change	(8.6)%	0.4 %	(1.2)%	1.2 %	2.3 %	0.2 %
Revenue impact <sup>(2)</sup>	\$ (1,710)	\$ 73	\$ (343)	\$ 213	\$ 2,110	\$ 343

*U.S. Portfolio:*

	2019	2020	2021	2022	2023 & later	Total
Office:						
In-place rents	\$ 22.62	\$ 18.36	\$ 17.43	\$ 18.28	\$ 19.31	\$ 19.28
Market rents	23.56	19.39	17.60	18.71	19.66	19.81
Change	4.2 %	5.6%	1.0 %	2.4 %	1.8 %	2.7 %
Revenue impact <sup>(2)</sup>	\$ 621	\$ 921	\$ 98	\$ 154	\$ 871	\$ 2,665
Retail:						
In-place rents	\$ 20.23	\$ 12.97	\$ 17.95	\$ 19.02	\$ 13.02	\$ 14.87
Market rents	21.21	14.60	17.57	19.97	13.76	15.65
Change	4.8 %	12.6%	(2.1)%	5.0 %	5.7 %	5.2 %
Revenue impact <sup>(2)</sup>	\$ 13	\$ 136	\$ (23)	\$ 17	\$ 72	\$ 215
Industrial:						
In-place rents	\$ 5.39	\$ 5.71	\$ 5.41	\$ 5.69	\$ 6.63	\$ 6.04
Market rents	5.08	6.19	5.49	5.42	6.53	5.97
Change	(5.8)%	8.4%	1.5 %	(4.7)%	(1.5)%	(1.2)%
Revenue impact <sup>(2)</sup>	\$ (232)	\$ 197	\$ 83	\$ (146)	\$ (257)	\$ (355)
Total U.S. portfolio:						
In-place rents	\$ 13.59	\$ 14.30	\$ 10.09	\$ 10.94	\$ 13.07	\$ 12.63
Market rents	13.87	15.20	10.18	10.96	13.21	12.87
Change	2.1 %	6.3%	0.9 %	0.2 %	1.1 %	1.9 %
Revenue impact <sup>(2)</sup>	\$ 402	\$ 1,254	\$ 158	\$ 25	\$ 686	\$ 2,525

(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 <sup>(1)</sup>:

	2019	2020	2021	2022	2023 & later	Total
Office:						
In-place rents	\$ 18.47	\$ 17.45	\$ 17.81	\$ 17.40	\$ 18.20	\$ 18.03
Market rents	17.81	18.28	17.52	18.14	18.78	18.33
Change	(3.6)%	4.8%	(1.6)%	4.3 %	3.2 %	1.7 %
Revenue impact <sup>(2)</sup>	\$ (923)	\$ 1,132	\$ (400)	\$ 345	\$ 2,628	\$ 2,782
Retail:						
In-place rents	\$ 24.81	\$ 21.34	\$ 23.56	\$ 20.64	\$ 20.92	\$ 21.63
Market rents	24.34	21.61	24.03	20.80	21.25	21.89
Change	(1.9)%	1.3%	2.0 %	0.8 %	1.6 %	1.2 %
Revenue impact <sup>(2)</sup>	\$ (126)	\$ 114	\$ 224	\$ 77	\$ 526	\$ 815
Industrial:						
In-place rents	\$ 6.04	\$ 6.73	\$ 6.18	\$ 6.59	\$ 8.27	\$ 7.32
Market rents	5.81	6.81	6.18	6.47	8.20	7.25
Change	(3.8)%	1.2%	0.0 %	(1.8)%	(0.8)%	(1.0)%
Revenue impact <sup>(2)</sup>	\$ (259)	\$ 81	\$ (9)	\$ (184)	\$ (358)	\$ (729)
Total Canadian and U.S. portfolio:						
In-place rents	\$ 14.19	\$ 14.18	\$ 13.13	\$ 11.46	\$ 13.99	\$ 13.63
Market rents	13.71	14.65	13.08	11.55	14.24	13.76
Change	(3.4)%	3.3%	(0.4)%	0.8 %	1.8 %	1.0 %
Revenue impact <sup>(2)</sup>	\$ (1,308)	\$ 1,327	\$ (185)	\$ 238	\$ 2,796	\$ 2,868
Total Canadian and U.S. portfolio excluding Calgary office segment:						
In-place rents	\$ 13.72	\$ 14.17	\$ 12.58	\$ 11.49	\$ 13.90	\$ 13.45
Market rents	13.87	14.69	12.67	11.54	14.02	13.61
Change	1.1 %	3.7%	0.7 %	0.4 %	0.9 %	1.2 %
Revenue impact <sup>(2)</sup>	\$ 405	\$ 1,419	\$ 281	\$ 120	\$ 1,225	\$ 3,450

(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 March 31, 2019, were estimated to be 1.0% above in-place rents across the portfolio, compared to 1.3% above in-place rents at December 31, 2018. Today's market rents for the 2019 and 2020 lease expiries are estimated to be 3.4% below and 3.3% above 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 2019 and 2020 lease expiries are estimated to be 1.1% and 3.7% above in-place rents, respectively.

Lease Expiries by Geographical Region (in S.F.) <sup>(1)</sup>

	Current vacancy	Monthly tenants <sup>(2)</sup>	2019	2020	2021	2022	2023 & later	Total
AB - uncommitted	517,848	15,597	241,342	252,103	539,509	257,776	1,856,003	3,680,178
AB - committed	42,993	—	52,626	—	—	—	3,901	99,520
Total Alberta	560,841	15,597	293,968	252,103	539,509	257,776	1,859,904	3,779,698
BC - uncommitted	7,322	12,231	115,937	17,301	52,699	55,300	248,925	509,715
BC - committed	648	—	22,142	8,037	—	—	—	30,827
Total British Columbia	7,970	12,231	138,079	25,338	52,699	55,300	248,925	540,542
MB - uncommitted	197,884	10,422	233,107	526,521	608,534	272,326	1,579,872	3,428,666
MB - committed	143,831	—	122,030	83,521	—	—	31,216	380,598
Total Manitoba	341,715	10,422	355,137	610,042	608,534	272,326	1,611,088	3,809,264
ON - uncommitted	112,131	2,371	367,630	374,087	400,229	575,345	1,762,914	3,594,707
ON - committed	123,806	—	116,519	49,813	—	7,649	5,983	303,770
Total Ontario	235,937	2,371	484,149	423,900	400,229	582,994	1,768,897	3,898,477
SK - uncommitted	51,952	6,171	24,672	80,201	121,393	362,101	731,853	1,378,343
SK - committed	10,467	—	47,439	5,936	—	—	18,838	82,680
Total Saskatchewan	62,419	6,171	72,111	86,137	121,393	362,101	750,691	1,461,023
AZ - uncommitted	75,725	5,228	134,626	338,953	257,087	74,615	1,072,425	1,958,659
AZ - committed	38,191	—	15,527	—	—	—	—	53,718
Total Arizona	113,916	5,228	150,153	338,953	257,087	74,615	1,072,425	2,012,377
MN - uncommitted	228,151	9,337	624,102	467,386	1,221,137	555,437	2,317,874	5,423,424
MN - committed	54,835	—	135,826	187,948	48,197	62,350	32,786	521,942
Total Minnesota	282,986	9,337	759,928	655,334	1,269,334	617,787	2,350,660	5,945,366
WI - uncommitted	134,697	6,372	163,348	291,525	83,528	80,346	713,374	1,473,190
WI - committed	64,748	—	17,971	5,478	25,548	6,905	102,865	223,515
Total Wisconsin	199,445	6,372	181,319	297,003	109,076	87,251	816,239	1,696,705
U.S. - Other - uncommitted	137,088	8,274	301,421	98,335	81,629	134,681	770,782	1,532,210
U.S. - Other - committed	39,923	—	24,175	—	—	—	—	64,098
Total U.S. - Other	177,011	8,274	325,596	98,335	81,629	134,681	770,782	1,596,308
Total - uncommitted	1,462,798	76,003	2,206,185	2,446,412	3,365,745	2,367,927	11,054,022	22,979,092
Total - committed	519,442	—	554,255	340,733	73,745	76,904	195,589	1,760,668
Total portfolio	1,982,240	76,003	2,760,440	2,787,145	3,439,490	2,444,831	11,249,611	24,739,760

(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 <sup>(1)</sup>

	2019	2020	2021	2022	2023 & later	Total
Alberta:						
In-place rents	\$ 25.25	\$ 22.09	\$ 21.48	\$ 22.89	\$ 18.40	\$ 20.20
Market rents	19.15	21.01	21.17	23.40	19.37	20.11
Change	(24.2)%	(4.9)%	(1.4)%	2.2 %	5.3 %	(0.4)%
Revenue impact <sup>(2)</sup>	\$ (1,794)	\$ (272)	\$ (172)	\$ 134	\$ 1,814	\$ (290)
British Columbia:						
In-place rents	\$ 16.77	\$ 23.20	\$ 20.28	\$ 22.60	\$ 17.53	\$ 18.42
Market rents	17.46	24.30	19.74	21.68	17.97	18.72
Change	4.1 %	4.7 %	(2.7)%	(4.1)%	2.5 %	1.6 %
Revenue impact <sup>(2)</sup>	\$ 95	\$ 28	\$ (29)	\$ (51)	\$ 108	\$ 151
Manitoba:						
In-place rents	\$ 9.62	\$ 12.98	\$ 13.84	\$ 8.97	\$ 13.46	\$ 12.70
Market rents	9.61	12.98	12.84	9.09	13.64	12.61
Change	(0.1)%	0.0 %	(7.2)%	1.3 %	1.3 %	(0.7)%
Revenue impact <sup>(2)</sup>	\$ (1)	\$ (1)	\$ (610)	\$ 35	\$ 281	\$ (296)
Ontario:						
In-place rents	\$ 10.81	\$ 9.39	\$ 10.18	\$ 6.60	\$ 11.55	\$ 10.27
Market rents	10.90	9.45	11.47	6.92	11.50	10.45
Change	0.8 %	0.6 %	12.7 %	4.8 %	(0.4)%	1.8 %
Revenue impact <sup>(2)</sup>	\$ 44	\$ 23	\$ 517	\$ 186	\$ (93)	\$ 677
Saskatchewan:						
In-place rents	\$ 21.06	\$ 18.43	\$ 22.13	\$ 12.61	\$ 14.91	\$ 15.48
Market rents	20.32	21.85	21.73	12.36	14.91	15.55
Change	(3.5)%	18.6 %	(1.8)%	(2.0)%	0.0 %	0.5 %
Revenue impact <sup>(2)</sup>	\$ (54)	\$ 295	\$ (49)	\$ (91)	\$ —	\$ 101
Arizona:						
In-place rents	\$ 26.72	\$ 19.22	\$ 16.03	\$ 24.61	\$ 18.13	\$ 18.97
Market rents	28.52	20.38	17.15	24.60	17.92	19.36
Change	6.7 %	6.0 %	7.0 %	0.0 %	(1.2)%	2.1 %
Revenue impact <sup>(2)</sup>	\$ 270	\$ 395	\$ 288	\$ (1)	\$ (226)	\$ 726
Minnesota:						
In-place rents	\$ 6.54	\$ 10.47	\$ 8.06	\$ 8.57	\$ 9.81	\$ 8.92
Market rents	6.28	11.62	7.93	8.57	9.87	9.01
Change	(4.0)%	11.0 %	(1.6)%	0.0 %	0.6 %	1.0 %
Revenue impact <sup>(2)</sup>	\$ (199)	\$ 753	\$ (157)	\$ (1)	\$ 123	\$ 519
Wisconsin:						
In-place rents	\$ 16.68	\$ 14.67	\$ 15.50	\$ 16.08	\$ 14.62	\$ 15.03
Market rents	16.11	15.42	16.10	16.58	15.62	15.73
Change	(3.4)%	5.1 %	3.9 %	3.1 %	6.8 %	4.7 %
Revenue impact <sup>(2)</sup>	\$ (103)	\$ 226	\$ 65	\$ 43	\$ 816	\$ 1,047
U.S. - Other:						
In-place rents	\$ 22.25	\$ 21.75	\$ 15.74	\$ 10.89	\$ 14.33	\$ 14.52
Market rents	23.58	20.53	15.27	10.77	14.29	14.66
Change	6.0 %	(5.6)%	(3.0)%	(1.1)%	(0.3)%	1.0 %
Revenue impact <sup>(2)</sup>	\$ 434	\$ (120)	\$ (38)	\$ (16)	\$ (27)	\$ 233
Total portfolio:						
In-place rents	\$ 14.19	\$ 14.18	\$ 13.13	\$ 11.46	\$ 13.99	\$ 13.63
Market rents	13.71	14.65	13.08	11.55	14.24	13.76
Change	(3.4)%	3.3 %	(0.4)%	0.8 %	1.8 %	1.0 %
Revenue impact <sup>(2)</sup>	\$ (1,308)	\$ 1,327	\$ (185)	\$ 238	\$ 2,796	\$ 2,868

(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 March 31, 2019, the five largest segments of the REIT's portfolio (by Proportionate Share Property NOI) were Twin Cities Area office, Madison office, Twin Cities Area industrial, Greater Phoenix Area office and Winnipeg office.

### Twin Cities Area Office Segment

The Twin Cities Area office segment represents 9.9% of the Q1-19 Proportionate Share Property NOI and 6.7% of the overall portfolio by GLA. Direct vacancy in the Twin Cities Office market, as reported by CBRE, was 18.3% at March 31, 2019, up from 17.8% at December 31, 2018. At March 31, 2019, the Twin Cities Area office segment of Artis' portfolio was 91.4% occupied, compared to 91.7% at December 31, 2018. During the remainder of 2019, 70,553 square feet comes up for renewal, which represents 0.3% of the total portfolio GLA; 44.2% was renewed or committed to new leases at March 31, 2019. Of the total Twin Cities Area office GLA, 45.5% expires in 2023 or later.

### Madison Office Segment

The Madison office segment represents 8.5% of the Q1-19 Proportionate Share Property NOI and 6.8% of the overall portfolio by GLA. At March 31, 2019, the Madison office segment of Artis' portfolio was 88.2% occupied, compared to 88.7% at December 31, 2018. During the remainder of 2019, 181,319 square feet comes up for renewal, which represents 0.7% of the total portfolio GLA; 9.91% was renewed or committed to new leases at March 31, 2019. Of the total Madison office GLA, 48.1% expires in 2023 or later.

### Twin Cities Area Industrial Segment

The Twin Cities Area industrial segment represents 8.1% of the Q1-19 Proportionate Share Property NOI and 15.8% of the overall portfolio by GLA. Direct vacancy in the Twin Cities Area industrial market, as reported by CBRE, was 4.3% at March 31, 2019, compared to 4.4% at December 31, 2018. The average asking market lease rate was \$6.16 per square foot at March 31, 2019, increased from \$6.09 per square foot at December 31, 2018. Occupancy in this segment of the portfolio was 97.1% at March 31, 2019, compared to 97.6% reported at December 31, 2018. During the remainder of 2019, 675,983 square feet comes up for renewal, which represents 2.7% of the total portfolio GLA; 14.1% was renewed or committed to new leases at March 31, 2019. Of Artis' total Twin Cities Area industrial GLA, 37.5% expires in 2023 or later.

### Greater Phoenix Area Office Segment

The Greater Phoenix Area office segment represents 8.0% of the Q1-19 Proportionate Share Property NOI and 4.6% of the overall portfolio by GLA. Overall direct vacancy in the Greater Phoenix Area office market, as reported by Avison Young, was 15.3% at March 31, 2019, compared to 15.7% at December 31, 2018. At March 31, 2019, the Greater Phoenix Area office segment of Artis' portfolio was 92.7% occupied compared to 93.3% at December 31, 2018. During the remainder of 2019, 131,746 square feet comes up for renewal, which represents 0.5% of the total portfolio GLA. Of Artis' Greater Phoenix Area office GLA, 38.6% expires in 2023 or later.

### Winnipeg Office Segment

The Winnipeg office segment represents 6.3% of the Q1-19 Proportionate Share Property NOI and 5.8% of the overall portfolio by GLA. Overall direct vacancy in the Winnipeg office market, as reported by Colliers International, was 11.4% at March 31, 2019, compared to 10.6% at December 31, 2018. At March 31, 2019, the Winnipeg office segment of Artis' portfolio was 83.4% occupied, increased from 83.1% at December 31, 2018. During the remainder of 2019, 85,148 square feet comes up for renewal, which represents 0.3% of the total portfolio GLA. Of Artis' Winnipeg office GLA, 39.9% expires in 2023 or later.

### Additional Disclosure Pertaining to the Calgary Office Segment

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. As at March 31, 2019, the REIT had one Calgary office property which was unconditionally sold and two Calgary office properties planned for disposition. Artis' Calgary office segment represents 6.1% of the Q1-19 Proportionate Share Property NOI and therefore is no longer one of the five largest segments of the REIT's portfolio by Proportionate Share Property NOI. The following tables outline Artis' lease expiries and market rents for this segment.



Lease Expiries for Calgary Office Segment (in S.F.):<sup>(1)</sup>

	Current vacancy	Monthly tenants <sup>(2)</sup>	2019	2020	2021	2022	2023 & later	Total
Downtown - uncommitted	255,565	9,993	70,838	6,123	32,355	15,970	157,975	548,819
Downtown - committed	177	—	—	—	—	—	—	177
Total downtown	255,742	9,993	70,838	6,123	32,355	15,970	157,975	548,996
Beltline - uncommitted	44,871	—	11,875	11,758	—	—	475,778	544,282
Beltline - committed	29,452	—	—	—	—	—	—	29,452
Total beltline	74,323	—	11,875	11,758	—	—	475,778	573,734
Suburban - uncommitted	56,302	2,387	26,622	30,345	290,998	31,192	167,933	605,779
Suburban - committed	10,928	—	3,501	—	—	—	800	15,229
Total suburban	67,230	2,387	30,123	30,345	290,998	31,192	168,733	621,008
Total - uncommitted	356,738	12,380	109,335	48,226	323,353	47,162	801,686	1,698,880
Total - committed	40,557	—	3,501	—	—	—	800	44,858
Total Calgary office	397,295	12,380	112,836	48,226	323,353	47,162	802,486	1,743,738

Lease Expiries for the Office Segment excluding Calgary (in S.F.):<sup>(1)</sup>

	Current vacancy	Monthly tenants <sup>(2)</sup>	2019	2020	2021	2022	2023 & later	Total
Other - uncommitted	722,974	54,084	1,027,256	1,054,858	1,006,975	410,978	3,539,995	7,817,120
Other - committed	233,521	—	271,536	257,063	25,548	6,905	144,972	939,545
Total other office	956,495	54,084	1,298,792	1,311,921	1,032,523	417,883	3,684,967	8,756,665

(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 <sup>(1)</sup>:**

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.

	2019	2020	2021	2022	2023 & later	Total
Downtown:						
In-place rents	\$ 27.61	\$ 15.73	\$ 19.69	\$ 5.32	\$ 21.39	\$ 11.21
Market rents	7.74	12.47	19.94	8.03	21.32	8.68
Change	(72.0)%	(20.7)%	1.3 %	50.9%	(0.3)%	(22.6)%
Revenue impact <sup>(2)</sup>	\$ (1,407)	\$ (20)	\$ 8	\$ 43	\$ (12)	\$ (1,388)
Beltline:						
In-place rents	\$ 31.20	\$ 18.50	\$ —	\$ —	\$ 14.36	\$ 12.94
Market rents	13.32	10.00	—	—	17.60	16.25
Change	(57.3)%	(45.9)%	— %	—%	22.6 %	25.6 %
Revenue impact <sup>(2)</sup>	\$ (212)	\$ (100)	\$ —	\$ —	\$ 1,540	\$ 1,228
Suburban:						
In-place rents	\$ 16.80	\$ 12.92	\$ 18.37	\$ 11.74	\$ 11.34	\$ 13.72
Market rents	13.69	13.83	16.74	14.16	11.59	13.04
Change	(18.5)%	7.0 %	(8.9)%	20.6%	2.2 %	(5.0)%
Revenue impact <sup>(2)</sup>	\$ (94)	\$ 28	\$ (474)	\$ 75	\$ 43	\$ (422)
Total Calgary Office:						
In-place rents	\$ 25.10	\$ 14.64	\$ 18.50	\$ 9.57	\$ 15.11	\$ 12.67
Market rents	9.92	12.73	17.06	12.08	17.07	12.34
Change	(60.5)%	(13.0)%	(7.8)%	26.2%	13.0 %	(2.6)%
Revenue impact <sup>(2)</sup>	\$ (1,713)	\$ (92)	\$ (466)	\$ 118	\$ 1,571	\$ (582)

**Market Rents for the Office Segment excluding Calgary <sup>(1)</sup>:**

	2019	2020	2021	2022	2022 & later	Total
Other office:						
In-place rents	\$ 17.89	\$ 17.55	\$ 17.60	\$ 18.28	\$ 18.87	\$ 18.28
Market rents	18.50	18.49	17.66	18.82	19.16	18.71
Change	3.4%	5.4%	0.3%	3.0%	1.5%	2.4%
Revenue impact <sup>(2)</sup>	\$ 790	\$ 1,224	\$ 66	\$ 227	\$ 1,057	\$ 3,364

(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.

March 31, 2019				December 31, 2018			
	Per consolidated financial statements	Adjustment <sup>(1)</sup>	Total Proportionate Share	Per consolidated financial statements	Adjustment <sup>(1)</sup>	Total Proportionate Share	
<b>ASSETS</b>							
Non-current assets:							
Investment properties	\$ 4,697,639	\$ 253,674	\$ 4,951,313	\$ 4,941,825	\$ 255,661	\$ 5,197,486	
Investment properties under development	140,957	61,569	202,526	119,604	40,635	160,239	
Investments in joint ventures	183,730	(183,730)	—	176,501	(176,501)	—	
Property and equipment	7,096	—	7,096	6,533	—	6,533	
Notes receivable	17,234	—	17,234	16,216	—	16,216	
	5,046,656	131,513	5,178,169	5,260,679	119,795	5,380,474	
Current assets:							
Investment properties held for sale	518,405	—	518,405	320,465	—	320,465	
Inventory properties	11,968	—	11,968	11,227	—	11,227	
Deposits on investment properties	2,159	—	2,159	2,237	—	2,237	
Prepaid expenses and other assets	11,797	200	11,997	20,582	244	20,826	
Notes receivable	4,396	—	4,396	4,543	—	4,543	
Accounts receivable and other receivables	21,647	917	22,564	21,101	822	21,923	
Cash held in trust	8,112	—	8,112	10,200	—	10,200	
Cash	51,168	9,503	60,671	66,143	3,808	69,951	
	629,652	10,620	640,272	456,498	4,874	461,372	
	\$ 5,676,308	\$ 142,133	\$ 5,818,441	\$ 5,717,177	\$ 124,669	\$ 5,841,846	
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>							
Non-current liabilities:							
Mortgages and loans payable	\$ 1,188,107	\$ 60,334	\$ 1,248,441	\$ 1,272,452	\$ 44,017	\$ 1,316,469	
Senior unsecured debentures	248,960	—	248,960	199,565	—	199,565	
Credit facilities	807,143	—	807,143	772,538	—	772,538	
Other long-term liabilities	789	—	789	8,319	—	8,319	
	2,244,999	60,334	2,305,333	2,252,874	44,017	2,296,891	
Current liabilities:							
Mortgages and loans payable	449,818	59,134	508,952	412,558	59,068	471,626	
Senior unsecured debentures	199,662	—	199,662	199,971	—	199,971	
Security deposits and prepaid rent	36,163	2,551	38,714	35,842	3,264	39,106	
Accounts payable and other liabilities	96,757	20,114	116,871	77,887	18,320	96,207	
	782,400	81,799	864,199	726,258	80,652	806,910	
	3,027,399	142,133	3,169,532	2,979,132	124,669	3,103,801	
Unitholders' equity	2,648,909	—	2,648,909	2,738,045	—	2,738,045	
	\$ 5,676,308	\$ 142,133	\$ 5,818,441	\$ 5,717,177	\$ 124,669	\$ 5,841,846	

(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 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	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
GBV	\$ 5,681,972	\$ 5,722,580	\$ 5,824,105	\$ 5,847,249
Secured mortgages and loans	1,637,925	1,685,010	1,757,393	1,788,095
Secured mortgages and loans to GBV	28.8%	29.4%	30.2%	30.6%
Preferred shares liability	\$ 640	\$ 653	\$ 640	\$ 653
Carrying value of debentures	448,622	399,536	448,622	399,536
Credit facilities	807,143	772,538	807,143	772,538
Total long-term debt and credit facilities	\$ 2,894,330	\$ 2,857,737	\$ 3,013,798	\$ 2,960,822
Total long-term debt and credit facilities to GBV	50.9%	49.9%	51.7%	50.6%

**Total Long-term Debt and Credit Facilities to EBITDA Ratios**

	IFRS		Proportionate Share	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Total long-term debt and credit facilities	\$ 2,894,330	\$ 2,857,737	\$ 3,013,798	\$ 2,960,822
EBITDA <sup>(1)</sup>	326,612	329,800	326,612	329,800
Total long-term debt and credit facilities to EBITDA	8.9	8.7	9.2	9.0
Normalized EBITDA	\$ 326,612	\$ 329,800	\$ 326,612	\$ 329,800
Total long-term debt and credit facilities to normalized EBITDA	8.9	8.7	9.2	9.0

(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	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Unencumbered assets	\$ 1,867,277	\$ 1,805,382	\$ 1,910,221	\$ 1,847,443
Senior unsecured debentures	448,622	399,536	448,622	399,536
Unsecured credit facilities	807,143	772,538	807,143	772,538
Total unsecured debt	\$ 1,255,765	\$ 1,172,074	\$ 1,255,765	\$ 1,172,074
Unencumbered assets to unsecured debt	1.5	1.5	1.5	1.6

**NAV per Unit**

000's, except unit and per unit amounts	March 31, 2019	December 31, 2018	Change
Unitholders' equity	\$ 2,648,909	\$ 2,738,045	\$ (89,136)
Less value of preferred equity <sup>(1)</sup>	(388,548)	(390,945)	2,397
NAV attributable to common unitholders	\$ 2,260,361	\$ 2,347,100	\$ (86,739)
Total number of dilutive units outstanding:			
Common units	144,680,450	150,282,829	(5,602,379)
Restricted units	541,634	546,573	(4,939)
Deferred units	112,222	92,673	19,549
	145,334,306	150,922,075	(5,587,769)
NAV per unit	\$ 15.55	\$ 15.55	\$ 0.00

(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.

Unitholders' equity decreased period-over-period due to units purchased through the NCIB, other comprehensive loss and distributions made to unitholders, partially offset by net income. The total number of dilutive units outstanding has decreased period-over-period primarily due to units purchased through the NCIB.

**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 <sup>(1)</sup>	Total Proportionate Share
Balance, December 31, 2018	\$ 5,381,894	\$ 296,296	\$ 5,678,190
Additions:			
Capital expenditures			
Investment properties	4,447	—	4,447
Investment properties under development	27,915	21,696	49,611
Capitalized interest	1,289	513	1,802
Leasing commissions	2,921	116	3,037
Straight-line rent adjustments	1,513	251	1,764
Tenant inducement additions, net of amortization	4,090	(441)	3,649
Foreign currency translation loss	(48,541)	(4,382)	(52,923)
Fair value (loss) gain	(18,527)	1,194	(17,333)
Balance, March 31, 2019	\$ 5,357,001	\$ 315,243	\$ 5,672,244

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

**Capital expenditures <sup>(1)</sup>:**

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

In Q1-19, new and redevelopment expenditures included \$14,443 for Park 8Ninety II, \$11,794 for 300 Main and 330 Main, \$8,929 for Cedar Port I and \$6,659 for Tower Business Center.

	Three months ended March 31,			% Change
	2019	2018	Change	
New and redevelopment expenditures	\$ 49,611	\$ 5,761	\$ 43,850	
Building improvements expenditures:				
Recoverable from tenants	1,168	989	179	
Non-recoverable	1,333	5,419	(4,086)	
Property maintenance expenditures:				
Recoverable from tenants	1,400	684	716	
Non-recoverable	546	78	468	
Total capital expenditures	\$ 54,058	\$ 12,931	\$ 41,127	318.0%

(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.

*Leasing costs <sup>(1)</sup>:*

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 March 31,			% Change
	2019	2018	Change	
Investment property leasing costs:				
Tenant inducements	\$ 9,191	\$ 10,430	\$ (1,239)	
Leasing commissions	2,646	2,089	557	
Investment property (re)development related leasing costs:				
Tenant inducements	147	2,008	(1,861)	
Leasing commissions	391	550	(159)	
<b>Total leasing costs</b>	<b>\$ 12,375</b>	<b>\$ 15,077</b>	<b>\$ (2,702)</b>	<b>(17.9)%</b>

(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 Q1-19, tenant inducements on investment properties paid to tenants with long-term leases included \$1,487 for an office tenant in Winnipeg, Manitoba.

*Investment properties held for sale:*

At March 31, 2019, the REIT had seven office and six retail properties located in Canada and two office and seven retail properties located in the United States, with an aggregate Proportionate Share fair value of \$518,405 classified as held for sale. These properties were listed for sale with external brokers.

*Foreign currency translation loss on investment properties:*

During Q1-19, the Proportionate Share foreign currency translation loss on investment properties was \$52,923 due to the change in the period end US dollar to Canadian dollar exchange rate from 1.3642 at December 31, 2018 to 1.3363 at March 31, 2019.

*Fair value loss on investment properties:*

During Q1-19, the REIT recorded a loss on the Proportionate Share fair value of investment properties of \$17,333, compared to a loss of \$4,407 in Q1-18. The fair value loss in Q1-19 was primarily due to a decline in the value of select U.S. office properties and Alberta 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 3.75% 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.

	March 31, 2019			December 31, 2018		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
Canada	8.50%	4.75%	6.42%	8.50%	4.75%	6.43%
U.S.	7.75%	6.00%	6.84%	8.00%	5.75%	6.83%
Total office	8.50%	4.75%	6.63%	8.50%	4.75%	6.62%
Retail:						
Canada	8.75%	5.25%	6.40%	8.75%	5.25%	6.41%
U.S.	8.50%	5.75%	7.35%	8.50%	5.75%	6.98%
Total retail	8.75%	5.25%	6.46%	8.75%	5.25%	6.44%
Industrial:						
Canada	7.75%	3.75%	5.92%	7.75%	3.75%	5.96%
U.S.	8.00%	5.00%	6.38%	8.00%	5.25%	6.47%
Total industrial	8.00%	3.75%	6.10%	8.00%	3.75%	6.17%
Total:						
Canadian portfolio	8.75%	3.75%	6.28%	8.75%	3.75%	6.30%
U.S. portfolio	8.50%	5.00%	6.73%	8.50%	5.25%	6.72%
Total portfolio	8.75%	3.75%	6.45%	8.75%	3.75%	6.46%

### Inventory Properties

At March 31, 2019, inventory properties included one industrial property. The REIT is undergoing the conversion of this property into commercial condominium units.

### 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 March 31, 2019 was \$10,261 (December 31, 2018, \$10,814). 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 March 31, 2019 was \$21,630, compared to \$20,759 at December 31, 2018.

### Cash

At March 31, 2019, the REIT had \$51,168 of cash on hand, compared to \$66,143 at December 31, 2018. The balance is anticipated to be invested in investment properties in subsequent periods, used for working capital purposes, for debt repayment or for unit purchases under the NCIB. 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 March 31, 2019 was 3.1 years, compared to 3.3 years at December 31, 2018.



At March 31, 2019, Artis had mortgages and loans payable outstanding, as follows:

*Canadian Portfolio:*

	IFRS		Proportionate Share	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Fixed rate mortgages	\$ 447,442	\$ 466,539	\$ 480,944	\$ 500,301
Variable rate mortgages:				
Hedged	136,932	138,171	136,932	138,171
Unhedged	49,004	49,312	49,004	49,312
Net above- and below-market mortgage adjustments	(55)	(59)	(55)	(59)
Financing costs	(1,508)	(1,671)	(1,591)	(1,757)
	\$ 631,815	\$ 652,292	\$ 665,234	\$ 685,968

*U.S. Portfolio:*

	IFRS		Proportionate Share	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Fixed rate mortgages	\$ 203,055	\$ 209,048	\$ 215,019	\$ 221,335
Variable rate mortgages:				
Hedged	386,014	396,070	386,014	396,070
Unhedged	420,500	431,531	495,510	489,315
Net above- and below-market mortgage adjustments	1,176	1,234	1,176	1,234
Financing costs	(4,635)	(5,165)	(5,560)	(5,827)
	\$ 1,006,110	\$ 1,032,718	\$ 1,092,159	\$ 1,102,127

*Total Canadian and U.S. Portfolio:*

	IFRS		Proportionate Share	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Fixed rate mortgages	\$ 650,497	\$ 675,587	\$ 695,963	\$ 721,636
Variable rate mortgages:				
Hedged	522,946	534,241	522,946	534,241
Unhedged	469,504	480,843	544,514	538,627
Net above- and below-market mortgage adjustments	1,121	1,175	1,121	1,175
Financing costs	(6,143)	(6,836)	(7,151)	(7,584)
	\$ 1,637,925	\$ 1,685,010	\$ 1,757,393	\$ 1,788,095
% of unhedged variable rate mortgage debt of total debt, including credit facilities	16.2%	16.8%	18.0%	18.1%

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 <sup>(1)</sup>	Total Proportionate Share
Balance, December 31, 2018	\$ 1,690,671	\$ 103,833	\$ 1,794,504
Add (deduct):			
Draws on variable rate construction loans	71	18,311	18,382
Repayment of maturing fixed rate mortgage	(14,974)	—	(14,974)
Principal repayments	(11,589)	(332)	(11,921)
Foreign currency translation gain	(21,232)	(1,336)	(22,568)
Balance, March 31, 2019	1,642,947	120,476	1,763,423

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

### Senior Unsecured Debentures

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

				March 31, 2019		December 31, 2018	
	Issued	Maturity	Interest rate <sup>(1)</sup>	Carrying value	Face value	Carrying value	Face value
Series A	March 27, 2014, September 10, 2014	March 27, 2019	3.753%	—	—	199,971	200,000
Series B	February 7, 2018	February 7, 2020	3.354%	199,662	200,000	199,565	200,000
Series C	February 22, 2019	February 22, 2021	3.674%	248,960	250,000	—	—
				\$ 448,622	\$ 450,000	\$ 399,536	\$ 400,000

(1) The REIT has entered into an interest swap agreement on the Series B senior unsecured debentures.

On February 7, 2019, the REIT entered into an interest rate swap agreement for the Series B senior unsecured debentures, effectively fixing the interest rate at 3.354%.

On February 22, 2019, the REIT issued two-year Series C senior unsecured debentures with an aggregate principal amount of \$250,000. These debentures bear interest at a fixed rate of 3.674%.

On March 27, 2019, the REIT repaid the outstanding 3.753% Series A senior unsecured debentures with an aggregate principal amount of \$200,000.

### Credit Facilities

The REIT has unsecured revolving credit facilities in the aggregate amount of \$700,000. The first tranche of the revolving credit facilities in the amount of \$400,000 matures on December 14, 2021. The second tranche of the revolving credit facilities in the amount of \$300,000 matures on April 29, 2023. The REIT can draw on the revolving credit facilities in Canadian or US dollars. Amounts drawn on the revolving credit facilities in Canadian dollars bear interest at the bankers' acceptance rate plus 1.70% or at prime plus 0.70%. Amounts drawn on the revolving credit facilities in US dollars bear interest at LIBOR plus 1.70% or at the U.S. base rate plus 0.70%. At March 31, 2019, there was \$509,175 drawn on these facilities (December 31, 2018, \$474,707).

The REIT has two unsecured non-revolving credit facilities in the aggregate amount of \$300,000. The first non-revolving credit facility of \$150,000 matures on July 6, 2022 and the second non-revolving credit facility of \$150,000 matures on July 18, 2022. Amounts drawn on the non-revolving credit facilities bear interest at 3.57% and 3.50%, respectively. At March 31, 2019, there was \$300,000 drawn on these facilities (December 31, 2018, \$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 \$8,428, which was paid subsequent to the end of the period.

## UNITHOLDERS' EQUITY

Unitholders' equity decreased overall by \$89,136 between December 31, 2018 and March 31, 2019. The decrease was primarily due to common units of \$73,155 and preferred units of \$2,304 purchased through the NCIB, partially offset by the related contributed surplus of \$14,185. Also contributing to the decrease were distributions made to unitholders of \$23,386 and other comprehensive loss of \$29,864, partially offset by net income of \$25,356 and the issuance of common units for \$33.

## 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 period, 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 March 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Cash flow from operations	\$ 61,438	\$ 213,727	\$ 214,005
Net income	25,356	158,636	234,435
Distributions declared	25,252	173,408	181,052
Excess of cash flow from operations over distributions declared	36,186	40,319	32,953
Excess (shortfall) of net income over distributions declared	104	(14,772)	53,383

## CAPITAL RESOURCES

At March 31, 2019, Artis had \$51,168 of cash on hand. Management anticipates that the cash on hand may be invested in the REIT's portfolio of investment properties in subsequent periods, used for working capital purposes, for debt repayment or for unit purchases under the NCIB.

The REIT has two unsecured revolving term credit facilities in the aggregate amount of \$700,000, 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 March 31, 2019, the REIT had \$190,825 available on its revolving term credit facilities.

At March 31, 2019, the REIT had 92 unencumbered properties and eight unencumbered parcels of development land, inclusive of properties held in joint venture arrangements, representing a Proportionate Share fair value of \$1,910,221.

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 March 31, 2019.

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 <sup>(1)</sup>**

	<b>Total</b>	<b>Less than 1 year</b>	<b>1 - 3 years</b>	<b>4 - 5 years</b>	<b>After 5 years</b>
Accounts payable and other liabilities	\$ 116,871	116,871	\$ —	\$ —	\$ —
Credit facilities	809,175	—	311,803	497,372	—
Senior unsecured debentures <sup>(2)</sup>	450,000	200,000	250,000	—	—
Mortgages and loans payable	1,763,423	374,854	660,238	636,458	91,873
<b>Total contractual obligations</b>	<b>\$ 3,139,469</b>	<b>\$ 691,725</b>	<b>\$ 1,222,041</b>	<b>\$ 1,133,830</b>	<b>\$ 91,873</b>

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

<b>Year ended December 31,</b>	<b>Debt maturities</b>	<b>% of total principal</b>	<b>Scheduled principal repayments on non-matured debt</b>	<b>Total annual principal repayments</b>	<b>Weighted- average nominal interest rate on balance due at maturity</b>
2019	\$ 324,272	20.7%	\$ 34,814	\$ 359,086	4.38%
2020	182,011	11.7%	39,570	221,581	3.98%
2021	407,325	26.1%	29,179	436,504	4.05%
2022	196,349	12.6%	22,492	218,841	3.91%
2023	419,509	26.9%	14,147	433,656	4.01%
2024 & later	31,925	2.0%	61,830	93,755	3.64%
<b>Total</b>	<b>\$ 1,561,391</b>	<b>100.0%</b>	<b>\$ 202,032</b>	<b>\$ 1,763,423</b>	<b>4.07%</b>

(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	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17
Revenue	\$ 133,547	\$ 132,864	\$ 128,097	\$ 126,140	\$ 125,769	\$ 126,256	\$ 127,008	\$ 129,507
Expenses:								
Property operating	34,480	35,315	31,281	30,301	30,800	32,222	30,065	29,737
Realty taxes	20,589	20,290	20,605	19,951	20,004	19,092	19,639	21,070
	55,069	55,605	51,886	50,252	50,804	51,314	49,704	50,807
Net operating income	78,478	77,259	76,211	75,888	74,965	74,942	77,304	78,700
Other income (expenses):								
Corporate expenses	(4,117)	(2,186)	(2,585)	(3,364)	(6,301)	(3,332)	(3,334)	(3,330)
Interest expense	(27,252)	(26,853)	(25,032)	(25,665)	(23,614)	(23,462)	(23,882)	(24,070)
Interest income	441	689	371	329	585	307	300	262
Net income (loss) from investments in joint ventures	2,657	(2,085)	5,343	475	5,021	5,742	7,896	1,528
Fair value (loss) gain on investment properties	(18,527)	(23,576)	(32,096)	24,505	(5,932)	4,906	2,486	(16,169)
Foreign currency translation gain (loss)	6,713	(12,119)	6,692	(519)	(2,167)	(3,144)	(3,542)	1,552
Transaction costs	—	(488)	(227)	(27)	(5,676)	(543)	(567)	—
Fair value (loss) gain on derivative instruments and other transactions	(12,345)	(3,357)	(2,714)	3,459	13,954	(1,420)	8,231	131
Income before income taxes	26,048	7,284	25,963	75,081	50,835	53,996	64,892	38,604
Income tax (expense) recovery	(692)	(64)	(244)	(106)	(113)	67	(89)	(51)
Net income	25,356	7,220	25,719	74,975	50,722	54,063	64,803	38,553
Other comprehensive (loss) income:								
Unrealized foreign currency translation (loss) gain	(30,266)	77,121	(23,702)	28,260	34,510	12,534	(44,755)	(30,072)
Unrealized gain (loss) from remeasurements of net pension obligation	402	(437)	—	—	—	(33)	(70)	38
	(29,864)	76,684	(23,702)	28,260	34,510	12,501	(44,825)	(30,034)
Total comprehensive (loss) income	\$ (4,508)	\$ 83,904	\$ 2,017	\$ 103,235	\$ 85,232	\$ 66,564	\$ 19,978	\$ 8,519
Net income per unit attributable to common unitholders:								
Basic	\$ 0.13	\$ 0.01	\$ 0.13	\$ 0.45	\$ 0.30	\$ 0.33	\$ 0.40	\$ 0.23
Diluted	0.13	0.01	0.13	0.45	0.29	0.33	0.40	0.22
Secured mortgages and loans to GBV	28.8%	29.4%	29.4%	30.2%	30.2%	29.9%	31.4%	36.9%

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 and per unit amounts are also impacted by the fair value gains and losses on investment properties and derivative instruments and other transactions and transactions costs.

## Reconciliation of Net Income to FFO and AFFO

000's, except per unit amounts	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17
Net income	\$ 25,356	\$ 7,220	\$ 25,719	\$ 74,975	\$ 50,722	\$ 54,063	\$ 64,803	\$ 38,553
Add (deduct):								
Adjustment for investments in joint ventures <sup>(1)</sup>	(970)	3,434	(3,548)	796	(2,919)	(3,245)	(5,426)	1,069
Fair value loss (gain) on investment properties	18,527	23,576	32,096	(24,505)	5,932	(4,906)	(2,486)	16,169
Tenant inducements amortized to revenue	5,465	5,152	4,871	4,940	4,798	4,415	4,292	4,107
Transaction costs on acquisitions	—	488	227	27	651	543	567	—
Foreign currency translation (gain) loss	(6,713)	12,119	(6,692)	519	2,167	3,144	3,542	(1,552)
Fair value loss (gain) on derivative instruments and other transactions	12,345	3,357	2,714	(3,459)	(13,954)	1,420	(8,231)	(131)
Remeasurement component of unit-based compensation	531	(946)	(342)	(135)	(87)	289	76	(13)
Distributions on preferred shares treated as interest expense	44	44	45	43	42	43	43	45
Incremental leasing costs	1,133	1,124	654	889	916	1,252	1,058	792
Preferred unit distributions	(5,434)	(5,461)	(5,283)	(5,283)	(5,921)	(4,643)	(4,548)	(4,597)
FFO	\$ 50,284	\$ 50,107	\$ 50,461	\$ 48,807	\$ 42,347	\$ 52,375	\$ 53,690	\$ 54,442
Add (deduct):								
Amortization of recoverable capital expenditures <sup>(2)</sup>	\$ (2,403)	\$ (2,716)	\$ (2,223)	\$ (2,274)	\$ (2,170)	\$ (3,407)	\$ (2,196)	\$ (2,137)
Non-recoverable property maintenance reserve <sup>(2)</sup>	(950)	(950)	(950)	(950)	(950)	(950)	(950)	(700)
Leasing costs reserve <sup>(2)</sup>	(7,560)	(7,560)	(7,560)	(7,560)	(7,850)	(8,100)	(10,000)	(9,600)
Straight-line rent adjustments <sup>(2)</sup>	(1,764)	(1,337)	(2,145)	(1,719)	(1,797)	(1,925)	(1,954)	(1,871)
AFFO	\$ 37,607	\$ 37,544	\$ 37,583	\$ 36,304	\$ 29,580	\$ 37,993	\$ 38,590	\$ 40,134
FFO per unit:								
Basic	\$ 0.34	\$ 0.33	\$ 0.33	\$ 0.32	\$ 0.28	\$ 0.35	\$ 0.36	\$ 0.36
Diluted	0.34	0.33	0.33	0.32	0.28	0.35	0.36	0.36
AFFO per unit:								
Basic	\$ 0.25	\$ 0.25	\$ 0.24	\$ 0.24	\$ 0.20	\$ 0.25	\$ 0.26	\$ 0.27
Diluted	0.25	0.24	0.24	0.24	0.19	0.25	0.26	0.27
Weighted-average number of common units outstanding for FFO:								
Basic	148,564	153,138	153,820	153,798	151,494	150,594	150,593	150,581
Diluted <sup>(3)</sup>	149,217	153,711	154,401	154,346	152,041	151,022	151,035	150,966

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

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

(3) Options, 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	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17
FFO per above	\$ 50,284	\$ 50,107	\$ 50,461	\$ 48,807	\$ 42,347	\$ 52,375	\$ 53,690	\$ 54,442
Add (deduct):								
Pension liability adjustment <sup>(1)</sup>	—	—	—	—	3,392	—	—	—
Property management termination fees <sup>(1)</sup>	—	—	—	—	5,025	—	—	—
Normalized FFO	\$ 50,284	\$ 50,107	\$ 50,461	\$ 48,807	\$ 50,764	\$ 52,375	\$ 53,690	\$ 54,442
Normalized AFFO	\$ 37,607	\$ 37,544	\$ 37,583	\$ 36,304	\$ 37,997	\$ 37,993	\$ 38,590	\$ 40,134
Normalized FFO per unit:								
Basic	\$ 0.34	\$ 0.33	\$ 0.33	\$ 0.32	\$ 0.34	\$ 0.35	\$ 0.36	\$ 0.36
Diluted	0.34	0.33	0.33	0.32	0.33	0.35	0.36	0.36
Normalized AFFO per unit:								
Basic	\$ 0.25	\$ 0.25	\$ 0.24	\$ 0.24	\$ 0.25	\$ 0.25	\$ 0.26	\$ 0.27
Diluted	0.25	0.24	0.24	0.24	0.25	0.25	0.26	0.27

(1) 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 May 9, 2019, the balance of common units outstanding is as follows:

	Total
Units outstanding at March 31, 2019	144,680,450
Units purchased and cancelled through NCIB	(1,743,776)
Units purchased through NCIB, not cancelled at May 9, 2019	(755,352)
Units outstanding at May 9, 2019	142,181,322

As of May 9, 2019, the balance of preferred units outstanding is as follows:

	Series A	Series E	Series G	Series I	Total
Preferred units outstanding at March 31, 2019	3,413,200	3,961,700	3,167,000	5,000,000	15,541,900
Preferred units purchased and cancelled through NCIB	(4,400)	(6,100)	(5,700)	—	(16,200)
Preferred units purchased through NCIB, not cancelled at May 9, 2019	(5,500)	(6,000)	(6,000)	—	(17,500)
Preferred units outstanding at May 9, 2019	3,403,300	3,949,600	3,155,300	5,000,000	15,508,200

The balance of restricted units outstanding as of May 9, 2019 is 542,915, none of which have vested.

The balance of deferred units outstanding as of May 9, 2019 is 130,437. All of these deferred units have vested, none of which are redeemable.

## OUTLOOK

Scotiabank's Global Outlook dated April 12, 2019, predicts that real GDP in Canada will grow by 1.6% in 2019. GDP in British Columbia, Manitoba and Ontario in 2019 is estimated to grow by 2.4%, 1.6% and 1.7%, respectively, which are all healthy growth rates that are near or above the 2019 national forecast. Scotiabank is forecasting continued GDP growth of 1.6% in 2019 for Saskatchewan and 1.2% in 2019 for Alberta, and stabilized unemployment rates for both provinces in 2019. We continue to monitor the Saskatchewan and Alberta markets closely and work diligently to maximize occupancy and rental rates, while diversifying our portfolio in an accretive manner so as to reduce and optimize our weighting in Alberta.

The Scotiabank Global Outlook report further predicts that U.S. GDP will grow at a rate of 2.4% in 2019. According to the United States Bureau of Labor Statistics, U.S. unemployment decreased nationally from 4.0% to 3.8% year-over-year in March. Most recently available unemployment rates in our U.S target markets are generally near or below the national average. We continue to monitor this and other key economic indicators in our target U.S. markets on a continuous basis. Given the health of the U.S. economy, strength of the US dollar, positive GDP growth expectations and decline in unemployment rates, we anticipate that there is further growth potential to be realized in 2019 and beyond. We will continue to monitor acquisition opportunities in both Canada and the U.S., but anticipate that the majority of our near- to mid-term investments will be in high-yield development projects in our target U.S. markets.

On November 1, 2018, we announced several new capital allocation initiatives to improve our growth profile, our NAV and strengthen our balance sheet. Since the announcement, we have, and will continue to maximize our unit purchases under our NCIB for the full 2019 year. In accordance with these new initiatives, we have numerous properties that are listed for sale and are being actively marketed by qualified brokers in the respective markets. The properties that are held for sale have a fair value of \$518,405 at March 31, 2019. Subsequent to March 31, 2019, we classified an additional eight investment properties and one parcel of development land with an aggregate fair value of \$345,162 as held for sale. We look forward to providing further updates on our progress with this initiative in subsequent quarters.

In the meantime, we continue to maintain our Investment Grade Credit Rating, BBB(low) with a Stable trend, from DBRS Limited. Additionally, DBRS Limited has assigned a rating of Pfd-3(low) with a Stable trend to Artis' preferred units. We anticipate that with this Investment Grade Credit Rating, the debt and equity markets will continue to be receptive to new financing in 2019. 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 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 March 31, 2019, Artis had \$51,168 of cash on hand and \$190,825 available on its revolving term credit facilities. Subsequent to March 31, 2019, the following transactions took place:

- The REIT disposed of an office property and excess development land located in the Greater Denver Area, Colorado, for a sale price of US\$27,000. A portion of the proceeds was used to repay the outstanding mortgage financing in the amount of US\$14,072.
- The REIT classified an additional eight investment properties and one parcel of development land with an aggregate fair value of \$345,162 as held for sale. Included in these investment properties is a retail property located in Winnipeg, Manitoba, which the REIT entered into an unconditional sale agreement for a sale price of \$20,550 expected to close in May 2019. Additionally, the REIT entered into conditional sale agreements for three of these investment properties and the parcel of development land.
- The REIT drew \$35,000 and repaid US\$2,100 on its revolving term credit facilities.
- The REIT purchased through the NCIB 2,499,128 common units at a weighted-average price of \$10.72, 9,900 Series A preferred units at a weighted-average price of \$21.63, 12,100 Series E preferred units at a weighted-average price of \$20.31 and 11,700 Series G preferred units at a weighted-average price of \$21.71.
- The REIT declared a monthly cash distribution of \$0.045 per common unit for the month of April 2019.
- The REIT declared a quarterly cash distribution of \$0.3125 per Series G preferred unit for the three months ended April 30, 2019.
- The REIT declared a quarterly cash distribution of \$0.3750 per Series I preferred unit for the three months ended April 30, 2019.



## 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 investment 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 March 31, 2019, 39.6% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 31.8% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At March 31, 2019, the REIT is a party to \$2,001,625 of variable rate debt, including credit facilities and debentures (December 31, 2018, \$1,989,356). At March 31, 2019, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$1,022,946 of variable rate debt, including credit facilities and debentures, (December 31, 2018, \$834,241). 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 March 31, 2019, the REIT's ratio of secured mortgages and loans to GBV was 28.8%, compared to 29.4% at December 31, 2018. At March 31, 2019, the REIT's ratio of total long-term debt and credit facilities to GBV was 50.9%, compared to 49.9% at December 31, 2018. Approximately 18.4% of Artis' maturing mortgage debt comes up for renewal during the remainder of 2019, and 12.6% in 2020. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2019 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 1,909 tenant leases with a weighted-average term to maturity of 4.8 years. Approximately 54.1% of the REIT's gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is Bell MTS, which is one of Canada's leading national communication companies providing voice services, internet and data services, and television. The second largest tenant by gross revenue is 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<sup>(1)</sup>

Tenant	% of total gross revenue <sup>(2)</sup>	Owned share of GLA (000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Bell MTS Inc.	2.1%	322	1.3%	3.9
Graham Group Ltd.	1.7%	243	1.0%	15.3
AT&T	1.5%	257	1.0%	6.3
WorleyParsons Canada Services Ltd.	1.4%	170	0.7%	2.5
Whiting Oil and Gas Corporation	1.2%	223	0.9%	0.6
Bell Canada	1.2%	115	0.5%	10.5
TDS Telecommunications Corporation	1.1%	195	0.8%	5.8
Home Depot	1.1%	150	0.6%	3.9
TransAlta Corporation	1.1%	336	1.4%	4.2
Bellatrix Exploration Ltd.	1.0%	94	0.4%	4.8
Shoppers Drug Mart Inc.	1.0%	136	0.5%	6.4
CB Richard Ellis, Inc.	0.9%	108	0.4%	7.8
Canadian Institute for Health Information	0.8%	92	0.4%	6.4
Cara Operations Ltd.	0.8%	100	0.4%	9.8
Fairview Health Services	0.8%	179	0.7%	4.4
3M Canada Company	0.8%	319	1.3%	6.0
Prime Therapeutics LLC	0.8%	223	0.9%	15.5
The Toronto-Dominion Bank	0.8%	96	0.4%	1.8
Telephone and Data Systems Inc.	0.7%	131	0.5%	5.7
Sobeys Capital Inc.	0.7%	158	0.6%	3.9
Total	21.5%	3,647	14.7%	6.3

(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<sup>(1)</sup>

Tenant	% of total gross revenue <sup>(2)</sup>	Owned share of GLA (000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Federal Government	3.1%	449	1.8%	7.3
Provincial Government	1.9%	284	1.1%	3.9
Civic or Municipal Government	0.4%	98	0.4%	12.8
Total	5.4%	831	3.3%	6.8
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:

Expiry Year	Canada						U.S.				
	AB	BC	MB	SK	ON	Calgary office only	AZ	MN	WI	Other	Total
2019	1.2%	0.6%	1.4%	0.3%	1.9%	0.4%	0.6%	3.0%	0.7%	1.3%	11.0%
2020	1.0%	0.1%	2.3%	0.4%	1.7%	0.2%	1.3%	2.6%	1.2%	0.5%	11.1%
2021	2.1%	0.3%	2.4%	0.6%	1.6%	1.3%	0.9%	5.1%	0.4%	0.3%	13.7%
2022	1.0%	0.3%	1.1%	1.4%	2.3%	0.2%	0.3%	2.5%	0.3%	0.5%	9.7%
2023	2.7%	0.3%	1.5%	0.6%	1.5%	1.6%	0.4%	1.9%	0.2%	0.7%	9.8%
2024	0.9%	—%	0.9%	0.1%	1.0%	0.5%	0.6%	2.2%	1.4%	0.3%	7.4%
2025 & later	3.8%	0.5%	4.1%	2.2%	4.6%	1.1%	3.3%	5.3%	1.7%	2.1%	27.6%
Month-to-month	0.1%	0.1%	0.1%	—%	—%	—%	—%	—%	—%	—%	0.3%
Vacant	2.2%	—%	1.4%	0.2%	0.9%	1.6%	0.5%	1.1%	0.9%	0.7%	7.9%
New development/ redevelopment	0.4%	—%	—%	—%	0.2%	0.4%	0.4%	—%	—%	0.5%	1.5%
<b>Total</b>	<b>15.4%</b>	<b>2.2%</b>	<b>15.2%</b>	<b>5.8%</b>	<b>15.7%</b>	<b>7.3%</b>	<b>8.3%</b>	<b>23.7%</b>	<b>6.8%</b>	<b>6.9%</b>	<b>100.0%</b>

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 Q1-19 Proportionate Share Property NOI) are Twin Cities Area office, Madison office, Twin Cities Area industrial, Greater Phoenix Area office and Winnipeg office.

## TAX RISK

The Income Tax Act (Canada) contains legislations affecting the tax treatment of a specified investment flow-through ("SIFT") trust or partnership ("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 three months ended March 31, 2019 and the year ended December 31, 2018. 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 March 31, 2019, investment properties under development account for 2.6% of Artis' total investment properties (December 31, 2018, 2.2%).

## 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, 2018.

## CHANGES IN ACCOUNTING STANDARDS

### New or Revised Accounting Standards Adopted During the Period

The REIT adopted IFRS 16 – *Leases* ("IFRS 16") on its effective date of January 1, 2019. IFRS 16 replaces IAS 17 – *Leases* ("IAS 17") and IFRIC 4 – *Determining whether an Arrangement Contains a Lease*. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees. The REIT has completed its evaluation of the impact of IFRS 16 on its consolidated financial statements. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17 and the REIT will continue to classify leases with its tenants as operating leases. For leases in which the REIT is a lessee, at the commencement date of the lease, the REIT recognizes right-of-use assets and lease liabilities measured at the present value of lease payments to be made over the lease term. After the commencement date, the lease liabilities are increased to reflect the accretion of interest and reduced for the lease payments made. The recognized right-of-use assets are depreciated on a straight-line basis over the lease term. The REIT applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less and leases of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The REIT adopted IFRS 16 using the modified retrospective method. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The REIT elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The REIT also elected to use the recognition exemptions for lease contracts for which the lease term ends within 12 months as of the date of initial application and leases for which the underlying asset is of low value. The REIT has reviewed all lease contracts in which it is a lessee. The REIT has one land lease and the fair value has been included in investment properties prior to initial application. No adjustment is required on initial application for the land lease. The REIT also has lease contracts for vehicles and office equipment. The REIT recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets, resulting in an increase of property and equipment of \$133 and increase in other long-term liabilities of \$133 as at January 1, 2019.

In June 2017, the IASB issued IFRIC 23 – *Uncertainty over Income Tax Treatments* ("IFRIC 23"). IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. This interpretation did not result in a material impact to the consolidated financial statements.

In October 2017, the IASB amended IFRS 9 – *Financial Instruments* ("IFRS 9"). The amendments clarify that for the purpose of assessing whether a prepayment feature meets the condition to be classified as measured at amortized cost, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. The amendment is effective for annual periods beginning on or after January 1, 2019. This amendment did not result in a material impact to the consolidated financial statements.

In October 2017, the IASB amended IAS 28 – *Long-term Interests in Associates and Joint Ventures* ("IAS 28"). The amendments clarify that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28. The amendments apply retrospectively to annual periods beginning on or after January 1, 2019. This amendment did not result in a material impact to the consolidated financial statements.

## 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 March 31, 2019, 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 three months ended March 31, 2019, 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 March 31, 2019, 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 three months ended March 31, 2019.