



Management's Discussion and Analysis Q2-19

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

Management's Discussion and Analysis - Q2-19

(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 and six months ended June 30, 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 August 1, 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 or on our website at www.artisreit.com.

FORWARD-LOOKING DISCLAIMER

This MD&A contains forward-looking statements. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Particularly, statements regarding the REIT's future operating results, performance and achievements, including the implementation of Artis' new initiatives, are forward-looking statements. Without limiting the foregoing, the words "expects", "anticipates", "intends", "estimates", "projects" and similar expressions are intended to identify forward-looking statements.

Artis is subject to significant risks and uncertainties which may cause the actual results, performance or achievements of the REIT to be materially different from any future results, performance or achievements expressed or implied in these forward-looking statements. Such risk factors include, but are not limited to, risks related to the implementation of Artis' new initiatives, risks associated with real property ownership, debt financing, foreign currency, credit and tenant concentration, lease rollover, availability of cash flow, general uninsured losses, future property acquisitions and dispositions, environmental matters, tax related matters, changes in legislation and changes in the tax treatment of trusts, cyber security, new or (re)developments, unitholder liability, potential conflicts of interest, potential dilution and reliance on key personnel. Artis cannot assure investors that actual results will be consistent with any forward-looking statements and Artis assumes no obligation to update or revise such forward-looking statements to reflect actual events or new circumstances. All forward-looking statements contained in this MD&A are qualified by this cautionary statement.

NOTICE WITH RESPECT TO NON-GAAP MEASURES

In addition to reported IFRS measures, the following non-GAAP measures are commonly used by Canadian real estate investment trusts as an indicator of financial performance. "GAAP" means the generally accepted accounting principles described by the CPA Canada Handbook - Accounting, which are applicable as at the date on which any calculation using GAAP is to be made. Artis applies IFRS, which is the section of GAAP applicable to publicly accountable enterprises. These non-GAAP measures are not defined under IFRS and are not intended to represent operating profits for the period, or from a property, nor should any of these measures be viewed as an alternative to net income, cash flow from operations or other measures of financial performance calculated in accordance with IFRS. Readers should be further cautioned that the following measures as calculated by Artis may not be comparable to similar measures presented by other issuers.

Proportionate Share

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

Property Net Operating Income ("Property NOI")

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

Interest Coverage Ratio

Artis calculates the interest coverage ratio by dividing the total of Property NOI and interest income, less corporate expenses by interest expense over the same period. 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 calculation of this measure, on both an IFRS and Proportionate Share basis.

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

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

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 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.

TABLE OF CONTENTS

OVERVIEW	4
Primary Objective	4
Update on New Initiatives	4
Second Quarter Overview	5
Portfolio Summary	7
2019 - SECOND QUARTER HIGHLIGHTS	12
Portfolio Activity	12
Financing Activities	12
Distributions	13
SELECTED FINANCIAL INFORMATION	13
ANALYSIS OF OPERATING RESULTS	15
Income Statement Metrics	17
Revenue and Property NOI	19
Same Property NOI Analysis	20
Property NOI by Asset Class	22
Property NOI by Geographical Region	24
Corporate Expenses	25
Interest Expense	25
Fair Value (Loss) Gain on Investment Properties	26
Foreign Currency Translation Gain (Loss)	26
Fair Value (Loss) Gain on Derivative Instruments and Other Transactions	26
Income Tax	26
Other Comprehensive (Loss) Income	26
Funds from Operations and Adjusted Funds from Operations	27
Portfolio Occupancy	29
Portfolio Leasing Activity and Lease Expiries	29
Largest Segments by Property NOI	35
ANALYSIS OF FINANCIAL POSITION	38
Balance Sheet Metrics	39
Assets	41
Liabilities	44
Unitholders' Equity	47
LIQUIDITY AND CAPITAL RESOURCES	47
Distributions	47
Capital Resources	47
Contractual Obligations	48
SUMMARIZED QUARTERLY INFORMATION	49
OUTSTANDING UNIT DATA	51
OUTLOOK	51
Subsequent Events	52
RISKS AND UNCERTAINTIES	53
Real Estate Ownership	53
Interest Rate and Debt Financing	53
Foreign Currency Risk	53
Credit Risk and Tenant Concentration	54
Lease Rollover Risk	55
Tax Risk	55
Cyber Security Risk	55
Development Risk	56
Other Risks	56
CRITICAL ACCOUNTING ESTIMATES	56
CHANGES IN ACCOUNTING STANDARDS	56
CONTROLS AND PROCEDURES	57
Internal Controls Over Financial Reporting	57
Disclosure Controls and Procedures	57

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 August 1, 2019, there were 140,992,470 common units, 15,422,100 preferred units, 679,755 restricted units and 452,669 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 in consideration of 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 second quarter of 2019, we purchased 3,753,481 common units at a weighted-average price of \$11.03, and 81,400 preferred units at a weighted-average price of \$21.17 under our NCIB. From November 1, 2018, when we announced our intention to purchase units under our NCIB until June 30, 2019, we have purchased 12,901,220 common units at a weighted-average price of \$10.48 and 189,500 preferred units at a weighted-average price of \$20.95.

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. In accordance with these initiatives, we have sold the following nine properties:

Property	Property count	Location	Disposition date	Asset class	Owned share of GLA	Annualized Property NOI ⁽¹⁾	Capitalization rate	Sale price	Fair value ⁽²⁾
Centrepont ⁽³⁾	1	Winnipeg, MB	October 31, 2018	Office	51,723	\$ 1,479	6.00%	\$ 27,250	\$ 26,106
169 Inverness Drive West I & II	1	Greater Denver Area, CO	April 9, 2019	Office	118,518	(146)	N/A	36,113	46,590
Reenders Square	1	Winnipeg, MB	May 21, 2019	Retail	65,713	1,258	6.00%	20,550	18,315
Britannia Building	1	Calgary, AB	May 22, 2019	Office	133,897	(269)	N/A	10,650	10,101
Nanaimo Portfolio	4	Nanaimo, BC	June 17, 2019	Office / Retail	112,327	2,079	4.60%	37,038	36,621
1700 Broadway ⁽⁴⁾	1	Greater Denver Area, CO	June 27, 2019	Office	394,151	8,867	N/A	104,325	111,196
					9	876,329	\$ 13,268	\$ 235,926	\$ 248,929

(1) Based on the annualized Property NOI reported for the quarter prior to disposition.

(2) Based on the fair value reported at the quarter prior to disposition.

(3) The REIT disposed of its 50% interest in Centrepont, a property held under a joint venture arrangement.

(4) Property NOI for 1700 Broadway does not account for a large tenant that will be vacating in Q4-19. This tenant accounts for \$7,578 of Property NOI (based on the annualized Property NOI reported for the quarter prior to disposition).

At June 30, 2019, we had 16 properties (plus two parcels of development land) classified as held for sale, including six office properties and 10 retail properties that have a total fair value of \$398,002. Subsequent to June 30, 2019, we sold the GSA Professional Office Building in the Greater Phoenix Area, Arizona for approximately \$120,728, which represents a capitalization rate of 5.81%.

SECOND QUARTER OVERVIEW

At June 30, 2019, our portfolio occupancy (including commitments) increased to 94.7% from 94.1% at March 31, 2019. During the second quarter, we completed 353,870 square feet of lease renewal transactions. The weighted-average increase in renewal rents compared to the expiring rents in Q2-19 was 4.0%. Our leasing team continues to work diligently on our upcoming renewals and leasing program.

Also noteworthy during the second quarter, FFO per unit for the three months ended June 30, 2019, increased 12.5%, to \$0.36 from \$0.32 for the three months ended June 30, 2018, while AFFO per unit for the same period increased 12.5%, to \$0.27 from \$0.24. We reported conservative FFO and AFFO payout ratios for the three months ended June 30, 2019, of 38.9% and 51.9%, respectively. Same Property NOI period-over-period for the three months ended June 30 increased 4.6%, or 6.3% for stabilized properties.

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 June 30, 2019, we had 18 properties with a Leadership in Energy and Environmental Design ("LEED") certification, 24 properties with a Building Owners and Managers Association ("BOMA") Building Environmental Standards ("BEST") certification and 19 properties with an Energy Star certification.

For more information on Artis' comprehensive corporate sustainability program, including Artis' Environmental, Social and Governance Report, please visit 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, 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 and surpassed at the 2019 Annual General Meeting;
- a board renewal policy pursuant to which three out of eight Trustees are new to the Board over the last two years, resulting in a decrease in average tenure from 9 years to 8 years; and
- the submission to unitholders of a non-binding "say on pay" vote on an annual basis, commencing at Artis' 2019 annual general meeting, with respect to compensation practices for the 2018 year.

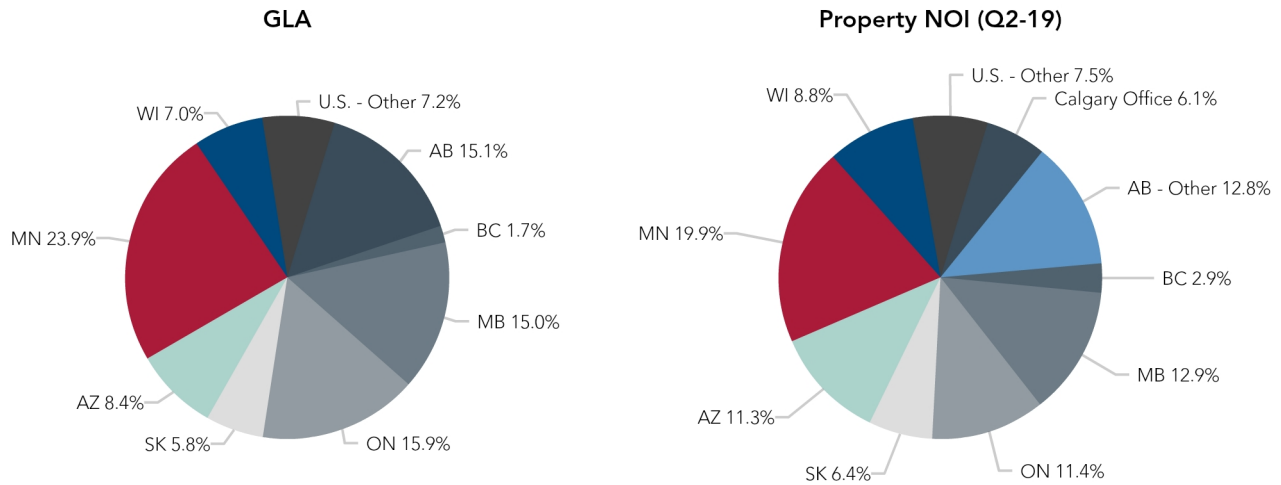
The Trustees continue to discuss the vision and long-term strategic direction of Artis and the important oversight role that the Board plays, and to consider corporate governance and compensation changes to better align with industry best practices.

On May 9, 2019, the Board announced the formation of a Special Committee of Independent Trustees to review and evaluate additional strategic alternatives that may arise.

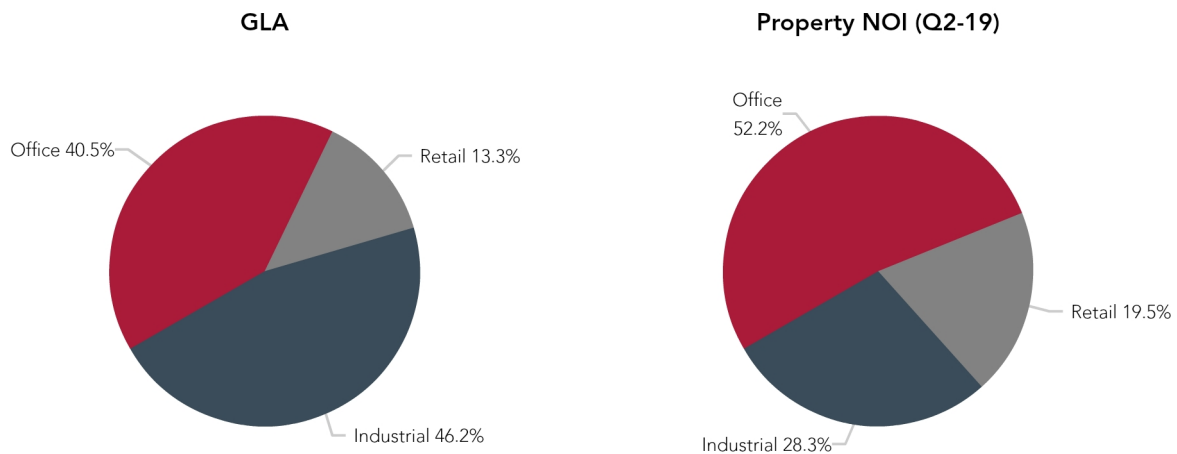
PORTFOLIO SUMMARY

At June 30, 2019, the REIT's portfolio was comprised of 229 commercial properties (inclusive of properties held in joint venture arrangements) totalling approximately 24.9 million square feet ("S.F.") of gross leasable area ("GLA").

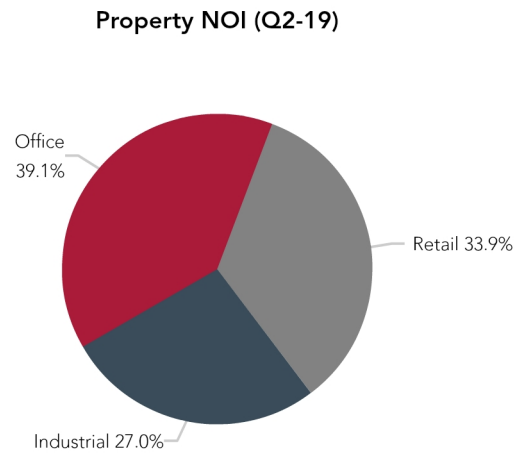
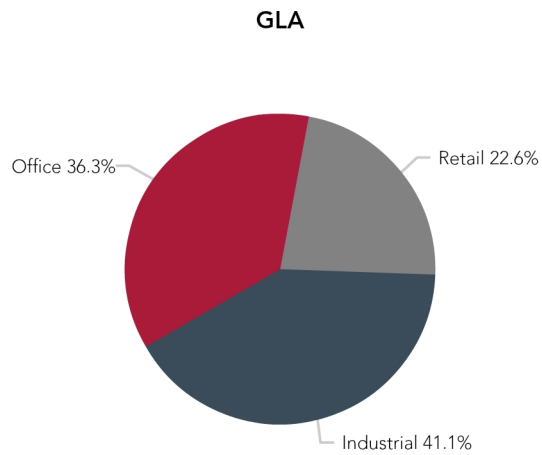
Diversification by Geographical Region (Proportionate Share basis)



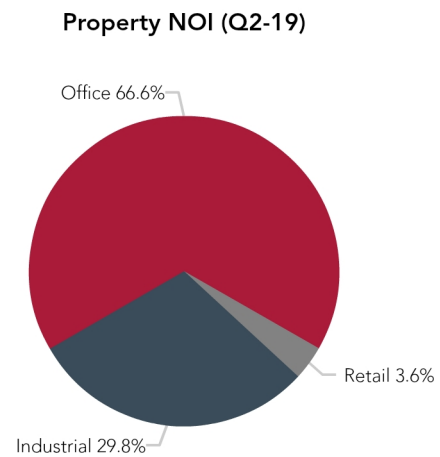
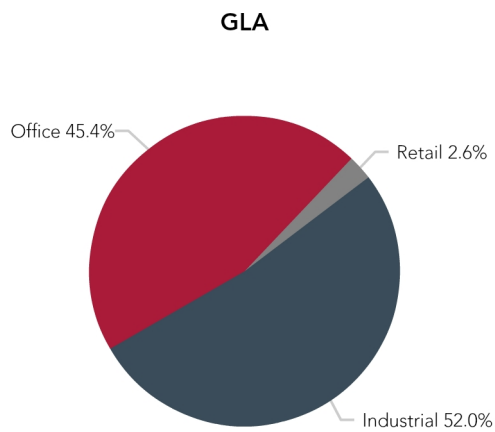
Diversification by Asset Class - Total Canadian and U.S. Portfolio (Proportionate Share basis)



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



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



Portfolio by Asset Class ⁽¹⁾

Asset class	City	Province / State	Property count	Owned share of GLA (000's of S.F.)	% of portfolio GLA	% Occupied	% Committed ⁽²⁾
Canadian portfolio:							
Office	Calgary	AB	11	1,630	6.4%	82.3%	83.5%
	Greater Edmonton Area	AB	1	48	0.2%	97.5%	97.5%
	Greater Toronto Area	ON	7	1,089	4.4%	87.1%	90.6%
	Greater Vancouver Area	BC	2	164	0.6%	98.4%	99.4%
	Ottawa	ON	2	287	1.2%	95.2%	100.0%
	Saskatoon	SK	1	64	0.3%	100.0%	100.0%
	Winnipeg	MB	9	1,465	5.9%	82.6%	91.3%
Office total			33	4,747	19.0%	85.2%	89.5%
Retail	Calgary	AB	5	345	1.4%	98.2%	98.2%
	Estevan	SK	2	167	0.7%	91.1%	91.1%
	Fort McMurray	AB	8	195	0.8%	93.5%	94.4%
	Grande Prairie	AB	5	365	1.5%	69.2%	69.2%
	Greater Edmonton Area	AB	5	440	1.8%	99.6%	99.6%
	Greater Vancouver Area	BC	1	165	0.7%	99.5%	99.5%
	Regina	SK	8	533	2.1%	93.3%	93.5%
	Saskatoon	SK	3	219	0.8%	98.1%	98.1%
	Winnipeg	MB	6	588	2.4%	97.1%	97.4%
Retail total			43	3,017	12.2%	93.2%	93.3%
Industrial	Calgary	AB	6	362	1.5%	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%	99.9%
	Greater Vancouver Area	BC	2	98	0.4%	100.0%	100.0%
	Red Deer	AB	1	126	0.5%	77.9%	77.9%
	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%	96.2%	98.3%
Industrial total			75	5,429	21.7%	96.7%	98.9%
Total Canadian portfolio			151	13,193	52.9%	91.8%	94.2%
U.S. portfolio:							
Office	Greater Denver Area	CO	3	523	2.1%	90.0%	91.2%
	Greater Phoenix Area	AZ	6	1,173	4.7%	92.8%	93.7%
	Madison	WI	16	1,738	7.0%	89.4%	92.2%
	New Hartford	NY	1	123	0.5%	67.4%	67.4%
	Twin Cities Area	MN	7	1,696	6.8%	91.8%	92.5%
Office total			33	5,253	21.1%	90.5%	91.9%
Retail	Twin Cities Area	MN	7	298	1.2%	91.8%	97.2%
Industrial	Greater Denver Area	CO	1	138	0.6%	100.0%	100.0%
	Greater Phoenix Area	AZ	7	921	3.7%	93.4%	94.9%
	Twin Cities Area	MN	25	3,952	15.9%	97.9%	98.7%
	Greater Houston Area	TX	3	992	4.0%	94.9%	98.1%
Industrial total			36	6,003	24.2%	96.8%	98.0%
Total U.S. portfolio			76	11,554	46.5%	93.8%	95.2%
Total Canadian and U.S. portfolio			227	24,747	99.4%	92.7%	94.7%

(1) Information is as at June 30, 2019, and excludes properties listed in the Properties Held for Redevelopment table and the New Developments in Process table on the following page, and includes properties held in joint venture arrangements.

(2) Percentage committed is based on occupancy at June 30, 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 % ⁽¹⁾
Office	Calgary	AB	1	92	0.4%	Sierra Place	5.4%
Industrial	Greater Toronto Area	ON	1	53	0.2%	2145-2155 Dunwin Drive	66.9%
Total properties held for redevelopment			2	145	0.6%		27.9%

(1) Percentage committed is based on occupancy at June 30, 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

New Developments Completed:

Artis has completed construction of all four phases of Park Lucero, an industrial development project located in the Greater Phoenix Area, Arizona. All four phases of the development, which total approximately 582,000 square feet, are complete and are over 90% leased. Construction of Park Lucero IV (the last phase of this project), a 95,000 square foot rear-load building, was completed in Q4-18. The property is 100% leased to a single tenant pursuant to a lease that commenced in Q2-19.

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 1,040,000 square feet of industrial real estate. The first phase of this project, Cedar Port I, totals approximately 519,000 square feet and is 100% leased for a 12.5-year term with annual rent escalations of 2.5%. Artis completed Cedar Port I in Q2-19.

In Q2-19, Artis completed construction of Park 8Ninety III, which is further described below.

New Developments in Process⁽¹⁾:

Asset class	City	Province / State	Property count	Owned share of GLA (000's of S.F.)	Property	% Completed	% Committed ⁽²⁾
Industrial	Greater Denver Area	CO	1	336	Tower Business Center	90.0%	69.0%
Industrial	Greater Houston Area	TX	1	543	Park 8Ninety II	80.0%	46.0%
Retail	Winnipeg	MB	1	27	330 Main	65.0%	90.0%
Residential/Commercial	Winnipeg	MB	1	580	300 Main	27.0%	—%
Total new developments in process ⁽³⁾			4	1,486			

(1) Information is at June 30, 2019, and includes properties held in joint venture arrangements.

(2) Percentage committed is based on occupancy at June 30, 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.

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 being developed in several phases into approximately 1,769,000 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. Park 8Ninety II is expected to comprise approximately 572,000 square feet and be completed in Q3-19, while Park 8Ninety III comprises 33,000 square feet, is 100% leased to a national tenant pursuant to a long-term lease, and was completed in Q2-19. In Q2-19, Artis acquired the remaining 5% interest in Park 8Ninety I and now owns 100% of this asset. Artis has a 95% ownership interest in Park 8Ninety II (in the form of a joint venture arrangement).

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. The first building, which is expected to total approximately 290,000 square feet, is 100% leased to a national tenant pursuant to a long-term lease commencing in Q4-19.

Construction of 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 is classified as held for sale at June 30, 2019.

2019 - SECOND QUARTER HIGHLIGHTS

PORTFOLIO ACTIVITY

	Office		Retail		Industrial		Total	
	Property count	S.F. (000's) ⁽¹⁾	Property count	S.F. (000's) ⁽¹⁾	Property count	S.F. (000's) ⁽¹⁾	Property count	S.F. (000's) ⁽¹⁾
Portfolio properties, March 31, 2019	71	10,717	54	3,455	110	10,911	235	25,083
Acquisitions	—	20	—	—	—	22	—	42
New developments	—	40	—	—	2	552	2	592
Dispositions	(4)	(685)	(4)	(140)	—	—	(8)	(825)
Portfolio properties, June 30, 2019	67	10,092	50	3,315	112	11,485	229	24,892

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

Acquisitions

On May 15, 2019, the REIT acquired an additional 15% interest in the Centre 70 Building, an office property located in Calgary, Alberta for total consideration of \$3,023. Prior to the acquisition date, the REIT owned 85% of this investment property as a joint operation and recorded its proportionate share of the assets, liabilities, revenues, expenses and cash flows in its consolidated financial statements. As a result of this acquisition, the REIT owns 100% of the property and accounts for it on a 100% consolidated basis. The REIT accounted for this acquisition as step acquisition and recorded a bargain purchase gain of \$1,106.

On May 16, 2019, the REIT acquired the remaining 5% interest in Park 8Ninety I, an industrial property located in the Greater Houston Area, Texas for total consideration of US\$4,681. Prior to the acquisition date, the REIT owned 95% of this investment property and the property was classified as joint venture and accounted for using the equity method. As a result of this acquisition, the REIT owns 100% of the property and accounts for it on a consolidated basis. The REIT accounted for this acquisition as step acquisition and remeasured its existing 95% interests to fair value at the acquisition date.

The REIT has an unconditional purchase agreement for an office development project located in the Twin Cities Area, Minnesota. As of June 30, 2019, the REIT expects the purchase to close in the last quarter of 2019 for an anticipated purchase price of US \$41,961.

Dispositions

During Q2-19, Artis disposed of the following properties:

Property	Property count	Location	Disposition date	Asset class	Owned share of GLA	Sale price
169 Inverness Drive West I & II	1	Greater Denver Area, CO	April 9, 2019	Office	118,518	\$ US27,000
Reenders Square	1	Winnipeg, MB	May 21, 2019	Retail	65,713	20,550
Britannia Building	1	Calgary, AB	May 22, 2019	Office	133,897	10,650
Nanaimo Portfolio	4	Nanaimo, BC	June 17, 2019	Office / Retail	112,327	37,038
1700 Broadway	1	Greater Denver Area, CO	June 27, 2019	Office	394,151	US78,000

During Q2-19, Artis repaid mortgage debt related to the disposition of the above properties in the amount of US\$56,550.

FINANCING ACTIVITIES

Unsecured Revolving Term Credit Facilities

During Q2-19, Artis drew a net balance of \$20,341 on its revolving credit facilities. Proceeds of the revolving credit facilities were primarily used for ongoing development expenditures and unit purchases under the NCIB.

Normal Course Issuer Bid

In Q2-19, Artis utilized the NCIB to purchase 3,753,481 common units for an aggregate market price of \$41,385 and 22,500 Series A, 30,400 Series E and 28,500 Series G preferred units for an aggregate market price of \$1,724.

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 June 30, 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 \$24,540 (YTD - \$49,792) to unitholders in Q2-19, which included distributions to preferred unitholders in the amount of \$5,405 (YTD - \$10,839).

SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	Three months ended June 30,				Six months ended June 30,			
	2019	2018	Change	% Change	2019	2018	Change	% Change
Revenue	\$ 133,928	\$ 126,140	\$ 7,788	6.2 %	\$ 267,475	\$ 251,909	\$ 15,566	6.2 %
Property NOI ⁽¹⁾	80,533	75,888	4,645	6.1 %	159,011	150,853	8,158	5.4 %
Net income	19,872	74,975	(55,103)	(73.5)%	45,228	125,697	(80,469)	(64.0)%
Total comprehensive (loss) income	(10,758)	103,235	(113,993)	(110.4)%	(15,266)	188,467	(203,733)	(108.1)%
Basic income per common unit	0.10	0.45	(0.35)	(77.8)%	0.24	0.75	(0.51)	(68.0)%
Diluted income per common unit	0.10	0.45	(0.35)	(77.8)%	0.24	0.75	(0.51)	(68.0)%
Distributions to common unitholders	\$ 19,135	\$ 41,527	\$ (22,392)	(53.9)%	\$ 38,953	\$ 82,478	\$ (43,525)	(52.8)%
Distributions per common unit	0.14	0.27	(0.13)	(48.1)%	0.27	0.54	(0.27)	(50.0)%
FFO ⁽¹⁾	\$ 51,909	\$ 48,807	\$ 3,102	6.4 %	\$ 102,193	\$ 91,154	\$ 11,039	12.1 %
FFO per unit ⁽¹⁾	0.36	0.32	0.04	12.5 %	0.70	0.60	0.10	16.7 %
FFO payout ratio ⁽¹⁾	38.9%	84.4%		(45.5)%	38.6%	90.0%		(51.4)%
Normalized FFO ^{(1) (2)}	\$ 51,909	\$ 48,807	\$ 3,102	6.4 %	\$ 102,193	\$ 99,571	\$ 2,622	2.6 %
Normalized FFO per unit ^{(1) (2)}	0.36	0.32	0.04	12.5 %	0.70	0.65	0.05	7.7 %
Normalized FFO payout ratio ^{(1) (2)}	38.9%	84.4%		(45.5)%	38.6%	83.1%		(44.5)%
AFFO ⁽¹⁾	\$ 39,370	\$ 36,304	\$ 3,066	8.4 %	\$ 76,977	\$ 65,884	\$ 11,093	16.8 %
AFFO per unit ⁽¹⁾	0.27	0.24	0.03	12.5 %	0.53	0.43	0.10	23.3 %
AFFO payout ratio ⁽¹⁾	51.9%	112.5%		(60.6)%	50.9%	125.6%		(74.7)%
Normalized AFFO ^{(1) (2)}	\$ 39,370	\$ 36,304	\$ 3,066	8.4 %	\$ 76,977	\$ 74,301	\$ 2,676	3.6 %
Normalized AFFO per unit ^{(1) (2)}	0.27	0.24	0.03	12.5 %	0.53	0.49	0.04	8.2 %
Normalized AFFO payout ratio ^{(1) (2)}	51.9%	112.5%		(60.6)%	50.9%	110.2%		(59.3)%

(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 and 2019, period-over-period Same Property NOI growth and a higher US dollar to Canadian dollar average exchange rate of 1.3375 in Q2-19 compared to 1.2912 in Q2-18, partially offset by dispositions completed in 2018 and 2019.

The largest contributors to the change 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				Six months ended			
	2019	June 30, 2018	Change	% Change	2019	June 30, 2018	Change	% Change
Interest coverage ratio	2.76	2.84	(0.08)	(2.8)%	2.75	2.88	(0.13)	(4.5)%
Normalized interest coverage ratio ⁽¹⁾	2.76	2.84	(0.08)	(2.8)%	2.75	2.95	(0.20)	(6.8)%
EBITDA interest coverage ratio	3.11	3.17	(0.06)	(1.9)%	3.10	3.24	(0.14)	(4.3)%
Normalized EBITDA interest coverage ratio ⁽¹⁾	3.11	3.17	(0.06)	(1.9)%	3.10	3.31	(0.21)	(6.3)%

	June 30, 2019	March 31, 2019	December 31, 2018
000's, except per unit amounts			
Secured mortgages and loans to GBV	28.3%	28.8%	29.4%
Total long-term debt and credit facilities to GBV	51.2%	50.9%	49.9%
Total long-term debt and credit facilities to EBITDA	8.5	8.9	8.7
Total long-term debt and credit facilities to normalized EBITDA	8.5	8.9	8.7
NAV per unit	\$ 15.37	\$ 15.55	\$ 15.55
Fair value of unencumbered assets	\$ 1,829,594	\$ 1,867,277	\$ 1,805,382
Total assets	\$ 5,540,373	\$ 5,676,308	\$ 5,717,177
Total non-current financial liabilities	2,177,391	2,244,999	2,252,874

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				Six months ended			
	2019	June 30, 2018	Change	% Change	2019	June 30, 2018	Change	% Change
Interest coverage ratio	2.74	2.79	(0.05)	(1.8)%	2.73	2.84	(0.11)	(3.9)%
Normalized interest coverage ratio ⁽¹⁾	2.74	2.79	(0.05)	(1.8)%	2.73	2.90	(0.17)	(5.9)%
EBITDA interest coverage ratio	3.00	3.02	(0.02)	(0.7)%	2.98	3.07	(0.09)	(2.9)%
Normalized EBITDA interest coverage ratio ⁽¹⁾	3.00	3.02	(0.02)	(0.7)%	2.98	3.13	(0.15)	(4.8)%

	June 30, 2019	March 31, 2019	December 31, 2018
Secured mortgages and loans to GBV	29.5%	30.2%	30.6%
Total long-term debt and credit facilities to GBV	51.9%	51.7%	50.6%
Total long-term debt and credit facilities to EBITDA	8.8	9.2	9.0
Total long-term debt and credit facilities to normalized EBITDA	8.8	9.2	9.0
Fair value of unencumbered assets	\$ 1,871,620	\$ 1,910,221	\$ 1,847,443
Total assets	\$ 5,662,353	\$ 5,818,441	\$ 5,841,846
Total non-current financial liabilities	2,253,388	2,305,333	2,296,891

(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 June 30,							
2019				2018			
	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	
Revenue	\$ 133,928	\$ 4,315	\$ 138,243	\$ 126,140	\$ 4,791	\$ 130,931	
Expenses:							
Property operating	31,655	1,192	32,847	30,301	1,308	31,609	
Realty taxes	21,740	961	22,701	19,951	1,065	21,016	
	53,395	2,153	55,548	50,252	2,373	52,625	
Net operating income	80,533	2,162	82,695	75,888	2,418	78,306	
Other income (expenses):							
Corporate expenses	(4,113)	—	(4,113)	(3,364)	—	(3,364)	
Interest expense	(27,916)	(977)	(28,893)	(25,665)	(1,320)	(26,985)	
Interest income	510	1	511	329	2	331	
Net (loss) income from investments in joint ventures	(691)	691	—	475	(475)	—	
Fair value (loss) gain on investment properties	(24,508)	(1,877)	(26,385)	24,505	(625)	23,880	
Foreign currency translation gain (loss)	3,435	—	3,435	(519)	—	(519)	
Transaction costs	(137)	—	(137)	(27)	—	(27)	
Fair value (loss) gain on derivative instruments and other transactions	(7,195)	—	(7,195)	3,459	—	3,459	
Income before income taxes	19,918	—	19,918	75,081	—	75,081	
Income tax expense	(46)	—	(46)	(106)	—	(106)	
Net income	19,872	—	19,872	74,975	—	74,975	
Other comprehensive (loss) income:							
Unrealized foreign currency translation (loss) gain	(28,648)	(2,251)	(30,899)	25,871	2,389	28,260	
Unrealized foreign currency translation (loss) gain on joint ventures	(2,251)	2,251	—	2,389	(2,389)	—	
Unrealized gain from remeasurements of net pension obligation	269	—	269	—	—	—	
	(30,630)	—	(30,630)	28,260	—	28,260	
Total comprehensive (loss) income	\$ (10,758)	\$ —	\$ (10,758)	\$ 103,235	\$ —	\$ 103,235	

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

Six months ended June 30,							
2019				2018			
	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	
Revenue	\$ 267,475	\$ 9,357	\$ 276,832	\$ 251,909	\$ 11,267	\$ 263,176	
Expenses:							
Property operating	66,135	2,503	68,638	61,101	3,256	64,357	
Realty taxes	42,329	2,038	44,367	39,955	2,256	42,211	
	108,464	4,541	113,005	101,056	5,512	106,568	
Net operating income	159,011	4,816	163,827	150,853	5,755	156,608	
Other income (expenses):							
Corporate expenses	(8,230)	—	(8,230)	(9,665)	—	(9,665)	
Interest expense	(55,168)	(2,170)	(57,338)	(49,279)	(2,860)	(52,139)	
Interest income	951	3	954	914	4	918	
Net income from investments in joint ventures	1,966	(1,966)	—	5,496	(5,496)	—	
Fair value (loss) gain on investment properties	(43,035)	(683)	(43,718)	18,573	900	19,473	
Foreign currency translation gain (loss)	10,148	—	10,148	(2,686)	—	(2,686)	
Transaction costs	(137)	—	(137)	(5,703)	—	(5,703)	
Fair value (loss) gain on derivative instruments and other transactions	(19,540)	—	(19,540)	17,413	1,697	19,110	
Income before income taxes	45,966	—	45,966	125,916	—	125,916	
Income tax expense	(738)	—	(738)	(219)	—	(219)	
Net income	45,228	—	45,228	125,697	—	125,697	
Other comprehensive (loss) income:							
Unrealized foreign currency translation (loss) gain	(56,436)	(4,729)	(61,165)	57,099	5,671	62,770	
Unrealized foreign currency translation (loss) gain on joint ventures	(4,729)	4,729	—	5,671	(5,671)	—	
Unrealized loss from remeasurements of net pension obligation	671	—	671	—	—	—	
	(60,494)	—	(60,494)	62,770	—	62,770	
Total comprehensive (loss) income	\$ (15,266)	\$ —	\$ (15,266)	\$ 188,467	\$ —	\$ 188,467	

(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 June 30,		Three months ended June 30,	
	2019	2018	2019	2018
Property NOI	\$ 80,533	\$ 75,888	\$ 82,695	\$ 78,306
Interest income	510	329	511	331
Corporate expenses	(4,113)	(3,364)	(4,113)	(3,364)
	76,930	72,853	79,093	75,273
Interest expense	\$ 27,916	\$ 25,665	\$ 28,893	\$ 26,985
Interest coverage ratio	2.76	2.84	2.74	2.79
Normalized interest coverage ratio	2.76	2.84	2.74	2.79

Quarterly EBITDA Interest Coverage Ratio

	IFRS		Proportionate Share	
	Three months ended June 30,		Three months ended June 30,	
	2019	2018	2019	2018
Net income	\$ 19,872	\$ 74,975	\$ 19,872	\$ 74,975
Add (deduct):				
Tenant inducements amortized to revenue	5,831	4,940	6,029	5,111
Straight-line rent adjustments	(1,411)	(1,486)	(1,624)	(1,719)
Interest expense	27,916	25,665	28,893	26,985
Adjustment for investments in joint ventures ⁽¹⁾	2,839	1,883	—	—
Fair value loss (gain) on investment properties	24,508	(24,505)	26,385	(23,880)
Foreign currency translation (gain) loss	(3,435)	519	(3,435)	519
Transaction costs	137	27	137	27
Fair value loss (gain) on derivative instruments and other transactions	7,195	(3,459)	7,195	(3,459)
Depreciation of property and equipment	288	273	288	273
Income tax expense	46	106	46	106
EBITDA	83,786	78,938	83,786	78,938
Interest expense	27,916	25,665	28,893	26,985
Add (deduct):				
Amortization of financing costs	(987)	(850)	(1,010)	(937)
Amortization of above- and below-market mortgages, net	35	34	35	34
Accretion on liability component of debentures	—	53	—	53
Adjusted interest expense	\$ 26,964	\$ 24,902	\$ 27,918	\$ 26,135
EBITDA interest coverage ratio	3.11	3.17	3.00	3.02
Normalized EBITDA	\$ 83,786	\$ 78,938	\$ 83,786	\$ 78,938
Normalized EBITDA interest coverage ratio	3.11	3.17	3.00	3.02

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

Year-to-Date Interest Coverage Ratio

	IFRS		Proportionate Share	
	Six months ended June 30, 2019		Six months ended June 30, 2018	
Property NOI	\$ 159,011	\$ 150,853	\$ 163,827	\$ 156,608
Interest income	951	914	954	918
Corporate expenses	(8,230)	(9,665)	(8,230)	(9,665)
	151,732	142,102	156,551	147,861
Interest expense	\$ 55,168	\$ 49,279	\$ 57,338	\$ 52,139
Interest coverage ratio	2.75	2.88	2.73	2.84
Normalized interest coverage ratio ⁽¹⁾	2.75	2.95	2.73	2.90

Year-to-Date EBITDA Interest Coverage Ratio

	IFRS		Proportionate Share	
	Six months ended June 30, 2019		Six months ended June 30, 2018	
Net income	\$ 45,228	\$ 125,697	\$ 45,228	\$ 125,697
Add (deduct):				
Tenant inducements amortized to revenue	11,296	9,738	11,718	10,212
Straight-line rent adjustments	(2,924)	(3,063)	(3,388)	(3,516)
Interest expense	55,168	49,279	57,338	52,139
Adjustment for investments in joint ventures ⁽²⁾	2,811	284	—	—
Fair value loss (gain) on investment properties	43,035	(18,573)	43,718	(19,473)
Foreign currency translation (gain) loss	(10,148)	2,686	(10,148)	2,686
Transaction costs	137	5,703	137	5,703
Fair value loss (gain) on derivative instruments and other transactions	19,540	(17,413)	19,540	(19,110)
Depreciation of property and equipment	558	536	558	536
Income tax expense	738	219	738	219
EBITDA	165,439	155,093	165,439	155,093
Interest expense	55,168	49,279	57,338	52,139
Add (deduct):				
Amortization of financing costs	(1,941)	(1,692)	(1,995)	(1,892)
Amortization of above- and below-market mortgages, net	64	214	64	214
Accretion on liability component of debentures	51	106	51	106
Adjusted interest expense	\$ 53,342	\$ 47,907	\$ 55,458	\$ 50,567
EBITDA interest coverage ratio	3.10	3.24	2.98	3.07
Normalized EBITDA ⁽¹⁾	\$ 165,439	\$ 158,485	\$ 165,439	\$ 158,485
Normalized EBITDA interest coverage ratio ⁽¹⁾	3.10	3.31	2.98	3.13

(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 June 30,							
2019				2018			
	IFRS	Adjustment ⁽¹⁾	Total Proportionate Share		IFRS	Adjustment ⁽¹⁾	Total Proportionate Share
Revenue:							
Rental income	\$ 137,513	\$ 4,300	\$ 141,813	\$ 128,734	\$ 4,729	\$ 133,463	
Tenant inducements amortized to revenue	(5,831)	(198)	(6,029)	(4,940)	(171)	(5,111)	
Straight-line rent adjustments	1,411	213	1,624	1,486	233	1,719	
Lease termination income	835	—	835	860	—	860	
	133,928	4,315	138,243	126,140	4,791	130,931	
Property operating and realty tax expenses	53,395	2,153	55,548	50,252	2,373	52,625	
Property NOI	\$ 80,533	\$ 2,162	\$ 82,695	\$ 75,888	\$ 2,418	\$ 78,306	

Six months ended June 30,							
2019				2018			
	IFRS	Adjustment ⁽¹⁾	Total Proportionate Share		IFRS	Adjustment ⁽¹⁾	Total Proportionate Share
Revenue:							
Rental income	\$ 274,964	\$ 9,315	\$ 284,279	\$ 255,601	\$ 11,258	\$ 266,859	
Tenant inducements amortized to revenue	(11,296)	(422)	(11,718)	(9,738)	(474)	(10,212)	
Straight-line rent adjustments	2,924	464	3,388	3,063	453	3,516	
Lease termination income	883	—	883	2,983	30	3,013	
	267,475	9,357	276,832	251,909	11,267	263,176	
Property operating and realty tax expenses	108,464	4,541	113,005	101,056	5,512	106,568	
Property NOI	\$ 159,011	\$ 4,816	\$ 163,827	\$ 150,853	\$ 5,755	\$ 156,608	

(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 and lease termination income (if it is likely the tenant will exercise the lease termination option) are accounted for by straight-lining the incremental increases and lease termination payments over the entire non-cancelable lease term, including the tenant fixturing period.

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

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

SAME PROPERTY NOI ANALYSIS ⁽¹⁾

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

	Three months ended				Six months ended			
	2019	June 30, 2018	Change	% Change	2019	June 30, 2018	Change	% Change
Property NOI	\$ 82,695	\$ 78,306			\$ 163,827	\$ 156,608		
Add (deduct) Property NOI from:								
Acquisitions	(2,954)	—			(6,211)	(130)		
Dispositions and unconditional dispositions	(2,547)	(4,401)			(4,701)	(7,151)		
(Re)development properties	(468)	138			(276)	148		
Other ⁽²⁾	(992)	(290)			(1,185)	(2,462)		
	(6,961)	(4,553)			(12,373)	(9,595)		
Straight-line rent adjustments	(1,213)	(1,643)			(2,642)	(3,385)		
Tenant inducements amortized to revenue	5,772	4,635			11,371	9,144		
Same Property NOI	\$ 80,293	\$ 76,745	\$ 3,548	4.6%	\$ 160,183	\$ 152,772	\$ 7,411	4.9%

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

(2) Primarily includes lease termination income adjustments.

Lease termination income related to significant tenants has been excluded, other than the portion that covers lost revenue due to vacancy, for purposes of the Same Property NOI calculation.

Same Property NOI by Asset Class ⁽¹⁾

	Three months ended				Six months ended			
	2019	June 30, 2018	Change	% Change	2019	June 30, 2018	Change	% Change
Canada:								
Office	\$ 18,981	\$ 18,625	\$ 356	1.9%	\$ 38,125	\$ 37,102	\$ 1,023	2.8 %
Retail	14,914	14,716	198	1.3%	30,325	29,982	343	1.1 %
Industrial	11,602	11,359	243	2.1%	23,148	22,526	622	2.8 %
Total Canada	45,497	44,700	797	1.8%	91,598	89,610	1,988	2.2 %
U.S.:								
Office	16,985	16,642	343	2.1%	33,601	33,117	484	1.5 %
Retail	1,178	1,152	26	2.3%	2,308	2,309	(1)	0.0 %
Industrial	7,857	7,018	839	12.0%	15,532	13,990	1,542	11.0 %
Total U.S.	26,020	24,812	1,208	4.9%	51,441	49,416	2,025	4.1 %
Total in functional currency	71,517	69,512	2,005	2.9%	143,039	139,026	4,013	2.9 %
Foreign exchange	8,776	7,233	1,543	21.3%	17,144	13,746	3,398	24.7 %
Total in Canadian dollars	\$ 80,293	\$ 76,745	\$ 3,548	4.6%	\$ 160,183	\$ 152,772	\$ 7,411	4.9 %

(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 \$356 period-over-period. Excluding the impact of the Calgary office properties, the Canadian office segment increased \$1,381 or 11.8% period-over-period.

Same Property Occupancy Report ⁽¹⁾

Geographical Region	As at June 30,		Asset Class	As at June 30,	
	2019	2018		2019	2018
Alberta	87.7%	86.8%	Office	88.5%	87.6%
British Columbia	99.2%	99.7%	Retail	90.0%	89.0%
Manitoba	91.0%	89.0%	Industrial	96.6%	93.2%
Ontario	93.9%	94.4%			
Saskatchewan	96.2%	89.8%	Total	92.4%	90.4%
Arizona	92.5%	94.4%			
Minnesota	95.7%	94.0%			
Wisconsin	89.4%	88.7%			
U.S. - Other	88.3%	69.0%			
Total	92.4%	90.4%			

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

	Three months ended				Six months ended			
	2019	June 30, 2018	Change	% Change	2019	June 30, 2018	Change	% Change
Alberta	\$ 16,660	\$ 17,609	\$ (949)	(5.4)%	\$ 33,627	\$ 34,818	\$ (1,191)	(3.4)%
British Columbia	2,049	2,042	7	0.3 %	4,641	4,379	262	6.0 %
Manitoba	11,583	10,698	885	8.3 %	23,201	21,820	1,381	6.3 %
Ontario	9,882	9,571	311	3.2 %	19,592	18,969	623	3.3 %
Saskatchewan	5,323	4,780	543	11.4 %	10,537	9,624	913	9.5 %
Arizona	5,580	5,184	396	7.6 %	11,299	10,257	1,042	10.2 %
Minnesota	11,855	11,319	536	4.7 %	23,547	22,589	958	4.2 %
Wisconsin	5,575	5,414	161	3.0 %	10,884	10,917	(33)	(0.3)%
U.S. - Other	3,010	2,895	115	4.0 %	5,711	5,653	58	1.0 %
Total Same Property NOI in functional currency	71,517	69,512	2,005	2.9 %	143,039	139,026	4,013	2.9 %
Less: properties planned for disposition	(5,003)	(4,630)	(373)	8.1 %	(9,110)	(8,346)	(764)	9.2 %
Less: Calgary properties planned for disposition	(810)	(1,748)	938	(53.7)%	(1,714)	(3,256)	1,542	(47.4)%
Less: Calgary office segment	(5,049)	(5,136)	87	(1.7)%	(10,306)	(10,103)	(203)	2.0 %
Stabilized Same Property NOI in functional currency	60,655	57,998	2,657	4.6 %	121,909	117,321	4,588	3.9 %
Foreign exchange	7,936	6,522	1,414	21.7 %	15,932	12,729	3,203	25.2 %
Stabilized Same Property NOI in Canadian dollars	\$ 68,591	\$ 64,520	\$ 4,071	6.3 %	\$ 137,841	\$ 130,050	\$ 7,791	6.0 %

(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.

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 four office properties and 10 retail properties, and Calgary properties planned for disposition include two office properties.

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.

PROPERTY NOI BY ASSET CLASS*Canadian Portfolio:*

In Q2-19, Proportionate Share Property NOI decreased \$918 in the office segment, decreased \$72 in the retail segment, and increased \$223 in the industrial segment compared to Q2-18. The office segment decreased primarily due to dispositions in 2018 and 2019, partially offset by an acquisition in 2018.

	Three months ended June 30,					
	2019			2018		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	\$ 16,979	\$ 14,696	\$ 10,341	\$ 17,581	\$ 14,768	\$ 10,121
Property NOI from investments in joint ventures	(34)	—	1,356	282	—	1,353
Proportionate Share Property NOI	\$ 16,945	\$ 14,696	\$ 11,697	\$ 17,863	\$ 14,768	\$ 11,474
% of Proportionate Share Property NOI	39.1%	33.9%	27.0%	40.5%	33.5%	26.0%

U.S. Portfolio:

In Q2-19, Proportionate Share Property NOI increased \$2,527 in the office segment, increased \$75 in the retail segment, and increased \$2,587 in the industrial segment compared to Q2-18. The office segment increased primarily due to acquisitions in 2018. The industrial segment increased primarily due to increased occupancy at Park 8Ninety I, lease termination income received from an industrial tenant in Q2-19, and completion of the Park Lucero IV, Cedar Port I, and Park 8Ninety III developments. The U.S. portfolio was also impacted by the effect of foreign exchange.

	Three months ended June 30,					
	2019			2018		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	\$ 25,697	\$ 1,408	\$ 11,379	\$ 23,333	\$ 1,333	\$ 8,686
Property NOI from investments in joint ventures	513	—	327	350	—	433
Proportionate Share Property NOI	\$ 26,210	\$ 1,408	\$ 11,706	\$ 23,683	\$ 1,333	\$ 9,119
% of Proportionate Share Property NOI	66.6%	3.6%	29.8%	69.4%	3.9%	26.7%

Total Canadian and U.S. Portfolio:

	Three months ended June 30,					
	2019			2018		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	\$ 42,676	\$ 16,104	\$ 21,720	\$ 40,914	\$ 16,101	\$ 18,807
Property NOI from investments in joint ventures	479	—	1,683	632	—	1,786
Proportionate Share Property NOI	\$ 43,155	\$ 16,104	\$ 23,403	\$ 41,546	\$ 16,101	\$ 20,593
% of Proportionate Share Property NOI	52.2%	19.5%	28.3%	53.1%	20.6%	26.3%

Canadian Portfolio:

	Six months ended June 30,					
	2019			2018		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	\$ 33,680	\$ 29,935	\$ 20,614	\$ 37,009	\$ 29,686	\$ 20,191
Property NOI from investments in joint ventures	(38)	—	2,708	658	—	2,705
Proportionate Share Property NOI	\$ 33,642	\$ 29,935	\$ 23,322	\$ 37,667	\$ 29,686	\$ 22,896
% of Proportionate Share Property NOI	38.8%	34.4%	26.8%	41.7%	32.9%	25.4%

U.S. Portfolio:

	Six months ended June 30,					
	2019			2018		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	\$ 51,202	\$ 2,743	\$ 20,765	\$ 43,997	\$ 2,669	\$ 17,176
Property NOI from investments in joint ventures	1,074	—	1,072	1,625	—	767
Proportionate Share Property NOI	\$ 52,276	\$ 2,743	\$ 21,837	\$ 45,622	\$ 2,669	\$ 17,943
% of Proportionate Share Property NOI	68.0%	3.6%	28.4%	68.9%	4.0%	27.1%

Total Canadian and U.S. Portfolio:

	Six months ended June 30,					
	2019			2018		
	Office	Retail	Industrial	Office	Retail	Industrial
Property NOI	\$ 84,882	\$ 32,678	\$ 41,379	\$ 81,006	\$ 32,355	\$ 37,367
Property NOI from investments in joint ventures	1,036	—	3,780	2,283	—	3,472
Proportionate Share Property NOI	\$ 85,918	\$ 32,678	\$ 45,159	\$ 83,289	\$ 32,355	\$ 40,839
% of Proportionate Share Property NOI	52.4%	20.0%	27.6%	53.2%	20.7%	26.1%

PROPERTY NOI BY GEOGRAPHICAL REGION

In Q2-19, Proportionate Share Property NOI decreased \$1,267 in Alberta primarily due to dispositions in 2018, lease termination income received from an office tenant in Q2-18, and lower rental rates in Calgary, Alberta. British Columbia decreased \$866 primarily due to dispositions in 2018 and 2019. Arizona increased \$2,581 primarily due to an acquisition in 2018, lease termination income received from an industrial tenant in Q2-19, and completion of the Park Lucero IV development. Minnesota increased \$2,014 primarily due to an acquisition in 2018. The U.S. portfolio was also impacted by the effect of foreign exchange.

Three months ended June 30, 2019									
	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Property NOI	\$ 14,764	\$ 2,265	\$ 10,704	\$ 9,413	\$ 4,871	\$ 9,358	\$ 16,078	\$ 7,285	\$ 5,762
Property NOI from investments in joint ventures	847	128	(34)	—	380	—	333	—	508
Proportionate Share Property NOI	\$ 15,611	\$ 2,393	\$ 10,670	\$ 9,413	\$ 5,251	\$ 9,358	\$ 16,411	\$ 7,285	\$ 6,270
% of Proportionate Share Property NOI	18.9%	2.9%	12.9%	11.4%	6.4%	11.3%	19.9%	8.8%	7.5%

Three months ended June 30, 2018									
	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Property NOI	\$ 16,029	\$ 3,130	\$ 10,032	\$ 8,859	\$ 4,420	\$ 6,649	\$ 14,288	\$ 7,119	\$ 5,296
Property NOI from investments in joint ventures	849	129	281	—	376	128	109	—	546
Proportionate Share Property NOI	\$ 16,878	\$ 3,259	\$ 10,313	\$ 8,859	\$ 4,796	\$ 6,777	\$ 14,397	\$ 7,119	\$ 5,842
% of Proportionate Share Property NOI	21.6%	4.2%	13.2%	11.3%	6.1%	8.7%	18.4%	9.1%	7.4%

Six months ended June 30, 2019									
	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Property NOI	\$ 29,594	\$ 4,800	\$ 21,395	\$ 18,817	\$ 9,623	\$ 18,358	\$ 31,738	\$ 14,206	\$ 10,408
Property NOI from investments in joint ventures	1,695	257	(38)	—	756	—	638	—	1,508
Proportionate Share Property NOI	\$ 31,289	\$ 5,057	\$ 21,357	\$ 18,817	\$ 10,379	\$ 18,358	\$ 32,376	\$ 14,206	\$ 11,916
% of Proportionate Share Property NOI	19.1%	3.1%	13.0%	11.5%	6.3%	11.2%	19.8%	8.7%	7.3%

Six months ended June 30, 2018									
	Canada					U.S.			
	AB	BC	MB	ON	SK	AZ	MN	WI	Other
Property NOI	\$ 33,241	\$ 6,177	\$ 20,292	\$ 18,196	\$ 8,980	\$ 13,102	\$ 28,384	\$ 14,064	\$ 8,292
Property NOI from investments in joint ventures	1,696	258	657	—	752	221	260	—	1,911
Proportionate Share Property NOI	\$ 34,937	\$ 6,435	\$ 20,949	\$ 18,196	\$ 9,732	\$ 13,323	\$ 28,644	\$ 14,064	\$ 10,203
% of Proportionate Share Property NOI	22.3%	4.1%	13.4%	11.6%	6.2%	8.5%	18.3%	9.0%	6.6%

CORPORATE EXPENSES

	Three months ended June 30,				Six months ended June 30,			
	2019	2018	Change	% Change	2019	2018	Change	% Change
Accounting, legal and consulting	\$ 1,306	\$ 932	\$ 374	40.1 %	\$ 2,224	\$ 1,347	\$ 877	65.1 %
Public company costs	396	411	(15)	(3.6)%	872	949	(77)	(8.1)%
Unit-based compensation	1,031	668	363	54.3 %	2,305	1,246	1,059	85.0 %
Salaries and benefits	784	712	72	10.1 %	1,555	4,811	(3,256)	(67.7)%
Depreciation of property and equipment	288	273	15	5.5 %	558	536	22	4.1 %
General and administrative	308	368	(60)	(16.3)%	716	776	(60)	(7.7)%
Total corporate expenses	\$ 4,113	\$ 3,364	\$ 749	22.3 %	\$ 8,230	\$ 9,665	\$ (1,435)	(14.8)%

Corporate expenses in Q2-19 were \$4,113 (YTD - \$8,230), or 3.1% (YTD - 3.1%) of total revenues compared to \$3,364 (YTD - \$9,665), or 2.7% (YTD - 3.8%) of total revenues in Q2-18. 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 June 30,				Six months ended June 30,			
	2019	2018	Change	% Change	2019	2018	Change	% Change
Mortgages and other loans ⁽¹⁾	\$ 14,323	\$ 14,457	\$ (134)		\$ 28,540	\$ 28,177	\$ 363	
Debentures ⁽¹⁾	4,160	3,343	817		8,761	6,111	2,650	
Credit facilities ⁽¹⁾	6,655	5,689	966		12,460	11,012	1,448	
Preferred shares ⁽¹⁾	34	34	—		67	67	—	
	25,172	23,523	1,649	7.0%	49,828	45,367	4,461	9.8%
Foreign exchange	2,744	2,142	602		5,340	3,912	1,428	
Total interest expense	\$ 27,916	\$ 25,665	\$ 2,251	8.8%	\$ 55,168	\$ 49,279	\$ 5,889	12.0%
Mortgages and other loans included in investments in joint ventures ⁽¹⁾	806	1,133	(327)		1,778	2,455	(677)	
Foreign exchange included in investments in joint ventures	171	187	(16)		392	405	(13)	
Total Proportionate Share interest expense	\$ 28,893	\$ 26,985	\$ 1,908	7.1%	\$ 57,338	\$ 52,139	\$ 5,199	10.0%

(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 Q2-18, partially offset by the repayment of the Series A senior unsecured debentures in Q1-19. 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 June 30, 2019, on mortgages and other loans secured by properties, inclusive of properties held in joint venture arrangements, was 4.26%, compared to 4.30% at 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 June 30, 2019, was 4.06%, compared to 4.09% at December 31, 2018.

FAIR VALUE (LOSS) GAIN ON INVESTMENT PROPERTIES

The changes in fair value on investment properties, period-over-period, are recognized as fair value gains and losses in the consolidated statement of operations. Fair values of the investment properties are determined through either the discounted cash flow method or the overall capitalization method. External valuations are performed for a selection of properties representing various geographical regions and asset classes across the REIT's portfolio. Fair value changes in individual properties result from changes in the projected income and cash flow projections of those properties, as well as from changes in capitalization rates and discount rates applied. In Q2-19, the Proportionate Share fair value loss on investment properties was \$26,385 (YTD - loss of \$43,718), compared to a gain of \$23,880 (YTD - gain of \$19,473) in Q2-18. The fair value loss in Q2-19 was primarily due to a realized fair value loss on the dispositions of 1700 Broadway and 169 Inverness Drive West I & II.

FOREIGN CURRENCY TRANSLATION GAIN (LOSS)

In Q2-19, 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 \$3,435 (YTD - gain of \$10,148) in Q2-19, compared to a loss of \$519 (YTD - loss of \$2,686) in Q2-18.

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

Artis recorded a bargain purchase gain of \$1,106 in Q2-19 related to acquiring the remaining 15% of the Centre 70 Building. Please refer to the Portfolio Activity section of this MD&A for further discussion on this transaction.

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 \$6,754 (YTD - loss of \$15,239) in Q2-19, compared to an unrealized gain of \$2,128 (YTD - gain of \$6,605) in Q2-18. 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 \$1,547 (YTD - loss of \$5,792) in Q2-19 on the fair value of outstanding foreign currency contracts, compared to an unrealized gain of \$1,334 (YTD - gain of \$5,147) in Q2-18.

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 \$30,899 (YTD - losses of \$61,165) in Q2-19, compared to gains \$28,260 (YTD - gains of \$62,770) in Q2-18. 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 June 30,				% Change	Six months ended June 30,				% Change
	2019	2018	Change			2019	2018	Change		
Net income	\$ 19,872	\$ 74,975				\$ 45,228	\$ 125,697			
Add (deduct):										
Fair value loss (gain) on investment properties ⁽¹⁾	26,385	(23,880)				43,718	(19,473)			
Tenant inducements amortized to revenue ⁽¹⁾	6,029	5,111				11,718	10,212			
Transaction costs on acquisitions	137	27				137	678			
Foreign currency translation (gain) loss	(3,435)	519				(10,148)	2,686			
Fair value loss (gain) on derivative instruments and other transactions ⁽¹⁾	7,195	(3,459)				19,540	(19,110)			
Remeasurement component of unit-based compensation	204	(135)				735	(222)			
Distributions on preferred shares treated as interest expense	45	43				89	85			
Incremental leasing costs	882	889				2,015	1,805			
Preferred unit distributions	(5,405)	(5,283)				(10,839)	(11,204)			
FFO	\$ 51,909	\$ 48,807	\$ 3,102		6.4%	\$ 102,193	\$ 91,154	\$ 11,039		12.1%
Add (deduct):										
Amortization of recoverable capital expenditures ⁽¹⁾	\$ (2,405)	\$ (2,274)				\$ (4,808)	\$ (4,444)			
Non-recoverable property maintenance reserve ⁽¹⁾	(950)	(950)				(1,900)	(1,900)			
Leasing costs reserve ⁽¹⁾	(7,560)	(7,560)				(15,120)	(15,410)			
Straight-line rent adjustments ⁽¹⁾	(1,624)	(1,719)				(3,388)	(3,516)			
AFFO	\$ 39,370	\$ 36,304	\$ 3,066		8.4%	\$ 76,977	\$ 65,884	\$ 11,093		16.8%
FFO per unit:										
Basic	\$ 0.36	\$ 0.32	\$ 0.04		12.5%	\$ 0.70	\$ 0.60	\$ 0.10		16.7%
Diluted	0.36	0.32	0.04		12.5%	0.70	0.60	0.10		16.7%
AFFO per unit:										
Basic	\$ 0.28	\$ 0.24	\$ 0.04		16.7%	\$ 0.53	\$ 0.43	\$ 0.10		23.3%
Diluted	0.27	0.24	0.03		12.5%	0.53	0.43	0.10		23.3%

(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				Six months ended			
	2019	June 30, 2018	Change	% Change	2019	June 30, 2018	Change	% Change
FFO per above	\$ 51,909	\$ 48,807			\$ 102,193	\$ 91,154		
Add (deduct):								
Pension liability adjustment ⁽¹⁾	—	—			—	3,392		
Property management termination fees ⁽²⁾	—	—			—	5,025		
Normalized FFO	\$ 51,909	\$ 48,807	\$ 3,102	6.4%	\$ 102,193	\$ 99,571	\$ 2,622	2.6%
Normalized AFFO	\$ 39,370	\$ 36,304	\$ 3,066	8.4%	\$ 76,977	\$ 74,301	\$ 2,676	3.6%
Normalized FFO per unit:								
Basic	\$ 0.36	\$ 0.32	\$ 0.04	12.5%	\$ 0.70	\$ 0.65	\$ 0.05	7.7%
Diluted	0.36	0.32	0.04	12.5%	0.70	0.65	0.05	7.7%
Normalized AFFO per unit:								
Basic	\$ 0.28	\$ 0.24	\$ 0.04	16.7%	\$ 0.53	\$ 0.49	\$ 0.04	8.2%
Diluted	0.27	0.24	0.03	12.5%	0.53	0.49	0.04	8.2%

(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 Q2-19 were impacted by acquisitions, dispositions and (re) developments completed in 2018 and 2019, period-over-period Same Property NOI growth and a higher US dollar to Canadian dollar average exchange rate of 1.3375 in Q2-19 compared to 1.2912 in Q2-18.

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 79.9% (YTD - 80.4%) is recoverable from tenants in Q2-19, compared to 79.5% (YTD - 80.4%) in Q2-18. 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		(000's)	Six months ended	
	2019	June 30, 2018		2019	June 30, 2018
Basic units	142,981	153,798	Basic units	145,757	152,653
Add:			Add:		
Restricted units	509	449	Restricted units	500	432
Deferred units	103	99	Deferred units	90	94
Diluted units	143,593	154,346	Diluted units	146,347	153,179

PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at June 30, 2019, and the previous four periods, were as follows:

Occupancy Report by Asset Class ⁽¹⁾

	Q2-19 % Committed ⁽²⁾	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18
Office	90.8%	88.0%	87.1%	87.6%	87.3%	86.7%
Retail	93.7%	93.1%	92.9%	92.7%	92.1%	91.7%
Industrial	98.5%	96.8%	96.4%	96.2%	94.7%	95.8%
Total portfolio	94.7%	92.7%	92.0%	92.1%	91.2%	91.4%

Occupancy Report by Geographical Region ⁽¹⁾

	Q2-19 % Committed ⁽²⁾	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18
Canada:						
Alberta	88.3%	87.7%	85.2%	87.0%	86.0%	84.6%
British Columbia	99.6%	99.2%	98.5%	95.0%	94.2%	94.7%
Manitoba	95.4%	91.0%	91.0%	90.2%	89.2%	89.4%
Ontario	97.3%	93.9%	93.9%	93.2%	91.7%	94.0%
Saskatchewan	96.3%	96.2%	95.7%	96.0%	94.5%	89.8%
U.S.:						
Arizona	94.2%	93.1%	94.3%	94.6%	94.5%	94.0%
Minnesota	96.8%	95.9%	95.2%	95.6%	96.1%	95.5%
Wisconsin	92.2%	89.4%	88.2%	88.7%	88.3%	88.7%
Other	94.1%	91.9%	88.9%	88.3%	85.2%	93.2%
Total portfolio	94.7%	92.7%	92.0%	92.1%	91.2%	91.4%

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

(2) Percentage committed is based on occupancy at June 30, 2019, plus commitments on vacant space.

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary ⁽¹⁾

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Leasable area renewed (in S.F.)	353,870	349,313	686,128	871,596
Increase in weighted-average rental rate	4.0%	5.0%	1.4%	2.9%

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

In Q2-19, 353,870 square feet were renewed at an increase in the weighted-average rental rate of 4.0%, compared to 349,313 square feet renewed at an increase of 5.0% in Q2-18.

Excluding the impact of Calgary office segment lease renewals, Artis' increase in the weighted-average rental rate was 4.0% (YTD - increase of 1.6%) in Q2-19 compared to an increase of 5.0% (YTD - increase of 3.2%) in Q2-18.

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

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

	Current vacancy	Monthly tenants ⁽²⁾	2019	2020	2021	2022	2023 & later	Total
Office - uncommitted	922,990	44,223	706,118	968,614	1,299,535	427,880	4,374,079	8,743,439
Office - committed	278,545	—	340,368	394,927	86,331	6,905	149,469	1,256,545
Total office	1,201,535	44,223	1,046,486	1,363,541	1,385,866	434,785	4,523,548	9,999,984
Retail - uncommitted	209,858	20,952	121,228	379,749	411,722	460,799	1,486,928	3,091,236
Retail - committed	20,057	—	82,066	27,488	48,197	—	46,803	224,611
Total retail	229,915	20,952	203,294	407,237	459,919	460,799	1,533,731	3,315,847
Industrial - uncommitted	176,566	—	599,511	926,432	1,607,796	1,444,228	5,843,112	10,597,645
Industrial - committed	194,296	—	157,710	398,738	9,880	69,999	3,014	833,637
Total industrial	370,862	—	757,221	1,325,170	1,617,676	1,514,227	5,846,126	11,431,282
Total - uncommitted	1,309,414	65,175	1,426,857	2,274,795	3,319,053	2,332,907	11,704,119	22,432,320
Total - committed	492,898	—	580,144	821,153	144,408	76,904	199,286	2,314,793
Total portfolio	1,802,312	65,175	2,007,001	3,095,948	3,463,461	2,409,811	11,903,405	24,747,113

(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 June 30, 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 ⁽¹⁾*Canadian Portfolio:*

	2019	2020	2021	2022	2023 & later	Total
Office:						
In-place rents	\$ 13.16	\$ 15.57	\$ 18.17	\$ 13.58	\$ 16.57	\$ 16.15
Market rents	12.65	16.21	17.32	16.14	17.75	16.62
Change	(3.9)%	4.1%	(4.7)%	18.9%	7.1 %	2.9%
Revenue impact ⁽²⁾	\$ (339)	\$ 298	\$ (666)	\$ 166	\$ 2,411	\$ 1,870
Retail:						
In-place rents	\$ 25.11	\$ 23.31	\$ 24.50	\$ 20.72	\$ 22.10	\$ 22.58
Market rents	24.20	23.61	25.07	20.85	22.28	22.74
Change	(3.6)%	1.3%	2.3 %	0.6%	0.8 %	0.7%
Revenue impact ⁽²⁾	\$ (183)	\$ 98	\$ 227	\$ 58	\$ 268	\$ 468
Industrial:						
In-place rents	\$ 7.45	\$ 8.00	\$ 7.65	\$ 7.23	\$ 9.79	\$ 8.68
Market rents	7.68	8.24	8.17	7.70	9.71	8.83
Change	3.1 %	3.0%	6.8 %	6.5%	(0.8)%	1.7%
Revenue impact ⁽²⁾	\$ 53	\$ 215	\$ 294	\$ 451	\$ (210)	\$ 803
Total Canadian portfolio:						
In-place rents	\$ 14.18	\$ 12.95	\$ 16.20	\$ 11.57	\$ 14.99	\$ 14.38
Market rents	13.75	13.31	16.12	12.03	15.40	14.64
Change	(3.0)%	2.8%	(0.5)%	4.0%	2.7 %	1.8%
Revenue impact ⁽²⁾	\$ (469)	\$ 611	\$ (145)	\$ 675	\$ 2,469	\$ 3,141

U.S. Portfolio:

	2019	2020	2021	2022	2023 & later	Total
Office:						
In-place rents	\$ 21.45	\$ 17.80	\$ 17.30	\$ 17.98	\$ 19.22	\$ 18.79
Market rents	21.88	18.95	17.63	18.38	19.58	19.30
Change	2.0 %	6.5%	1.9 %	2.2 %	1.9 %	2.7 %
Revenue impact ⁽²⁾	\$ 161	\$ 1,026	\$ 200	\$ 150	\$ 874	\$ 2,411
Retail:						
In-place rents	\$ 20.50	\$ 12.99	\$ 17.95	\$ 19.02	\$ 13.67	\$ 14.85
Market rents	19.05	14.60	17.57	19.97	14.28	15.55
Change	(7.1)%	12.4%	(2.1)%	5.0 %	4.5 %	4.7 %
Revenue impact ⁽²⁾	\$ (4)	\$ 135	\$ (23)	\$ 17	\$ 66	\$ 191
Industrial:						
In-place rents	\$ 4.98	\$ 5.59	\$ 5.45	\$ 5.73	\$ 6.34	\$ 5.95
Market rents	4.86	5.94	5.49	5.42	6.31	5.92
Change	(2.4)%	6.3%	0.7 %	(5.4)%	(0.5)%	(0.5)%
Revenue impact ⁽²⁾	\$ (62)	\$ 140	\$ 45	\$ (173)	\$ (111)	\$ (161)
Total U.S. portfolio:						
In-place rents	\$ 11.88	\$ 13.97	\$ 10.07	\$ 10.81	\$ 11.93	\$ 11.79
Market rents	11.99	14.91	10.20	10.81	12.07	12.02
Change	0.9 %	6.7%	1.3 %	0.0 %	1.2 %	2.0 %
Revenue impact ⁽²⁾	\$ 95	\$ 1,301	\$ 222	\$ (6)	\$ 829	\$ 2,441

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

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

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

	2019	2020	2021	2022	2023 & later	Total
Office:						
In-place rents	\$ 16.18	\$ 17.03	\$ 17.79	\$ 17.32	\$ 18.02	\$ 17.58
Market rents	16.01	18.01	17.46	18.05	18.75	18.07
Change	(1.1)%	5.8%	(1.9)%	4.2%	4.1 %	2.8%
Revenue impact ⁽²⁾	\$ (178)	\$ 1,324	\$ (466)	\$ 316	\$ 3,285	\$ 4,281
Retail:						
In-place rents	\$ 25.05	\$ 21.19	\$ 23.61	\$ 20.66	\$ 21.51	\$ 21.89
Market rents	24.13	21.76	24.05	20.82	21.73	22.10
Change	(3.7)%	2.7%	1.9 %	0.8%	1.0 %	1.0%
Revenue impact ⁽²⁾	\$ (187)	\$ 233	\$ 204	\$ 75	\$ 334	\$ 659
Industrial:						
In-place rents	\$ 5.71	\$ 7.28	\$ 6.22	\$ 6.69	\$ 7.86	\$ 7.24
Market rents	5.70	7.55	6.43	6.87	7.81	7.30
Change	(0.2)%	3.7%	3.4 %	2.7%	(0.6)%	0.8%
Revenue impact ⁽²⁾	\$ (9)	\$ 355	\$ 339	\$ 278	\$ (321)	\$ 642
Total Canadian and U.S. portfolio:						
In-place rents	\$ 13.13	\$ 13.40	\$ 13.16	\$ 11.28	\$ 13.48	\$ 13.16
Market rents	12.94	14.02	13.18	11.55	13.76	13.40
Change	(1.4)%	4.6%	0.2 %	2.4%	2.1 %	1.8%
Revenue impact ⁽²⁾	\$ (374)	\$ 1,912	\$ 77	\$ 669	\$ 3,298	\$ 5,582
Total Canadian and U.S. portfolio excluding Calgary office segment:						
In-place rents	\$ 12.92	\$ 13.39	\$ 12.60	\$ 11.27	\$ 13.39	\$ 13.00
Market rents	12.99	14.03	12.84	11.52	13.53	13.23
Change	0.5 %	4.8%	1.9 %	2.2%	1.0 %	1.8%
Revenue impact ⁽²⁾	\$ 137	\$ 1,956	\$ 762	\$ 594	\$ 1,525	\$ 4,974

(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 June 30, 2019, were estimated to be 1.8% above in-place rents across the portfolio, compared to 1.0% above in-place rents at March 31, 2019. Today's market rents for the 2019 and 2020 lease expiries are estimated to be 1.4% below and 4.6% 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 0.5% and 4.8% above in-place rents, respectively.

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

	Current vacancy	Monthly tenants ⁽²⁾	2019	2020	2021	2022	2023 & later	Total
AB - uncommitted	429,323	17,389	159,280	234,305	571,288	243,617	1,914,894	3,570,096
AB - committed	21,306	—	71,343	—	—	—	3,901	96,550
Total Alberta	450,629	17,389	230,623	234,305	571,288	243,617	1,918,795	3,666,646
BC - uncommitted	1,806	—	104,611	13,933	47,830	9,716	218,112	396,008
BC - committed	1,585	—	13,946	11,405	—	—	5,271	32,207
Total British Columbia	3,391	—	118,557	25,338	47,830	9,716	223,383	428,215
MB - uncommitted	171,370	7,048	150,705	492,254	597,419	269,227	1,612,527	3,300,550
MB - committed	164,490	—	102,848	134,635	9,880	—	31,216	443,069
Total Manitoba	335,860	7,048	253,553	626,889	607,299	269,227	1,643,743	3,743,619
ON - uncommitted	104,094	2,371	314,300	377,169	396,387	578,757	1,472,544	3,245,622
ON - committed	135,288	—	139,505	368,618	—	7,649	5,983	657,043
Total Ontario	239,382	2,371	453,805	745,787	396,387	586,406	1,478,527	3,902,665
SK - uncommitted	53,735	15,209	9,355	80,476	121,393	362,101	758,570	1,400,839
SK - committed	975	—	25,110	7,261	—	—	18,838	52,184
Total Saskatchewan	54,710	15,209	34,465	87,737	121,393	362,101	777,408	1,453,023
AZ - uncommitted	120,455	3,562	74,769	298,553	258,753	77,395	1,160,984	1,994,471
AZ - committed	24,214	—	75,122	—	—	—	—	99,336
Total Arizona	144,669	3,562	149,891	298,553	258,753	77,395	1,160,984	2,093,807
MN - uncommitted	188,285	6,265	482,321	460,002	1,162,021	577,547	2,545,787	5,422,228
MN - committed	58,216	—	67,881	195,332	108,980	62,350	31,212	523,971
Total Minnesota	246,501	6,265	550,202	655,334	1,271,001	639,897	2,576,999	5,946,199
WI - uncommitted	135,437	6,972	99,920	236,818	83,528	86,742	728,109	1,377,526
WI - committed	48,536	—	71,578	103,902	25,548	6,905	102,865	359,334
Total Wisconsin	183,973	6,972	171,498	340,720	109,076	93,647	830,974	1,736,860
U.S. - Other - uncommitted	104,909	6,359	31,596	81,285	80,434	127,805	1,292,592	1,724,980
U.S. - Other - committed	38,288	—	12,811	—	—	—	—	51,099
Total U.S. - Other	143,197	6,359	44,407	81,285	80,434	127,805	1,292,592	1,776,079
Total - uncommitted	1,309,414	65,175	1,426,857	2,274,795	3,319,053	2,332,907	11,704,119	22,432,320
Total - committed	492,898	—	580,144	821,153	144,408	76,904	199,286	2,314,793
Total portfolio	1,802,312	65,175	2,007,001	3,095,948	3,463,461	2,409,811	11,903,405	24,747,113

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

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

Market Rents by Geographical Region ⁽¹⁾

	2019	2020	2021	2022	2023 & later	Total
Alberta:						
In-place rents	\$ 23.21	\$ 21.93	\$ 21.16	\$ 24.08	\$ 18.43	\$ 19.95
Market rents	20.25	21.35	20.52	24.36	19.41	20.19
Change	(12.8)%	(2.6)%	(3.0)%	1.2 %	5.3 %	1.2 %
Revenue impact ⁽²⁾	\$ (682)	\$ (136)	\$ (361)	\$ 68	\$ 1,888	\$ 777
British Columbia:						
In-place rents	\$ 15.42	\$ 23.20	\$ 20.45	\$ 26.33	\$ 17.68	\$ 17.89
Market rents	16.41	24.30	19.81	24.83	17.85	18.21
Change	6.4 %	4.7 %	(3.1)%	(5.7)%	1.0 %	1.8 %
Revenue impact ⁽²⁾	\$ 117	\$ 28	\$ (30)	\$ (15)	\$ 38	\$ 138
Manitoba:						
In-place rents	\$ 10.33	\$ 12.80	\$ 13.83	\$ 8.64	\$ 13.01	\$ 12.57
Market rents	10.43	12.86	12.83	8.78	13.14	12.49
Change	1.0 %	0.5 %	(7.2)%	1.6 %	1.0 %	(0.6)%
Revenue impact ⁽²⁾	\$ 26	\$ 39	\$ (611)	\$ 37	\$ 215	\$ (294)
Ontario:						
In-place rents	\$ 10.70	\$ 9.29	\$ 10.34	\$ 6.79	\$ 12.07	\$ 10.30
Market rents	10.93	9.78	12.64	7.98	12.49	11.04
Change	2.1 %	5.3 %	22.2 %	17.5 %	3.5 %	7.2 %
Revenue impact ⁽²⁾	\$ 104	\$ 363	\$ 910	\$ 699	\$ 621	\$ 2,697
Saskatchewan:						
In-place rents	\$ 23.52	\$ 18.22	\$ 22.16	\$ 12.68	\$ 15.47	\$ 15.70
Market rents	22.55	21.84	21.73	12.36	15.10	15.58
Change	(4.1)%	19.9 %	(1.9)%	(2.5)%	(2.4)%	(0.8)%
Revenue impact ⁽²⁾	\$ (34)	\$ 317	\$ (53)	\$ (114)	\$ (293)	\$ (177)
Arizona:						
In-place rents	\$ 24.73	\$ 20.83	\$ 15.65	\$ 24.65	\$ 17.43	\$ 18.57
Market rents	26.83	21.94	17.19	24.60	17.29	19.01
Change	8.5 %	5.3 %	9.8 %	(0.2)%	(0.8)%	2.4 %
Revenue impact ⁽²⁾	\$ 314	\$ 332	\$ 400	\$ (4)	\$ (172)	\$ 870
Minnesota:						
In-place rents	\$ 6.37	\$ 10.49	\$ 8.13	\$ 8.72	\$ 9.45	\$ 8.90
Market rents	6.16	11.62	7.95	8.62	9.55	9.00
Change	(3.3)%	10.8 %	(2.2)%	(1.1)%	1.1 %	1.1 %
Revenue impact ⁽²⁾	\$ (117)	\$ 742	\$ (222)	\$ (59)	\$ 242	\$ 586
Wisconsin:						
In-place rents	\$ 16.93	\$ 14.45	\$ 15.53	\$ 16.26	\$ 14.67	\$ 15.03
Market rents	16.20	15.23	16.10	16.62	15.65	15.71
Change	(4.3)%	5.4 %	3.7 %	2.2 %	6.7 %	4.5 %
Revenue impact ⁽²⁾	\$ (126)	\$ 266	\$ 62	\$ 34	\$ 809	\$ 1,045
U.S. - Other:						
In-place rents	\$ 17.24	\$ 14.79	\$ 15.49	\$ 8.94	\$ 10.14	\$ 9.83
Market rents	17.78	14.31	15.27	9.12	10.10	9.80
Change	3.1 %	(3.2)%	(1.4)%	2.0 %	(0.4)%	(0.3)%
Revenue impact ⁽²⁾	\$ 24	\$ (39)	\$ (18)	\$ 23	\$ (50)	\$ (60)
Total portfolio:						
In-place rents	\$ 13.13	\$ 13.40	\$ 13.16	\$ 11.28	\$ 13.48	\$ 13.16
Market rents	12.94	14.02	13.18	11.55	13.76	13.40
Change	(1.4)%	4.6 %	0.2 %	2.4 %	2.1 %	1.8 %
Revenue impact ⁽²⁾	\$ (374)	\$ 1,912	\$ 77	\$ 669	\$ 3,298	\$ 5,582

(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 June 30, 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 Q2-19 Proportionate Share Property NOI and 6.8% of the overall portfolio by GLA. Direct vacancy in the Twin Cities Office market, as reported by CBRE, was 18.6% at June 30, 2019, compared to 18.3% at March 31, 2019. At June 30, 2019, the Twin Cities Area office segment of Artis' portfolio was 91.8% occupied, increased from 91.4% at March 31, 2019. During the remainder of 2019, 64,629 square feet comes up for renewal, which represents 0.3% of the total portfolio GLA; 37.0% was renewed or committed to new leases at June 30, 2019. Of the total Twin Cities Area office GLA, 45.7% expires in 2023 or later.

Madison Office Segment

The Madison office segment represents 8.8% of the Q2-19 Proportionate Share Property NOI and 7.0% of the overall portfolio by GLA. At June 30, 2019, the Madison office segment of Artis' portfolio was 89.4% occupied, increased from 88.2% at March 31, 2019. During the remainder of 2019, 171,498 square feet comes up for renewal, which represents 0.7% of the total portfolio GLA; 41.7% was renewed or committed to new leases at June 30, 2019. Of the total Madison office GLA, 47.8% expires in 2023 or later.

Twin Cities Area Industrial Segment

The Twin Cities Area industrial segment represents 8.2% of the Q2-19 Proportionate Share Property NOI and 15.9% of the overall portfolio by GLA. Direct vacancy in the Twin Cities Area industrial market, as reported by CBRE, was 4.4% at June 30, 2019, compared to 4.3% at March 31, 2019. The average asking market lease rate was \$6.59 per square foot at June 30, 2019, increased from \$6.16 per square foot at March 31, 2019. Occupancy in this segment of the portfolio was 97.9% at June 30, 2019, increased from 97.1% reported at March 31, 2019. During the remainder of 2019, 482,883 square feet comes up for renewal, which represents 1.9% of the total portfolio GLA; 8.8% was renewed or committed to new leases at June 30, 2019. Of Artis' total Twin Cities Area industrial GLA, 42.9% expires in 2023 or later.

Greater Phoenix Area Office Segment

The Greater Phoenix Area office segment represents 7.7% of the Q2-19 Proportionate Share Property NOI and 4.7% of the overall portfolio by GLA. Overall direct vacancy in the Greater Phoenix Area office market, as reported by Avison Young, was 15.1% at June 30, 2019, compared to 15.3% at March 31, 2019. At June 30, 2019, the Greater Phoenix Area office segment of Artis' portfolio was 92.8% occupied, increased from 92.7% at March 31, 2019. During the remainder of 2019, 117,984 square feet comes up for renewal, which represents 0.5% of the total portfolio GLA. Of Artis' Greater Phoenix Area office GLA, 39.6% expires in 2023 or later.

Winnipeg Office Segment

The Winnipeg office segment represents 6.3% of the Q2-19 Proportionate Share Property NOI and 5.9% of the overall portfolio by GLA. Overall direct vacancy in the Winnipeg office market, as reported by Colliers International, was 11.7% at June 30, 2019, compared to 11.4% at March 31, 2019. At June 30, 2019, the Winnipeg office segment of Artis' portfolio was 82.6% occupied, compared to 83.4% at March 31, 2019. During the remainder of 2019, 79,403 square feet comes up for renewal, which represents 0.3% of the total portfolio GLA. Of Artis' Winnipeg office GLA, 39.6% 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. Artis' Calgary office segment represents 6.1% of the Q2-19 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.):⁽¹⁾

	Current vacancy	Monthly tenants ⁽²⁾	2019	2020	2021	2022	2023 & later	Total
Downtown - uncommitted	187,846	8,074	33,909	2,082	32,355	—	150,833	415,099
Downtown - committed	—	—	—	—	—	—	—	—
Total downtown	187,846	8,074	33,909	2,082	32,355	—	150,833	415,099
Beltline - uncommitted	17,042	—	9,991	11,758	—	—	506,695	545,486
Beltline - committed	9,062	—	19,083	—	—	—	—	28,145
Total beltline	26,104	—	29,074	11,758	—	—	506,695	573,631
Suburban - uncommitted	64,002	3,723	21,520	32,420	296,357	33,003	179,090	630,115
Suburban - committed	10,640	—	—	—	—	—	800	11,440
Total suburban	74,642	3,723	21,520	32,420	296,357	33,003	179,890	641,555
Total - uncommitted	268,890	11,797	65,420	46,260	328,712	33,003	836,618	1,590,700
Total - committed	19,702	—	19,083	—	—	—	800	39,585
Total Calgary office	288,592	11,797	84,503	46,260	328,712	33,003	837,418	1,630,285

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

	Current vacancy	Monthly tenants ⁽²⁾	2019	2020	2021	2022	2023 & later	Total
Other - uncommitted	654,100	32,426	640,698	922,354	970,823	394,877	3,537,461	7,152,739
Other - committed	258,843	—	321,285	394,927	86,331	6,905	148,669	1,216,960
Total other office	912,943	32,426	961,983	1,317,281	1,057,154	401,782	3,686,130	8,369,699

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

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

Market Rents for Calgary Office Segment ⁽¹⁾:

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

	2019	2020	2021	2022	2023 & later	Total
Downtown:						
In-place rents	\$ 23.01	\$ 7.25	\$ 20.15	\$ —	\$ 21.85	\$ 21.64
Market rents	8.12	9.00	13.29	—	21.71	18.24
Change	(64.7)%	24.1 %	(34.0)%	—%	(0.6)%	(15.7)%
Revenue impact ⁽²⁾	\$ (505)	\$ 4	\$ (222)	\$ —	\$ (21)	\$ (744)
Beltline:						
In-place rents	\$ 11.27	\$ 18.50	\$ —	\$ —	\$ 13.62	\$ 13.60
Market rents	14.00	10.00	—	—	17.03	16.71
Change	24.2 %	(45.9)%	— %	—%	25.0 %	22.9 %
Revenue impact ⁽²⁾	\$ 79	\$ (100)	\$ —	\$ —	\$ 1,727	\$ 1,706
Suburban:						
In-place rents	\$ 18.74	\$ 12.85	\$ 18.28	\$ 11.98	\$ 11.33	\$ 15.39
Market rents	14.76	14.44	16.71	14.26	11.70	14.76
Change	(21.2)%	12.4 %	(8.6)%	19.0%	3.3 %	(4.1)%
Revenue impact ⁽²⁾	\$ (85)	\$ 52	\$ (463)	\$ 75	\$ 67	\$ (354)
Total Calgary Office:						
In-place rents	\$ 17.88	\$ 14.03	\$ 18.46	\$ 11.98	\$ 14.61	\$ 15.68
Market rents	11.84	13.07	16.38	14.26	16.73	16.14
Change	(33.8)%	(6.8)%	(11.3)%	19.0%	14.5 %	2.9 %
Revenue impact ⁽²⁾	\$ (511)	\$ (44)	\$ (685)	\$ 75	\$ 1,773	\$ 608

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

	2019	2020	2021	2022	2022 & later	Total
Other office:						
In-place rents	\$ 16.03	\$ 17.14	\$ 17.59	\$ 17.76	\$ 18.80	\$ 17.92
Market rents	16.38	18.18	17.79	18.36	19.21	18.41
Change	2.2%	6.1%	1.1%	3.4%	2.2%	2.7%
Revenue impact ⁽²⁾	\$ 333	\$ 1,368	\$ 219	\$ 241	\$ 1,512	\$ 3,673

(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.

June 30, 2019				December 31, 2018			
	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	Per consolidated financial statements	Adjustment ⁽¹⁾	Total Proportionate Share	
ASSETS							
Non-current assets:							
Investment properties	\$ 4,741,997	\$ 188,121	\$ 4,930,118	\$ 4,941,825	\$ 255,661	\$ 5,197,486	
Investment properties under development	70,882	74,854	145,736	119,604	40,635	160,239	
Investments in joint ventures	151,346	(151,346)	—	176,501	(176,501)	—	
Property and equipment	7,625	—	7,625	6,533	—	6,533	
Notes receivable	20,411	—	20,411	16,216	—	16,216	
	4,992,261	111,629	5,103,890	5,260,679	119,795	5,380,474	
Current assets:							
Investment properties held for sale	398,002	—	398,002	320,465	—	320,465	
Inventory properties	12,834	—	12,834	11,227	—	11,227	
Deposits on investment properties	2,115	—	2,115	2,237	—	2,237	
Prepaid expenses and other assets	8,115	133	8,248	20,582	244	20,826	
Notes receivable	3,674	—	3,674	4,543	—	4,543	
Accounts receivable and other receivables	21,141	457	21,598	21,101	822	21,923	
Cash held in trust	7,634	—	7,634	10,200	—	10,200	
Cash	94,597	9,761	104,358	66,143	3,808	69,951	
	548,112	10,351	558,463	456,498	4,874	461,372	
	\$ 5,540,373	\$ 121,980	\$ 5,662,353	\$ 5,717,177	\$ 124,669	\$ 5,841,846	
LIABILITIES AND UNITHOLDERS' EQUITY							
Non-current liabilities:							
Mortgages and loans payable	\$ 1,102,951	\$ 75,997	\$ 1,178,948	\$ 1,272,452	\$ 44,017	\$ 1,316,469	
Senior unsecured debentures	249,114	—	249,114	199,565	—	199,565	
Credit facilities	824,538	—	824,538	772,538	—	772,538	
Other long-term liabilities	788	—	788	8,319	—	8,319	
	2,177,391	75,997	2,253,388	2,252,874	44,017	2,296,891	
Current liabilities:							
Mortgages and loans payable	463,926	27,121	491,047	412,558	59,068	471,626	
Senior unsecured debentures	199,761	—	199,761	199,971	—	199,971	
Security deposits and prepaid rent	37,023	1,619	38,642	35,842	3,264	39,106	
Accounts payable and other liabilities	91,022	17,243	108,265	77,887	18,320	96,207	
	791,732	45,983	837,715	726,258	80,652	806,910	
	2,969,123	121,980	3,091,103	2,979,132	124,669	3,103,801	
Unitholders' equity	2,571,250	—	2,571,250	2,738,045	—	2,738,045	
	\$ 5,540,373	\$ 121,980	\$ 5,662,353	\$ 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	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
GBV	\$ 5,546,315	\$ 5,722,580	\$ 5,668,295	\$ 5,847,249
Secured mortgages and loans	1,566,877	1,685,010	1,669,995	1,788,095
Secured mortgages and loans to GBV	28.3%	29.4%	29.5%	30.6%
Preferred shares liability	\$ 627	\$ 653	\$ 627	\$ 653
Carrying value of debentures	448,875	399,536	448,875	399,536
Credit facilities	824,538	772,538	824,538	772,538
Total long-term debt and credit facilities	\$ 2,840,917	\$ 2,857,737	\$ 2,944,035	\$ 2,960,822
Total long-term debt and credit facilities to GBV	51.2%	49.9%	51.9%	50.6%

Total Long-term Debt and Credit Facilities to EBITDA Ratios

	IFRS		Proportionate Share	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Total long-term debt and credit facilities	\$ 2,840,917	\$ 2,857,737	\$ 2,944,035	\$ 2,960,822
EBITDA ⁽¹⁾	335,144	329,800	335,144	329,800
Total long-term debt and credit facilities to EBITDA	8.5	8.7	8.8	9.0
Normalized EBITDA	\$ 335,144	\$ 329,800	\$ 335,144	\$ 329,800
Total long-term debt and credit facilities to normalized EBITDA	8.5	8.7	8.8	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	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Unencumbered assets	\$ 1,829,594	\$ 1,805,382	\$ 1,871,620	\$ 1,847,443
Senior unsecured debentures	448,875	399,536	448,875	399,536
Unsecured credit facilities	824,538	772,538	824,538	772,538
Total unsecured debt	\$ 1,273,413	\$ 1,172,074	\$ 1,273,413	\$ 1,172,074
Unencumbered assets to unsecured debt	1.4	1.5	1.5	1.6

NAV per Unit

000's, except unit and per unit amounts	June 30, 2019	December 31, 2018	Change
Unitholders' equity	\$ 2,571,250	\$ 2,738,045	\$ (166,795)
Less value of preferred equity ⁽¹⁾	(386,514)	(390,945)	4,431
NAV attributable to common unitholders	\$ 2,184,736	\$ 2,347,100	\$ (162,364)
Total number of dilutive units outstanding:			
Common units	140,990,000	150,282,829	(9,292,829)
Restricted units	688,954	546,573	142,381
Deferred units	435,849	92,673	343,176
	142,114,803	150,922,075	(8,807,272)
NAV per unit	\$ 15.37	\$ 15.55	\$ (0.18)

(1) The value of preferred equity is calculated using the outstanding face value 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 ⁽¹⁾	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
Additions:			
Acquisitions	7,643	—	7,643
Transfers from investments in joint ventures ⁽²⁾	66,765	(66,765)	—
Capital expenditures			
Investment properties	14,528	77	14,605
Investment properties under development	21,103	17,537	38,640
Capitalized interest	1,000	747	1,747
Leasing commissions	4,748	122	4,870
Straight-line rent adjustments	1,411	213	1,624
Tenant inducement additions, net of amortization	8,614	1,472	10,086
Dispositions	(200,440)	—	(200,440)
Foreign currency translation loss	(46,984)	(3,794)	(50,778)
Fair value loss	(24,508)	(1,877)	(26,385)
Balance, June 30, 2019	\$ 5,210,881	\$ 262,975	\$ 5,473,856

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

(2) On May 16, 2019, the REIT increased its ownership interest in Park 8Ninety I to 100%.

Acquisitions ⁽¹⁾:

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

	Three months ended June 30,				% Change	Six months ended June 30,				% Change
	2019	2018	Change			2019	2018	Change		
Issuance of units	\$ —	\$ —	\$ —			\$ —	\$ 43,651	\$ (43,651)		
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	1,326	—	1,326			1,326	38,388	(37,062)		
Cash consideration	5,140	5,523	(383)			5,140	16,788	(11,648)		
Bargain purchase gains	1,106	—	1,106			1,106	5,384	(4,278)		
Foreign currency translation gain	—	—	—			—	968	(968)		
Other net liabilities	71	—	71			71	—	71		
Total acquisitions	\$ 7,643	\$ 5,523	\$ 2,120		38.4%	\$ 7,643	\$ 105,179	\$ (97,536)		(92.7)%

Capital expenditures ⁽¹⁾:

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

In Q2-19, new and redevelopment expenditures included \$13,781 for 300 Main and 330 Main, \$9,649 for Park 8Ninety II, \$4,273 for Park 8Ninety I, \$3,647 for Tower Business Center, and \$3,617 for Cedar Port I.

	Three months ended June 30,				% Change	Six months ended June 30,				% Change
	2019	2018	Change			2019	2018	Change		
New and redevelopment expenditures	\$ 38,640	\$ 10,091	\$ 28,549			\$ 88,251	\$ 15,852	\$ 72,399		
Building improvements expenditures:										
Recoverable from tenants	1,823	1,612	211			2,991	2,601	390		
Non-recoverable	8,114	4,944	3,170			9,447	10,363	(916)		
Property maintenance expenditures:										
Recoverable from tenants	3,076	1,101	1,975			4,476	1,785	2,691		
Non-recoverable	1,592	2,562	(970)			2,138	2,640	(502)		
Total capital expenditures	\$ 53,245	\$ 20,310	\$ 32,935		162.2%	\$ 107,303	\$ 33,241	\$ 74,062		222.8%

(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.

Leasing costs ⁽¹⁾:

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

	Three months ended June 30,			% Change	Six months ended June 30,			% Change
	2019	2018	Change		2019	2018	Change	
Investment property leasing costs:								
Tenant inducements	\$ 9,881	\$ 12,004	\$ (2,123)		\$ 19,072	\$ 22,434	\$ (3,362)	
Leasing commissions	4,610	2,758	1,852		7,256	4,847	2,409	
Investment property (re)development related leasing costs:								
Tenant inducements	6,234	680	5,554		6,381	2,688	3,693	
Leasing commissions	260	753	(493)		651	1,303	(652)	
Total leasing costs	\$ 20,985	\$ 16,195	\$ 4,790	29.6%	\$ 33,360	\$ 31,272	\$ 2,088	6.7%

(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.

In Q2-19, tenant inducements related to new developments included \$2,697 for long-term tenants at Cedar Port I and Park 8Ninety III.

Dispositions:

During Q2-19, Artis sold four retail properties and two office properties in Canada and two office properties in the United States, for an aggregate sale price of \$208,676. The aggregate sale proceeds, net of costs of \$5,553 and related debt of \$75,635, were \$127,488.

Completed new and (re)development properties:

In Q2-19, Artis completed the development of Park Lucero IV, Cedar Port I and Park 8Ninety III, as discussed in the Portfolio Summary section of this MD&A.

Investment properties held for sale:

At June 30, 2019, the REIT had five office properties, three retail properties and one parcel of development land located in Canada and one office property, seven retail properties and one parcel of development land located in the United States, with an aggregate Proportionate Share fair value of \$398,002 classified as held for sale. These properties were listed for sale with external brokers.

Foreign currency translation loss on investment properties:

In Q2-19, the Proportionate Share foreign currency translation loss on investment properties was \$50,778 (YTD - loss of \$103,701) due to the change in the period end US dollar to Canadian dollar exchange rate from 1.3363 at March 31, 2019 to 1.3087 at June 30, 2019.

Fair value (loss) gain on investment properties:

During Q2-19, the REIT recorded a loss on the Proportionate Share fair value of investment properties of \$26,385 (YTD - loss of \$43,718), compared to a gain of \$23,880 (YTD - gain of \$19,473) in Q2-18. The fair value loss in Q2-19 was primarily due to a realized fair value loss on the dispositions of 1700 Broadway and 169 Inverness Drive West I & II.

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 9.25%. 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.

	June 30, 2019			December 31, 2018		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Office:						
Canada	8.50%	4.50%	6.43%	8.50%	4.75%	6.43%
U.S.	7.75%	5.75%	6.88%	8.00%	5.75%	6.83%
Total office	8.50%	4.50%	6.65%	8.50%	4.75%	6.62%
Retail:						
Canada	9.25%	5.25%	6.48%	8.75%	5.25%	6.41%
U.S.	8.75%	6.75%	7.77%	8.50%	5.75%	6.98%
Total retail	9.25%	5.25%	6.56%	8.75%	5.25%	6.44%
Industrial:						
Canada	7.75%	3.75%	5.70%	7.75%	3.75%	5.96%
U.S.	8.00%	5.00%	6.37%	8.00%	5.25%	6.47%
Total industrial	8.00%	3.75%	5.96%	8.00%	3.75%	6.17%
Total:						
Canadian portfolio	9.25%	3.75%	6.24%	8.75%	3.75%	6.30%
U.S. portfolio	8.75%	5.00%	6.76%	8.50%	5.25%	6.72%
Total portfolio	9.25%	3.75%	6.43%	8.75%	3.75%	6.46%

Inventory Properties

At June 30, 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 June 30, 2019 was \$9,700 (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 June 30, 2019 was \$24,085, compared to \$20,759 at December 31, 2018.

Cash

At June 30, 2019, the REIT had \$94,597 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 June 30, 2019 was 2.9 years, compared to 3.3 years at December 31, 2018.

At June 30, 2019, Artis had mortgages and loans payable outstanding, as follows:

Canadian Portfolio:

	IFRS		Proportionate Share	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Fixed rate mortgages	\$ 443,238	\$ 466,539	\$ 476,478	\$ 500,301
Variable rate mortgages:				
Hedged	135,685	138,171	135,685	138,171
Unhedged	48,693	49,312	48,693	49,312
Net above- and below-market mortgage adjustments	(51)	(59)	(51)	(59)
Financing costs	(1,368)	(1,671)	(1,447)	(1,757)
	\$ 626,197	\$ 652,292	\$ 659,358	\$ 685,968

U.S. Portfolio:

	IFRS		Proportionate Share	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Fixed rate mortgages	\$ 141,584	\$ 209,048	\$ 153,229	\$ 221,335
Variable rate mortgages:				
Hedged	376,125	396,070	376,125	396,070
Unhedged	423,675	431,531	482,761	489,315
Net above- and below-market mortgage adjustments	3,612	1,234	3,612	1,234
Financing costs	(4,316)	(5,165)	(5,090)	(5,827)
	\$ 940,680	\$ 1,032,718	\$ 1,010,637	\$ 1,102,127

Total Canadian and U.S. Portfolio:

	IFRS		Proportionate Share	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Fixed rate mortgages	\$ 584,822	\$ 675,587	\$ 629,707	\$ 721,636
Variable rate mortgages:				
Hedged	511,810	534,241	511,810	534,241
Unhedged	472,368	480,843	531,454	538,627
Net above- and below-market mortgage adjustments	3,561	1,175	3,561	1,175
Financing costs	(5,684)	(6,836)	(6,537)	(7,584)
	\$ 1,566,877	\$ 1,685,010	\$ 1,669,995	\$ 1,788,095
% of unhedged variable rate mortgage debt of total debt, including credit facilities	16.6%	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 ⁽¹⁾	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
Add (deduct):			
Assumed variable rate mortgage on acquisition	33,278	(31,614)	1,664
Draws on variable rate construction loans	—	16,922	16,922
Repayment of variable rate mortgage related to sale of investment property	(18,821)	—	(18,821)
Repayment of fixed rate mortgage related to sale of investment property	(56,814)	—	(56,814)
Principal repayments	(11,779)	(335)	(12,114)
Foreign currency translation gain	(19,811)	(1,478)	(21,289)
Balance, June 30, 2019	\$ 1,569,000	\$ 103,971	\$ 1,672,971

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

During Q2-19, the REIT renewed a maturing fixed rate mortgage in the amount of \$40,874.

Senior Unsecured Debentures

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

				June 30, 2019		December 31, 2018	
	Issued	Maturity	Interest rate ⁽¹⁾	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%	199,761	200,000	199,565	200,000
Series C	February 22, 2019	February 22, 2021	3.674%	249,114	250,000	—	—
				\$ 448,875	\$ 450,000	\$ 399,536	\$ 400,000

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

At June 30, 2019, the carrying value of the senior unsecured debentures increased \$49,339 compared to December 31, 2018. The change is primarily due to the issuance of the Series C senior unsecured debentures on February 22, 2019, partially offset by the repayment of the Series A senior unsecured debentures on March 27, 2019.

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 June 30, 2019, there was \$526,435 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 June 30, 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 \$8,253, which was paid subsequent to the end of the period.

UNITHOLDERS' EQUITY

Unitholders' equity decreased overall by \$166,795 between December 31, 2018 and June 30, 2019. The decrease was primarily due to common units of \$122,096 and preferred units of \$4,257 purchased through the NCIB, partially offset by the related contributed surplus of \$21,969. Also contributing to the decrease was other comprehensive loss of \$60,494, distributions made to unitholders of \$47,927, partially offset by net income of \$45,228 and the issuance of common units for \$782.

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 June 30, 2019	Six months ended June 30, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Cash flow from operations	\$ 45,668	\$ 107,106	\$ 213,727	\$ 214,005
Net income	19,872	45,228	158,636	234,435
Distributions declared	24,540	49,792	173,408	181,052
Excess of cash flow from operations over distributions declared	21,128	57,314	40,319	32,953
(Shortfall) excess of net income over distributions declared	(4,668)	(4,564)	(14,772)	53,383

Artis' primary objective is to provide stable, reliable tax-efficient monthly cash distributions. The shortfall of net income over distributions declared during 2018 and 2019 was primarily due to the non-cash impact of the fair value losses on investment properties.

CAPITAL RESOURCES

At June 30, 2019, Artis had \$94,597 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 and 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 June 30, 2019, the REIT had \$173,565 available on its revolving term credit facilities.

At June 30, 2019, the REIT had 88 unencumbered properties and six unencumbered parcels of development land, inclusive of properties held in joint venture arrangements, representing a Proportionate Share fair value of \$1,871,620.

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 June 30, 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 ⁽¹⁾

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and other liabilities	\$ 108,265	108,265	\$ —	\$ —	\$ —
Credit facilities	826,435	—	315,805	510,630	—
Senior unsecured debentures ⁽²⁾	450,000	200,000	250,000	—	—
Mortgages and loans payable	1,672,971	376,369	629,833	577,744	89,025
Total contractual obligations	\$ 3,057,671	\$ 684,634	\$ 1,195,638	\$ 1,088,374	\$ 89,025

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

Year ended December 31,	Debt maturities	% of total principal	Scheduled principal repayments on non-matured debt	Total annual principal repayments	Weighted- average nominal interest rate on balance due at maturity
2019	\$ 269,665	18.1%	\$ 22,661	\$ 292,326	4.15%
2020	180,397	12.1%	38,240	218,637	3.96%
2021	418,052	28.1%	27,923	445,975	4.03%
2022	194,463	13.1%	21,240	215,703	3.91%
2023	393,848	26.5%	13,723	407,571	4.10%
2024 & later	31,925	2.1%	60,834	92,759	3.64%
Total	\$ 1,488,350	100.0%	\$ 184,621	\$ 1,672,971	4.04%

(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	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17
Revenue	\$ 133,928	\$ 133,547	\$ 132,864	\$ 128,097	\$ 126,140	\$ 125,769	\$ 126,256	\$ 127,008
Expenses:								
Property operating	31,655	34,480	35,315	31,281	30,301	30,800	32,222	30,065
Realty taxes	21,740	20,589	20,290	20,605	19,951	20,004	19,092	19,639
	53,395	55,069	55,605	51,886	50,252	50,804	51,314	49,704
Net operating income	80,533	78,478	77,259	76,211	75,888	74,965	74,942	77,304
Other income (expenses):								
Corporate expenses	(4,113)	(4,117)	(2,186)	(2,585)	(3,364)	(6,301)	(3,332)	(3,334)
Interest expense	(27,916)	(27,252)	(26,853)	(25,032)	(25,665)	(23,614)	(23,462)	(23,882)
Interest income	510	441	689	371	329	585	307	300
Net (loss) income from investments in joint ventures	(691)	2,657	(2,085)	5,343	475	5,021	5,742	7,896
Fair value (loss) gain on investment properties	(24,508)	(18,527)	(23,576)	(32,096)	24,505	(5,932)	4,906	2,486
Foreign currency translation gain (loss)	3,435	6,713	(12,119)	6,692	(519)	(2,167)	(3,144)	(3,542)
Transaction costs	(137)	—	(488)	(227)	(27)	(5,676)	(543)	(567)
Fair value (loss) gain on derivative instruments and other transactions	(7,195)	(12,345)	(3,357)	(2,714)	3,459	13,954	(1,420)	8,231
Income before income taxes	19,918	26,048	7,284	25,963	75,081	50,835	53,996	64,892
Income tax (expense) recovery	(46)	(692)	(64)	(244)	(106)	(113)	67	(89)
Net income	19,872	25,356	7,220	25,719	74,975	50,722	54,063	64,803
Other comprehensive (loss) income:								
Unrealized foreign currency translation (loss) gain	(30,899)	(30,266)	77,121	(23,702)	28,260	34,510	12,534	(44,755)
Unrealized gain (loss) from remeasurements of net pension obligation	269	402	(437)	—	—	—	(33)	(70)
	(30,630)	(29,864)	76,684	(23,702)	28,260	34,510	12,501	(44,825)
Total comprehensive (loss) income	\$ (10,758)	\$ (4,508)	\$ 83,904	\$ 2,017	\$ 103,235	\$ 85,232	\$ 66,564	\$ 19,978
Net income per unit attributable to common unitholders:								
Basic	\$ 0.10	\$ 0.13	\$ 0.01	\$ 0.13	\$ 0.45	\$ 0.30	\$ 0.33	\$ 0.40
Diluted	0.10	0.13	0.01	0.13	0.45	0.29	0.33	0.40
Secured mortgages and loans to GBV	28.3%	28.8%	29.4%	29.4%	30.2%	30.2%	29.9%	31.4%

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	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17
Net income	\$ 19,872	\$ 25,356	\$ 7,220	\$ 25,719	\$ 74,975	\$ 50,722	\$ 54,063	\$ 64,803
Add (deduct):								
Adjustment for investments in joint ventures ⁽¹⁾	2,075	(970)	3,434	(3,548)	796	(2,919)	(3,245)	(5,426)
Fair value loss (gain) on investment properties	24,508	18,527	23,576	32,096	(24,505)	5,932	(4,906)	(2,486)
Tenant inducements amortized to revenue	5,831	5,465	5,152	4,871	4,940	4,798	4,415	4,292
Transaction costs on acquisitions	137	—	488	227	27	651	543	567
Foreign currency translation (gain) loss	(3,435)	(6,713)	12,119	(6,692)	519	2,167	3,144	3,542
Fair value loss (gain) on derivative instruments and other transactions	7,195	12,345	3,357	2,714	(3,459)	(13,954)	1,420	(8,231)
Remeasurement component of unit-based compensation	204	531	(946)	(342)	(135)	(87)	289	76
Distributions on preferred shares treated as interest expense	45	44	44	45	43	42	43	43
Incremental leasing costs	882	1,133	1,124	654	889	916	1,252	1,058
Preferred unit distributions	(5,405)	(5,434)	(5,461)	(5,283)	(5,283)	(5,921)	(4,643)	(4,548)
FFO	\$ 51,909	\$ 50,284	\$ 50,107	\$ 50,461	\$ 48,807	\$ 42,347	\$ 52,375	\$ 53,690
Add (deduct):								
Amortization of recoverable capital expenditures ⁽²⁾	\$ (2,405)	\$ (2,403)	\$ (2,716)	\$ (2,223)	\$ (2,274)	\$ (2,170)	\$ (3,407)	\$ (2,196)
Non-recoverable property maintenance reserve ⁽²⁾	(950)	(950)	(950)	(950)	(950)	(950)	(950)	(950)
Leasing costs reserve ⁽²⁾	(7,560)	(7,560)	(7,560)	(7,560)	(7,560)	(7,850)	(8,100)	(10,000)
Straight-line rent adjustments ⁽²⁾	(1,624)	(1,764)	(1,337)	(2,145)	(1,719)	(1,797)	(1,925)	(1,954)
AFFO	\$ 39,370	\$ 37,607	\$ 37,544	\$ 37,583	\$ 36,304	\$ 29,580	\$ 37,993	\$ 38,590
FFO per unit:								
Basic	\$ 0.36	\$ 0.34	\$ 0.33	\$ 0.33	\$ 0.32	\$ 0.28	\$ 0.35	\$ 0.36
Diluted	0.36	0.34	0.33	0.33	0.32	0.28	0.35	0.36
AFFO per unit:								
Basic	\$ 0.28	\$ 0.25	\$ 0.25	\$ 0.24	\$ 0.24	\$ 0.20	\$ 0.25	\$ 0.26
Diluted	0.27	0.25	0.24	0.24	0.24	0.19	0.25	0.26
Weighted-average number of common units outstanding for FFO:								
Basic	142,981	148,564	153,138	153,820	153,798	151,494	150,594	150,593
Diluted ⁽³⁾	143,593	149,217	153,711	154,401	154,346	152,041	151,022	151,035

(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	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17
FFO per above	\$ 51,909	\$ 50,284	\$ 50,107	\$ 50,461	\$ 48,807	\$ 42,347	\$ 52,375	\$ 53,690
Add (deduct):								
Pension liability adjustment ⁽¹⁾	—	—	—	—	—	3,392	—	—
Property management termination fees ⁽¹⁾	—	—	—	—	—	5,025	—	—
Normalized FFO	\$ 51,909	\$ 50,284	\$ 50,107	\$ 50,461	\$ 48,807	\$ 50,764	\$ 52,375	\$ 53,690
Normalized AFFO	\$ 39,370	\$ 37,607	\$ 37,544	\$ 37,583	\$ 36,304	\$ 37,997	\$ 37,993	\$ 38,590
Normalized FFO per unit:								
Basic	\$ 0.36	\$ 0.34	\$ 0.33	\$ 0.33	\$ 0.32	\$ 0.34	\$ 0.35	\$ 0.36
Diluted	0.36	0.34	0.33	0.33	0.32	0.33	0.35	0.36
Normalized AFFO per unit:								
Basic	\$ 0.28	\$ 0.25	\$ 0.25	\$ 0.24	\$ 0.24	\$ 0.25	\$ 0.25	\$ 0.26
Diluted	0.27	0.25	0.24	0.24	0.24	0.25	0.25	0.26

(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 August 1, 2019, the balance of common units outstanding is as follows:

	Total
Units outstanding at June 30, 2019	140,990,000
Units issued on redemption of restricted units	2,470
Units outstanding at August 1, 2019	140,992,470

As of August 1, 2019, the balance of preferred units outstanding is as follows:

	Series A	Series E	Series G	Series I	Total
Preferred units outstanding at June 30, 2019	3,390,700	3,931,300	3,138,500	5,000,000	15,460,500
Preferred units purchased and cancelled through NCIB	—	(35,600)	—	—	(35,600)
Preferred units purchased through NCIB, not cancelled at August 1, 2019	—	(2,800)	—	—	(2,800)
Preferred units outstanding at August 1, 2019	3,390,700	3,892,900	3,138,500	5,000,000	15,422,100

The balance of restricted units outstanding as of August 1, 2019 is 679,755, none of which have vested.

The balance of deferred units outstanding as of August 1, 2019 is 452,669. All of these deferred units have vested, 20,563 are redeemable.

OUTLOOK

Scotiabank's Global Outlook dated July 12, 2019, predicts that real GDP in Canada will grow by 1.4% in 2019. GDP in British Columbia, Saskatchewan, Manitoba and Ontario in 2019 is estimated to grow by 2.2%, 1.4%, 1.5% and 1.4%, respectively, which are all healthy growth rates that are near or above the 2019 national forecast. Scotiabank is forecasting GDP growth of 0.5% in 2019 for Alberta, and stabilized unemployment rates for the province in 2019. We continue to monitor the Alberta market closely and work diligently to maximize occupancy and rental rates, while diversifying our portfolio in an accretive manner so as to reduce and optimize our weighting in Alberta.

The Scotiabank Global Outlook report further predicts that U.S. GDP will grow at a rate of 2.5% in 2019. According to the United States Bureau of Labor Statistics, U.S. unemployment decreased nationally from 4.0% to 3.7% year-over-year in June. Most recently available unemployment rates in our U.S. target markets are generally near or below the national average. We continue to monitor this and other key economic indicators in our target U.S. markets on a continuous basis. Given the health of the U.S. economy, strength of the US dollar, positive GDP growth expectations and decline in unemployment rates, we anticipate that there is further growth potential to be realized during the remainder of 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. From the date of the announcement to June 30, 2019, we have purchased 12,901,220 common units at a weighted-average price of \$10.48, and 189,500 preferred units at a weighted-average price of \$20.95.

In accordance with these new initiatives, we have sold 9 properties totalling 876,329 square feet of leasable area for \$235,926. We also have an additional 16 properties (plus two parcels of development land) classified as held for sale at June 30, 2019, including six office properties and 10 retail properties that have a total fair value of \$398,002. Subsequent to the end of the quarter, we sold the GSA Professional Office Building in the Greater Phoenix Area, Arizona, for approximately \$120,728. We look forward to providing further updates on our progress with our new initiatives in subsequent quarters.

As a result of our new initiatives, we anticipate that our retail Property NOI weighting will decrease from 19.5% to approximately 15%. While retail real estate remains part of our portfolio diversification strategy, we will continue to pursue opportunities to dispose of non-core retail assets. Our core retail properties are those focused on the consumer's everyday shopping needs, including food and beverage, and personal service providers.

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 during the remainder of 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 during the remainder of 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 June 30, 2019, Artis had \$94,597 of cash on hand and \$173,565 available on its revolving term credit facilities. Subsequent to June 30, 2019, the following transactions took place:

- On July 31, 2019, the REIT redeemed all 3,138,500 outstanding Series G preferred units with an aggregate face value of \$78,463. The REIT declared a quarterly cash distribution of \$0.3125 per Series G preferred unit for the three months ended July 31, 2019.
- The REIT disposed of an office property located in the Greater Phoenix Area, Arizona for a sale price of US\$92,250. A portion of the proceeds was used to repay the outstanding mortgage financing in the amount of US\$50,542 and the related prepayment premium of US\$7,185.
- The REIT entered into an unconditional agreement to purchase a surface parking lot ancillary to an existing office property located in Winnipeg, Manitoba for \$3,800. The acquisition is anticipated to close in August 2019.
- The REIT purchased through the NCIB 38,400 Series E preferred units at a weighted-average price of \$21.48.
- The REIT drew \$88,000 and repaid US\$48,000 on its revolving term credit facilities.
- The REIT declared a monthly cash distribution of \$0.045 per common unit for the month of July 2019.
- The REIT declared a quarterly cash distribution of \$0.3750 per Series I preferred unit for the three months ended July 31, 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 the largest geographical segments, 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 June 30, 2019, 37.3% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 32.6% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At June 30, 2019, the REIT is a party to \$2,010,613 of variable rate debt, including credit facilities and debentures (December 31, 2018, \$1,989,356). At June 30, 2019, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$1,011,810 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 June 30, 2019, the REIT's ratio of secured mortgages and loans to GBV was 28.3%, compared to 29.4% at December 31, 2018. At June 30, 2019, the REIT's ratio of total long-term debt and credit facilities to GBV was 51.2%, compared to 49.9% at December 31, 2018. Approximately 17.4% of Artis' maturing mortgage debt comes up for renewal during the remainder of 2019, and 13.0% 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 1,867 tenant leases with a weighted-average term to maturity of 5.1 years. Approximately 54.5% of the REIT's gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is Bell MTS, which is one of Canada's leading national communication companies providing voice services, internet and data services, and television. The second largest tenant by gross revenue is Graham Group Ltd., which provides construction management, general contracting, design build, and public-private partnership services to industrial, commercial, and infrastructure sectors.

Top 20 Tenants by Gross Revenue⁽¹⁾

Tenant	% of total gross revenue ⁽²⁾	Owned share of GLA (000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Bell MTS Inc.	2.2%	322	1.3%	3.7
Graham Group Ltd.	1.8%	243	1.0%	15.1
AT&T	1.5%	257	1.0%	6.0
WorleyParsons Canada Services Ltd.	1.4%	170	0.7%	2.2
Home Depot	1.3%	153	0.6%	10.3
Bell Canada	1.2%	115	0.5%	10.3
TDS Telecommunications Corporation	1.1%	195	0.8%	5.5
TransAlta Corporation	1.1%	336	1.4%	3.9
Bellatrix Exploration Ltd.	1.0%	94	0.4%	4.6
Shoppers Drug Mart Inc.	1.0%	136	0.5%	6.7
CB Richard Ellis, Inc.	0.9%	108	0.4%	7.5
Canadian Institute for Health Information	0.8%	92	0.4%	6.2
Fairview Health Services	0.8%	179	0.7%	4.2
Cara Operations Ltd.	0.8%	100	0.4%	9.5
3M Canada Company	0.8%	319	1.3%	5.8
Prime Therapeutics LLC	0.8%	223	0.9%	15.3
The Toronto-Dominion Bank	0.8%	96	0.4%	1.8
Telephone and Data Systems Inc.	0.7%	131	0.5%	5.4
Catalent Pharma Solutions, LLC	0.7%	198	0.8%	17.3
UCare Minnesota	0.7%	124	0.5%	2.9
Total	21.4%	3,591	14.5%	7.3

(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⁽¹⁾

Tenant	% of total gross revenue ⁽²⁾	Owned share of GLA (000's of S.F.)	% of total GLA	Weighted-average remaining lease term
Federal Government	3.2%	449	1.8%	7.1
Provincial Government	1.6%	220	0.9%	4.2
Civic or Municipal Government	0.4%	98	0.4%	12.6
Total	5.2%	767	3.1%	7.0
Weighted-average term to maturity (entire portfolio)				5.1

(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	0.9%	0.5%	1.1%	0.1%	1.8%	0.3%	0.6%	2.2%	0.7%	0.2%	8.1%
2020	0.9%	0.1%	2.5%	0.4%	3.0%	0.2%	1.2%	2.6%	1.4%	0.3%	12.4%
2021	2.3%	0.2%	2.4%	0.5%	1.6%	1.3%	1.1%	5.1%	0.4%	0.3%	13.9%
2022	1.0%	—%	1.1%	1.4%	2.4%	0.1%	0.3%	2.6%	0.4%	0.5%	9.7%
2023	2.7%	0.3%	1.4%	0.6%	1.5%	1.5%	0.4%	1.9%	0.2%	0.7%	9.7%
2024	1.0%	0.1%	1.2%	0.2%	1.0%	0.5%	0.4%	2.7%	1.5%	0.2%	8.3%
2025 & later	4.0%	0.5%	4.0%	2.3%	3.4%	1.3%	3.8%	5.8%	1.7%	4.4%	29.9%
Month-to-month	0.1%	—%	—%	0.1%	—%	—%	—%	—%	—%	—%	0.2%
Vacant	1.8%	—%	1.3%	0.2%	1.0%	1.2%	0.6%	1.0%	0.7%	0.6%	7.2%
New development/ redevelopment	0.4%	—%	—%	—%	0.2%	0.4%	—%	—%	—%	—%	0.6%
Total	15.1%	1.7%	15.0%	5.8%	15.9%	6.8%	8.4%	23.9%	7.0%	7.2%	100.0%

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the office, retail and industrial asset classes. By city and asset class, the five largest segments of the REIT's portfolio (by Q2-19 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 six months ended June 30, 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 June 30, 2019, investment properties under development account for 1.4% 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* ("IFRIC 4"). 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.

In December 2017, the IASB amended IFRS 3 – *Business Combinations* ("IFRS 3"). The amendments clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The amendments apply to business combinations for which the acquisition date is on or after January 1, 2019. The REIT applies the amendments to acquisitions completed on or after January 1, 2019.

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 June 30, 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 six months ended June 30, 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 June 30, 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 six months ended June 30, 2019.