



Management's Discussion and Analysis

Q3-19

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

Management Discussion and Analysis - Q3-19

(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 nine months ended September 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 November 4, 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 substantially 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 substantially 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, on both an IFRS and Proportionate Share basis.

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, on both an IFRS and Proportionate Share basis.

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OVERVIEW

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

Certain of the REIT's securities are listed on the Toronto Stock Exchange ("TSX"). The REIT's common units trade under the symbol AX.UN and the REIT's preferred units trade under the symbols AX.PR.A, AX.PR.E 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 November 4, 2019, there were 137,933,930 common units, 12,228,500 preferred units, 674,474 restricted units and 468,861 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 and Preferred Unit Redemption

During the third quarter of 2019, we purchased 3,058,540 common units for a weighted-average price of \$12.34 and 84,000 preferred units for a weighted-average price of \$21.17 under our NCIB. At September 30, 2019, we had acquired the maximum number of common units permitted under the NCIB. From November 1, 2018, when we announced our intention to purchase units under our NCIB until September 30, 2019, we purchased 15,959,760 common units for a weighted-average price of \$10.84 and 273,500 preferred units for a weighted-average price of \$21.01. The total aggregate market prices of common units and preferred units purchased under the NCIB from November 1, 2018, to September 30, 2019, were \$173,008 and \$5,748, respectively.

During the third quarter, we completed the redemption of the outstanding Series G preferred units for \$78,463.

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, at September 30, 2019, we have sold or entered into unconditional sale agreements for the following 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 | Denver, CO | June 27, 2019 | Office | 394,151 | 8,867 | N/A | 104,325 | 111,196 |
| GSA Professional Office Building | 1 | Greater Phoenix Area, AZ | July 26, 2019 | Office | 210,202 | 7,008 | 5.81 % | 121,825 | 117,958 |
| 415 Yonge Street | 1 | Toronto, ON | September 27, 2019 | Office | 192,036 | 4,600 | 3.71 % | 124,000 | 94,801 |
| Estevan Portfolio (unconditional) | 2 | Estevan, SK | October 30, 2019 | Retail | 167,114 | 1,153 | 9.52 % | 13,000 | 12,867 |
| 495 Richmond Road (unconditional) | 1 | Ottawa, ON | November 2019 | Office | 106,195 | 2,509 | 6.28 % | 39,000 | 37,143 |
| | | | | | 14 | 1,551,876 | \$ 28,538 | \$533,751 | \$511,698 |

(1) Based on the annualized Property NOI reported for the quarter prior to disposition, except for properties where the sale has not yet closed. Property NOI for 415 Yonge Street is forward-looking and includes future lease commitments.

(2) Based on the fair value reported at the quarter prior to disposition, except for properties where the sale has not yet closed.

(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 September 30, 2019, we had 17 properties and two parcels of development land classified as held for sale, including eight office properties and nine retail properties that have a total fair value of \$326,932.

Disposition Activity Subsequent to September 30, 2019

On October 30, 2019, we sold the Estevan Portfolio, comprising two retail properties located in Estevan, Saskatchewan, for a sale price of \$13,000, which represents a capitalization rate of 9.52%.

On October 31, 2019, we entered into an unconditional agreement to sell Centre 15 Building, an office property located in Calgary, Alberta, for \$14,000, which represents a capitalization rate of 7.50%. The fair value of Centre 15 Building at September 30, 2019, was \$13,000. The sale is expected to close in January 2020.

On November 1, 2019, we entered into an unconditional agreement to sell the Minnesota Retail Portfolio, comprising six retail properties and one parcel of development land in the Twin Cities Area, Minnesota, for approximately \$46,353, which represents a capitalization rate of 10.75%. The fair value of the Minnesota Retail Portfolio at September 30, 2019, was \$52,034. The sale is expected to close in December 2019.

THIRD QUARTER OVERVIEW

At September 30, 2019, our portfolio occupancy (including commitments) increased to 94.9% from 94.7% at June 30, 2019. During the third quarter, we completed 362,669 square feet of lease renewal transactions. The weighted-average increase in renewal rents compared to the expiring rents in Q3-19 was 8.7%. Our leasing team continues to work diligently on our upcoming renewals and leasing program.

FFO per unit for the three months ended September 30, 2019, increased 3.0% to \$0.34 (from \$0.33 for the three months ended September 30, 2018), while AFFO per unit for the same period increased 4.2% to \$0.25 (from \$0.24 for the three months ended September 30, 2018). We reported conservative FFO and AFFO payout ratios for the three months ended September 30, 2019, of 41.2% and 56.0%, respectively. Same Property NOI period-over-period for the three months ended September 30 increased 2.0%, or 3.8% for stabilized properties. At September 30, 2019, NAV per unit was \$15.72 compared to \$15.37 at June 30, 2019, and \$15.55 at December 31, 2018.

To date in 2019, we have completed construction of three industrial projects totalling approximately 1,095,000 square feet of leasable area in the Greater Houston Area, Texas. Two of these projects were 100% leased before completion.

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. To assist with this initiative, in 2015 we hired Goby Inc. as a consultant and to track consumption at all of our properties to the extent that it is possible to do so. In addition, we are in our second year of participating in Global Real Estate Sustainability Benchmark ("GRESB"). At September 30, 2019, we had 17 properties with a Leadership in Energy and Environmental Design ("LEED") certification, 23 properties with a Building Owners and Managers Association ("BOMA") Building Environmental Standards ("BEST") certification and 18 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, which was implemented at Artis' 2019 annual general meeting, with respect to compensation practices for the 2018 year.

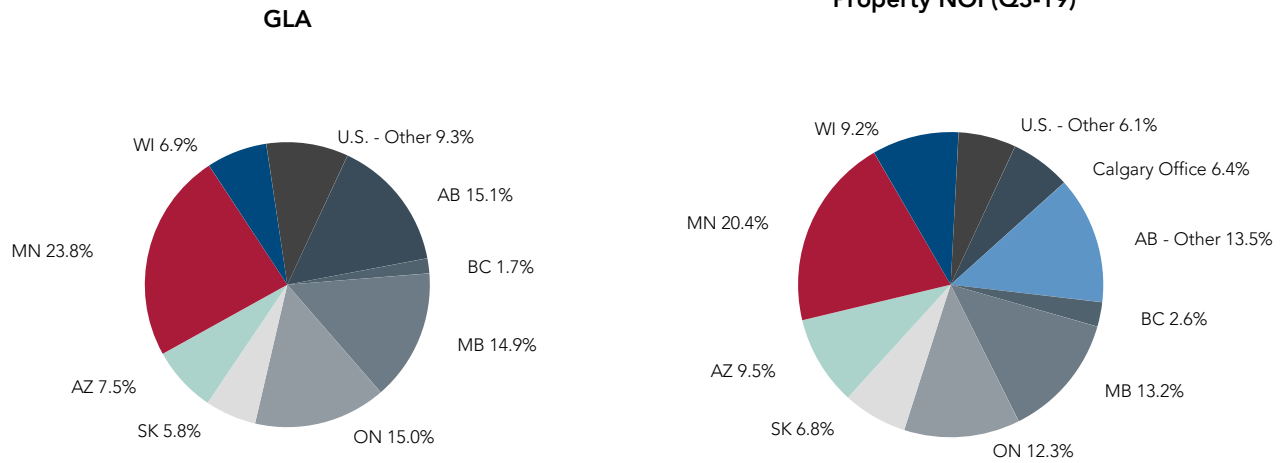
In addition to its role overseeing the vision and strategic direction of Artis, the Board continuously reviews the corporate governance of the REIT to ensure it is aligned with industry best practices.

On May 9, 2019, the Board announced the formation of a Special Committee ("Special Committee") of Independent Trustees to review and evaluate additional strategic alternatives that may arise. On August 6, 2019, the Special Committee announced that it had retained financial and legal advisory services in connection with the previously announced strategic alternatives review.

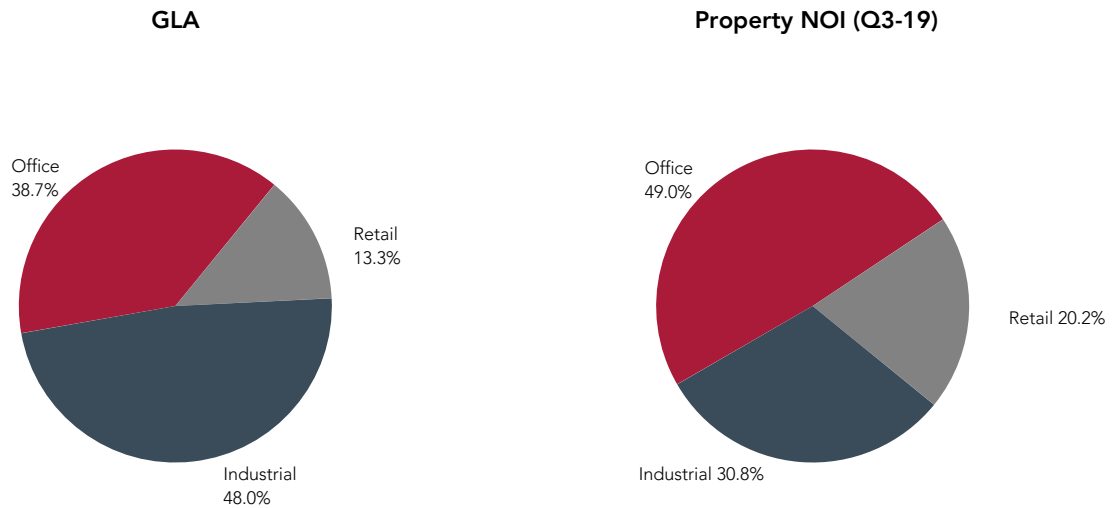
PORTFOLIO SUMMARY

At September 30, 2019, the REIT's portfolio was comprised of 228 commercial properties (inclusive of properties held in joint venture arrangements) totalling approximately 25.0 million square feet ("S.F.") of gross leasable area ("GLA").

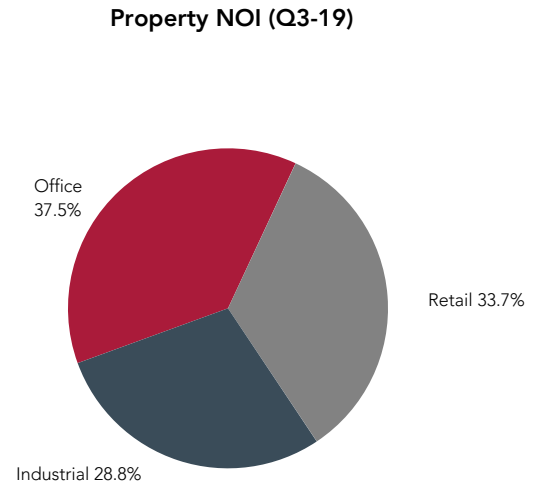
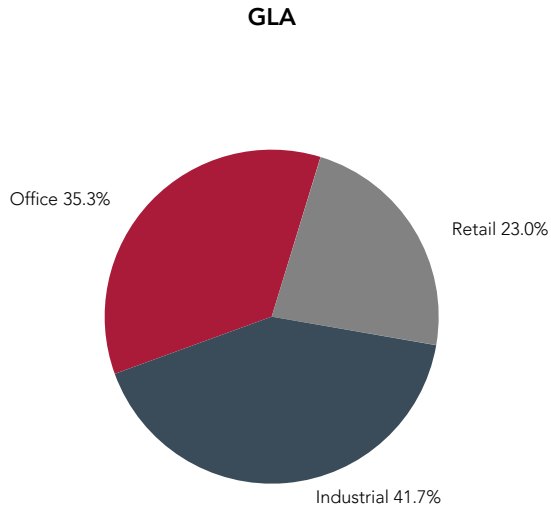
Diversification by Geographical Region (Proportionate Share basis)



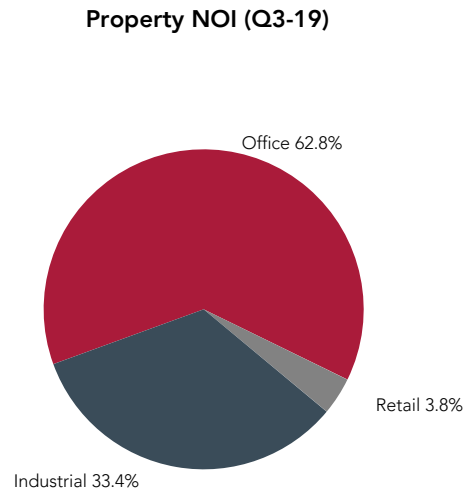
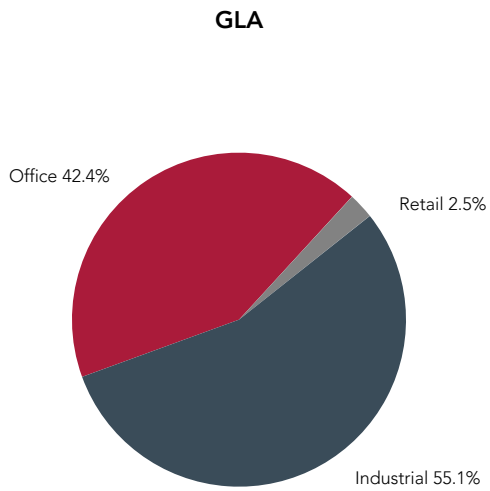
Diversification by Asset Class - Total Canadian and U.S. Portfolio (Proportionate Share basis)



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 S.F.) | % of portfolio GLA | % Occupied | % Committed ⁽²⁾ |
|-----------------------------------|------------------------|------------------|----------------|---------------------------------|--------------------|------------|----------------------------|
| Canadian portfolio: | | | | | | | |
| Office | Calgary | AB | 11 | 1,630 | 6.5 % | 82.4% | 82.8% |
| | Greater Edmonton Area | AB | 1 | 48 | 0.2 % | 97.8% | 97.8% |
| | Greater Toronto Area | ON | 6 | 900 | 3.6 % | 83.9% | 87.5% |
| | Greater Vancouver Area | BC | 2 | 164 | 0.7 % | 83.8% | 83.8 % |
| | Ottawa | ON | 2 | 287 | 1.1 % | 98.6% | 100.0% |
| | Saskatoon | SK | 1 | 64 | 0.3 % | 100.0% | 100.0% |
| | Winnipeg | MB | 9 | 1,461 | 5.8 % | 80.3% | 88.9% |
| Office total | | | 32 | 4,554 | 18.2 % | 83.5% | 87.2% |
| Retail | Calgary | AB | 5 | 345 | 1.4 % | 97.8% | 97.8% |
| | Estevan | SK | 2 | 167 | 0.7 % | 91.1% | 91.1% |
| | Fort McMurray | AB | 8 | 195 | 0.8 % | 89.9% | 91.3% |
| | Grande Prairie | AB | 5 | 365 | 1.5 % | 72.0% | 72.0% |
| | Greater Edmonton Area | AB | 5 | 440 | 1.8 % | 99.1% | 99.6% |
| | Greater Vancouver Area | BC | 1 | 165 | 0.7 % | 99.5 % | 99.5% |
| | Regina | SK | 8 | 541 | 2.2 % | 91.7% | 92.0% |
| | Saskatoon | SK | 3 | 219 | 0.8 % | 98.1% | 98.4% |
| Retail total | | | 43 | 3,025 | 12.2 % | 93.0% | 93.3% |
| Industrial | Calgary | AB | 6 | 362 | 1.4 % | 100.0% | 100.0% |
| | Greater Edmonton Area | AB | 3 | 156 | 0.6 % | 100.0% | 100.0% |
| | Greater Toronto Area | ON | 28 | 2,527 | 10.1 % | 100.0% | 100.0% |
| | Greater Vancouver Area | BC | 2 | 98 | 0.3 % | 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 | 1.2 % | 100.0% | 100.0% |
| | Winnipeg | MB | 28 | 1,690 | 6.8 % | 97.6% | 98.3% |
| Industrial total | | | 75 | 5,429 | 21.5 % | 98.7% | 98.9% |
| Total Canadian portfolio | | | 150 | 13,008 | 51.9 % | 92.1% | 93.5% |
| U.S. portfolio: | | | | | | | |
| Office | Greater Denver Area | CO | 3 | 524 | 2.1% | 90.4% | 93.0% |
| | Greater Phoenix Area | AZ | 5 | 963 | 3.8% | 92.4% | 95.4% |
| | Madison | WI | 16 | 1,737 | 6.9% | 90.5% | 90.8% |
| | New Hartford | NY | 1 | 123 | 0.5% | 67.4% | 100.0% |
| | Twin Cities Area | MN | 7 | 1,690 | 6.8% | 90.9% | 93.5% |
| Office total | | | 32 | 5,037 | 20.1% | 90.4% | 93.0% |
| Retail | Twin Cities Area | MN | 7 | 298 | 1.2% | 97.2% | 97.2% |
| Industrial | Greater Denver Area | CO | 1 | 138 | 0.6% | 100.0% | 100.0% |
| | Greater Phoenix Area | AZ | 7 | 921 | 3.7% | 94.9% | 100.0% |
| | Twin Cities Area | MN | 25 | 3,952 | 15.8% | 99.1% | 99.1% |
| | Greater Houston Area | TX | 3 | 992 | 3.9% | 98.1% | 100.0% |
| Industrial total | | | 36 | 6,003 | 24.0% | 98.3% | 99.4% |
| Total U.S. portfolio | | | 75 | 11,338 | 45.3% | 94.8% | 96.5% |
| Total Canadian and U.S. portfolio | | | 225 | 24,346 | 97.2% | 93.3% | 94.9% |

(1) Information is as at September 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 September 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 | 0.0% |
| Industrial | Greater Toronto Area | ON | 1 | 53 | 0.2% | 2145-2155 Dunwin | 68.8% |
| Total properties held for redevelopment | | | 2 | 145 | 0.6% | | 25.1 % |

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

Redevelopment plans were 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, would have approximately 100 suites upon completion. Redevelopment work is on hold as the REIT is pursuing opportunities to sell this property.

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 2020. At September 30, 2019, commercial condominium units representing 59.8% of the total square footage of the converted complex were under conditional sale agreements.

New Development Activity ⁽¹⁾

| Asset class | City | Province / State | Property count | Owned share of GLA (000's of S.F.) | % of portfolio GLA | Property | Completed % | Committed % ⁽²⁾ |
|--|----------------------|------------------|----------------|------------------------------------|--------------------|-----------------------|-------------|----------------------------|
| Industrial | Greater Houston Area | TX | 1 | 543 | 2.2% | Park 8Ninety II | 100.0 % | 52.0% |
| Total new developments completed | | | 1 | 543 | 2.2% | | | |
| Industrial | Greater Denver Area | CO | 1 | 336 | | Tower Business Center | 95.0 % | 69.0 % |
| Retail | Winnipeg | MB | 1 | 27 | | 330 Main | 75.0 % | 90.0 % |
| Residential / Multi-Family | Winnipeg | MB | 1 | 580 | | 300 Main | 35.0 % | 0.0 % |
| Total new developments in process ⁽³⁾ | | | 3 | 943 | | | | |

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

(2) Percentage committed is based on occupancy at September 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.

New Development Completed:

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 1,789,000 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 III, comprising 33,000 square feet, is 100% leased to a national tenant and was completed in Q2-19 while Park 8Ninety II, comprising 572,000, was completed in Q3-19. Artis has a 95% ownership interest in Park 8Ninety II (in the form of a joint venture arrangement).

New Developments in Process:

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 is expected to total approximately 290,000 square feet and 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 | 708 | 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 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 September 30, 2019.

2019 - THIRD 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, June 30, 2019 | 67 | 10,085 | 50 | 3,323 | 112 | 11,485 | 229 | 24,893 |
| New development | — | — | — | — | 1 | 543 | 1 | 543 |
| Dispositions | (2) | (402) | — | — | — | — | (2) | (402) |
| Portfolio properties, September 30, 2019 | 65 | 9,683 | 50 | 3,323 | 113 | 12,028 | 228 | 25,034 |

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

Acquisitions

On August 8, 2019, the REIT purchased a surface parking lot ancillary to an existing office property located in Winnipeg, Manitoba for \$3,800.

As of September 30, 2019, the REIT had an unconditional purchase agreement for an office development project located in the Twin Cities Area, Minnesota. The REIT completed the purchase in October 2019 for a purchase price of US\$41,961.

Dispositions

During Q3-19, Artis disposed of the following properties:

| Property | Property count | Location | Disposition date | Asset class | Owned share of GLA | Sale price |
|----------------------------------|-------------------|--------------------------|--------------------|----------------|--------------------------|--------------|
| GSA Professional Office Building | 1 | Greater Phoenix Area, AZ | July 26, 2019 | Office | 210,202 | \$ US 92,250 |
| 415 Yonge Street | 1 | Greater Toronto Area, ON | September 27, 2019 | Office | 192,036 | 124,000 |

During Q3-19, Artis repaid mortgage debt related to the disposition of the above properties in the amount of \$94,368.

FINANCING ACTIVITIES

Unsecured Revolving Term Credit Facilities

During Q3-19, Artis drew a net balance of \$73,273 on its revolving credit facilities. Proceeds of the revolving credit facilities were primarily used for the redemption of the Series G preferred units, ongoing development expenditures and unit purchases under the NCIB.

Mortgage Repayment Activity

During Q3-19, the REIT repaid one maturing variable rate mortgage in the amount of \$10,949.

Normal Course Issuer Bid

In Q3-19, Artis utilized the NCIB to purchase 3,058,540 common units for an aggregate market price of \$37,747 and 3,400 Series A and 80,600 Series E for an aggregate market price of \$1,778.

Redemption of Preferred Units

On July 31, 2019, Artis completed the redemption of its outstanding Series G preferred units for \$78,463.

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 September 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 \$23,534 (YTD - \$73,326) to unitholders in Q3-19, which included distributions to preferred unitholders in the amount of \$4,713 (YTD - \$15,552).

SELECTED FINANCIAL INFORMATION

| 000's, except per unit amounts | Three months ended September 30, | | | | Nine months ended September 30, | | | |
|---|-------------------------------------|------------|-------------|-------------|------------------------------------|------------|-------------|-------------|
| | 2019 | 2018 | Change | % Change | 2019 | 2018 | Change | % Change |
| Revenue | \$ 127,005 | \$ 128,097 | \$ (1,092) | (0.9)% | \$ 394,480 | \$ 380,006 | \$ 14,474 | 3.8 % |
| Property NOI ⁽¹⁾ | 75,724 | 76,211 | (487) | (0.6)% | 234,735 | 227,064 | 7,671 | 3.4 % |
| Net income | 44,632 | 25,719 | 18,913 | 73.5 % | 89,860 | 151,416 | (61,556) | (40.7)% |
| Total comprehensive income | 62,238 | 2,017 | 60,221 | 2,985.7 % | 46,972 | 190,484 | (143,512) | (75.3)% |
| Basic income per common unit | 0.28 | 0.13 | 0.15 | 115.4 % | 0.52 | 0.88 | (0.36) | (40.9)% |
| Diluted income per common unit | 0.28 | 0.13 | 0.15 | 115.4 % | 0.52 | 0.87 | (0.35) | (40.2)% |
| Distributions to common unitholders | \$ 18,821 | \$ 41,532 | \$ (22,711) | (54.7)% | \$ 57,774 | \$ 124,010 | \$ (66,236) | (53.4)% |
| Distributions per common unit | 0.14 | 0.27 | (0.13) | (48.1)% | 0.41 | 0.81 | (0.40) | (49.4)% |
| FFO ⁽¹⁾ | \$ 48,603 | \$ 50,461 | \$ (1,858) | (3.7)% | \$ 150,796 | \$ 141,615 | \$ 9,181 | 6.5 % |
| FFO per unit ⁽¹⁾ | 0.34 | 0.33 | 0.01 | 3.0 % | 1.04 | 0.92 | 0.12 | 13.0 % |
| FFO payout ratio ⁽¹⁾ | 41.2 % | 81.8 % | | (40.6)% | 39.4 % | 88.0 % | | (48.6)% |
| Normalized FFO ^{(1) (2)} | \$ 48,603 | \$ 50,461 | \$ (1,858) | (3.7)% | \$ 150,796 | \$ 150,032 | \$ 764 | 0.5 % |
| Normalized FFO per unit ^{(1) (2)} | 0.34 | 0.33 | 0.01 | 3.0 % | 1.04 | 0.98 | 0.06 | 6.1 % |
| Normalized FFO payout ratio ^{(1) (2)} | 41.2 % | 81.8 % | | (40.6)% | 39.4 % | 82.7 % | | (43.3)% |
| AFFO ⁽¹⁾ | \$ 35,769 | \$ 37,583 | \$ (1,814) | (4.8)% | \$ 112,746 | \$ 103,467 | \$ 9,279 | 9.0 % |
| AFFO per unit ⁽¹⁾ | 0.25 | 0.24 | 0.01 | 4.2 % | 0.78 | 0.67 | 0.11 | 16.4 % |
| AFFO payout ratio ⁽¹⁾ | 56.0 % | 112.5 % | | (56.5)% | 52.6 % | 120.9 % | | (68.3)% |
| Normalized AFFO ^{(1) (2)} | \$ 35,769 | \$ 37,583 | \$ (1,814) | (4.8)% | \$ 112,746 | \$ 111,884 | \$ 862 | 0.8 % |
| Normalized AFFO per unit ^{(1) (2)} | 0.25 | 0.24 | 0.01 | 4.2 % | 0.78 | 0.73 | 0.05 | 6.8 % |
| Normalized AFFO payout ratio ^{(1) (2)} | 56.0 % | 112.5 % | | (56.5)% | 52.6 % | 111.0 % | | (58.4)% |

(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 dispositions completed in 2018 and 2019, partially offset 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 1.3206 in Q3-19 compared to 1.3069 in Q3-18.

The largest contributors to the change in net income and total comprehensive 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 | | | | Nine months ended | | | |
|--|--------------------|------|--------|----------|-------------------|------|--------|----------|
| | September 30, | | Change | % Change | September 30, | | Change | % Change |
| | 2019 | 2018 | | | 2019 | 2018 | | |
| Interest coverage ratio | 2.64 | 2.96 | (0.32) | (10.8)% | 2.71 | 2.91 | (0.20) | (6.9)% |
| Normalized interest coverage ratio ⁽¹⁾ | 2.64 | 2.96 | (0.32) | (10.8)% | 2.71 | 2.95 | (0.24) | (8.1)% |
| EBITDA interest coverage ratio | 2.96 | 3.32 | (0.36) | (10.8)% | 3.05 | 3.26 | (0.21) | (6.4)% |
| Normalized EBITDA interest coverage ratio ⁽¹⁾ | 2.96 | 3.32 | (0.36) | (10.8)% | 3.05 | 3.31 | (0.26) | (7.9)% |

| | September 30, | | June 30, | | March 31, | | December 31, | |
|---|---------------|-----------|----------|-----------|-----------|-----------|--------------|-----------|
| 000's, except per unit amounts | 2019 | | 2019 | | 2019 | | 2018 | |
| Secured mortgages and loans to GBV | 26.9 % | | 28.3 % | | 28.8 % | | 29.4 % | |
| Total long-term debt and credit facilities to GBV | 51.8 % | | 51.2 % | | 50.9 % | | 49.9 % | |
| Total long-term debt and credit facilities to EBITDA | 9.0 | | 8.5 | | 8.9 | | 8.7 | |
| Total long-term debt and credit facilities to normalized EBITDA | 9.0 | | 8.5 | | 8.9 | | 8.7 | |
| NAV per unit | \$ | 15.72 | \$ | 15.37 | \$ | 15.55 | \$ | 15.55 |
| Fair value of unencumbered assets | \$ | 1,877,339 | \$ | 1,829,594 | \$ | 1,867,277 | \$ | 1,805,382 |
| Total assets | \$ | 5,431,426 | \$ | 5,540,373 | \$ | 5,676,308 | \$ | 5,717,177 |
| Total non-current financial liabilities | | 2,127,476 | | 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 | | | | Nine months ended | | | |
|--|--------------------|------|--------|----------|-------------------|------|--------|----------|
| | September 30, | | Change | % Change | September 30, | | Change | % Change |
| | 2019 | 2018 | | | 2019 | 2018 | | |
| Interest coverage ratio | 2.60 | 2.91 | (0.31) | (10.7)% | 2.69 | 2.86 | (0.17) | (5.9)% |
| Normalized interest coverage ratio ⁽¹⁾ | 2.60 | 2.91 | (0.31) | (10.7)% | 2.69 | 2.90 | (0.21) | (7.2)% |
| EBITDA interest coverage ratio | 2.85 | 3.14 | (0.29) | (9.2)% | 2.94 | 3.09 | (0.15) | (4.9)% |
| Normalized EBITDA interest coverage ratio ⁽¹⁾ | 2.85 | 3.14 | (0.29) | (9.2)% | 2.94 | 3.14 | (0.20) | (6.4)% |

| | September 30, | | June 30, | | March 31, | | December 31, | |
|---|---------------|-----------|----------|-----------|-----------|-----------|--------------|-----------|
| | 2019 | | 2019 | | 2019 | | 2018 | |
| Secured mortgages and loans to GBV | 28.3 % | | 29.5 % | | 30.2 % | | 30.6 % | |
| Total long-term debt and credit facilities to GBV | 52.6 % | | 51.9 % | | 51.7 % | | 50.6 % | |
| Total long-term debt and credit facilities to EBITDA | 9.3 | | 8.8 | | 9.2 | | 9.0 | |
| Total long-term debt and credit facilities to normalized EBITDA | 9.3 | | 8.8 | | 9.2 | | 9.0 | |
| Fair value of unencumbered assets | \$ | 1,919,866 | \$ | 1,871,620 | \$ | 1,910,221 | \$ | 1,847,443 |
| Total assets | \$ | 5,562,323 | \$ | 5,662,353 | \$ | 5,818,441 | \$ | 5,841,846 |
| Total non-current financial liabilities | | 2,212,888 | | 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 September 30, | | | | | | |
|---|---------------------------------------|---------------------------|---------------------------|---------------------------------------|---------------------------|---------------------------|
| 2019 | | | 2018 | | | |
| | Per consolidated financial statements | Adjustment ⁽¹⁾ | Total Proportionate Share | Per consolidated financial statements | Adjustment ⁽¹⁾ | Total Proportionate Share |
| Revenue | \$ 127,005 | \$ 3,803 | \$ 130,808 | \$ 128,097 | \$ 5,496 | \$ 133,593 |
| Expenses: | | | | | | |
| Property operating | 31,054 | 1,058 | 32,112 | 31,281 | 1,283 | 32,564 |
| Realty taxes | 20,227 | 762 | 20,989 | 20,605 | 1,144 | 21,749 |
| | 51,281 | 1,820 | 53,101 | 51,886 | 2,427 | 54,313 |
| Net operating income | 75,724 | 1,983 | 77,707 | 76,211 | 3,069 | 79,280 |
| Other income (expenses): | | | | | | |
| Corporate expenses | (4,181) | — | (4,181) | (2,585) | — | (2,585) |
| Interest expense | (27,342) | (1,096) | (28,438) | (25,032) | (1,457) | (26,489) |
| Interest income | 516 | 2 | 518 | 371 | 2 | 373 |
| Net income from investments in joint ventures | 21,525 | (21,525) | — | 5,343 | (5,343) | — |
| Fair value (loss) gain on investment properties | (19,829) | 20,636 | 807 | (32,096) | 3,729 | (28,367) |
| Foreign currency translation (loss) gain | (4,284) | — | (4,284) | 6,692 | — | 6,692 |
| Transaction costs | (80) | — | (80) | (227) | — | (227) |
| Fair value gain (loss) on derivative instruments and other transactions | 3,056 | — | 3,056 | (2,714) | — | (2,714) |
| Income before income taxes | 45,105 | — | 45,105 | 25,963 | — | 25,963 |
| Income tax expense | (473) | — | (473) | (244) | — | (244) |
| Net income | 44,632 | — | 44,632 | 25,719 | — | 25,719 |
| Other comprehensive income (loss): | | | | | | |
| Unrealized foreign currency translation gain (loss) | 16,306 | 1,300 | 17,606 | (21,608) | (2,094) | (23,702) |
| Unrealized foreign currency translation gain (loss) on joint ventures | 1,300 | (1,300) | — | (2,094) | 2,094 | — |
| | 17,606 | — | 17,606 | (23,702) | — | (23,702) |
| Total comprehensive income | \$ 62,238 | \$ — | \$ 62,238 | \$ 2,017 | \$ — | \$ 2,017 |

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

| Nine months ended September 30, | | | | | | | |
|---|---------------------------------------|---------------------------|---------------------------|---------------------------------------|---------------------------|---------------------------|--|
| 2019 | | | | 2018 | | | |
| | Per consolidated financial statements | Adjustment ⁽¹⁾ | Total Proportionate Share | Per consolidated financial statements | Adjustment ⁽¹⁾ | Total Proportionate Share | |
| Revenue | \$ 394,480 | \$ 13,160 | \$ 407,640 | \$ 380,006 | \$ 16,763 | \$ 396,769 | |
| Expenses: | | | | | | | |
| Property operating | 97,189 | 3,561 | 100,750 | 92,382 | 4,539 | 96,921 | |
| Realty taxes | 62,556 | 2,800 | 65,356 | 60,560 | 3,400 | 63,960 | |
| | 159,745 | 6,361 | 166,106 | 152,942 | 7,939 | 160,881 | |
| Net operating income | 234,735 | 6,799 | 241,534 | 227,064 | 8,824 | 235,888 | |
| Other income (expenses): | | | | | | | |
| Corporate expenses | (12,411) | — | (12,411) | (12,250) | — | (12,250) | |
| Interest expense | (82,510) | (3,266) | (85,776) | (74,311) | (4,317) | (78,628) | |
| Interest income | 1,467 | 5 | 1,472 | 1,285 | 6 | 1,291 | |
| Net income from investments in joint ventures | 23,491 | (23,491) | — | 10,839 | (10,839) | — | |
| Fair value (loss) gain on investment properties | (62,864) | 19,953 | (42,911) | (13,523) | 4,629 | (8,894) | |
| Foreign currency translation gain | 5,864 | — | 5,864 | 4,006 | — | 4,006 | |
| Transaction costs | (217) | — | (217) | (5,930) | — | (5,930) | |
| Fair value (loss) gain on derivative instruments and other transactions | (16,484) | — | (16,484) | 14,699 | 1,697 | 16,396 | |
| Income before income taxes | 91,071 | — | 91,071 | 151,879 | — | 151,879 | |
| Income tax expense | (1,211) | — | (1,211) | (463) | — | (463) | |
| Net income | 89,860 | — | 89,860 | 151,416 | — | 151,416 | |
| Other comprehensive (loss) income: | | | | | | | |
| Unrealized foreign currency translation (loss) gain | (40,130) | (3,429) | (43,559) | 35,491 | 3,577 | 39,068 | |
| Unrealized foreign currency translation (loss) gain on joint ventures | (3,429) | 3,429 | — | 3,577 | (3,577) | — | |
| Unrealized gain from remeasurements of net pension obligation | 671 | — | 671 | — | — | — | |
| | (42,888) | — | (42,888) | 39,068 | — | 39,068 | |
| Total comprehensive income | \$ 46,972 | \$ — | \$ 46,972 | \$ 190,484 | \$ — | \$ 190,484 | |

(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 | | Three months ended | |
| | September 30, | | September 30, | |
| | 2019 | 2018 | 2019 | 2018 |
| Property NOI | \$ 75,724 | \$ 76,211 | \$ 77,707 | \$ 79,280 |
| Interest income | 516 | 371 | 518 | 373 |
| Corporate expenses | (4,181) | (2,585) | (4,181) | (2,585) |
| | 72,059 | 73,997 | 74,044 | 77,068 |
| Interest expense | \$ 27,342 | \$ 25,032 | \$ 28,438 | \$ 26,489 |
| Interest coverage ratio | 2.64 | 2.96 | 2.60 | 2.91 |
| Normalized interest coverage ratio | 2.64 | 2.96 | 2.60 | 2.91 |

Quarterly EBITDA Interest Coverage Ratio

| | IFRS | | Proportionate Share | |
|---|--------------------|-----------|---------------------|-----------|
| | Three months ended | | Three months ended | |
| | September 30, | | September 30, | |
| | 2019 | 2018 | 2019 | 2018 |
| Net income | \$ 44,632 | \$ 25,719 | \$ 44,632 | \$ 25,719 |
| Add (deduct): | | | | |
| Tenant inducements amortized to revenue | 5,835 | 4,871 | 5,991 | 5,052 |
| Straight-line rent adjustments | (1,574) | (1,338) | (1,763) | (2,145) |
| Interest expense | 27,342 | 25,032 | 28,438 | 26,489 |
| Adjustment for investments in joint ventures ⁽¹⁾ | (19,573) | (2,898) | — | — |
| Fair value loss (gain) on investment properties | 19,829 | 32,096 | (807) | 28,367 |
| Foreign currency translation loss (gain) | 4,284 | (6,692) | 4,284 | (6,692) |
| Transaction costs | 80 | 227 | 80 | 227 |
| Fair value (gain) loss on derivative instruments and other transactions | (3,056) | 2,714 | (3,056) | 2,714 |
| Depreciation of property and equipment | 271 | 264 | 271 | 264 |
| Income tax expense | 473 | 244 | 473 | 244 |
| EBITDA | 78,543 | 80,239 | 78,543 | 80,239 |
| Interest expense | 27,342 | 25,032 | 28,438 | 26,489 |
| Add (deduct): | | | | |
| Amortization of financing costs | (956) | (933) | (1,027) | (1,036) |
| Amortization of above- and below-market mortgages, net | 185 | 28 | 185 | 28 |
| Accretion on liability component of debentures | — | 54 | — | 54 |
| Adjusted interest expense | \$ 26,571 | \$ 24,181 | \$ 27,596 | \$ 25,535 |
| EBITDA interest coverage ratio | 2.96 | 3.32 | 2.85 | 3.14 |
| Normalized EBITDA | \$ 78,543 | \$ 80,239 | \$ 78,543 | \$ 80,239 |
| Normalized EBITDA interest coverage ratio | 2.96 | 3.32 | 2.85 | 3.14 |

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

Year-to-Date Interest Coverage Ratio

| | IFRS | | Proportionate Share | |
|---|------------------------------------|------------|------------------------------------|------------|
| | Nine months ended September 30, | | Nine months ended September 30, | |
| | 2019 | 2018 | 2019 | 2018 |
| Property NOI | \$ 234,735 | \$ 227,064 | \$ 241,534 | \$ 235,888 |
| Interest income | 1,467 | 1,285 | 1,472 | 1,291 |
| Corporate expenses | (12,411) | (12,250) | (12,411) | (12,250) |
| | 223,791 | 216,099 | 230,595 | 224,929 |
| Interest expense | \$ 82,510 | \$ 74,311 | \$ 85,776 | \$ 78,628 |
| Interest coverage ratio | 2.71 | 2.91 | 2.69 | 2.86 |
| Normalized interest coverage ratio ⁽¹⁾ | 2.71 | 2.95 | 2.69 | 2.90 |

Year-to-Date EBITDA Interest Coverage Ratio

| | IFRS | | Proportionate Share | |
|---|------------------------------------|------------|------------------------------------|------------|
| | Nine months ended September 30, | | Nine months ended September 30, | |
| | 2019 | 2018 | 2019 | 2018 |
| Net income | \$ 89,860 | \$ 151,416 | \$ 89,860 | \$ 151,416 |
| Add (deduct): | | | | |
| Tenant inducements amortized to revenue | 17,131 | 14,609 | 17,709 | 15,264 |
| Straight-line rent adjustments | (4,498) | (4,401) | (5,151) | (5,661) |
| Interest expense | 82,510 | 74,311 | 85,776 | 78,628 |
| Adjustment for investments in joint ventures ⁽²⁾ | (16,762) | (2,614) | — | — |
| Fair value loss on investment properties | 62,864 | 13,523 | 42,911 | 8,894 |
| Foreign currency translation gain | (5,864) | (4,006) | (5,864) | (4,006) |
| Transaction costs | 217 | 5,930 | 217 | 5,930 |
| Fair value loss (gain) on derivative instruments and other transactions | 16,484 | (14,699) | 16,484 | (16,396) |
| Depreciation of property and equipment | 829 | 800 | 829 | 800 |
| Income tax expense | 1,211 | 463 | 1,211 | 463 |
| EBITDA | 243,982 | 235,332 | 243,982 | 235,332 |
| Interest expense | 82,510 | 74,311 | 85,776 | 78,628 |
| Add (deduct): | | | | |
| Amortization of financing costs | (2,897) | (2,625) | (3,022) | (2,928) |
| Amortization of above- and below-market mortgages, net | 249 | 242 | 249 | 242 |
| Accretion on liability component of debentures | 51 | 160 | 51 | 160 |
| Adjusted interest expense | \$ 79,913 | \$ 72,088 | \$ 83,054 | \$ 76,102 |
| EBITDA interest coverage ratio | 3.05 | 3.26 | 2.94 | 3.09 |
| Normalized EBITDA ⁽¹⁾ | \$ 243,982 | \$ 238,724 | \$ 243,982 | \$ 238,724 |
| Normalized EBITDA interest coverage ratio ⁽¹⁾ | 3.05 | 3.31 | 2.94 | 3.14 |

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

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

REVENUE AND PROPERTY NOI

| Three months ended September 30, | | | | | | | |
|--|------------|---------------------------|---------------------------|------------|----------|---------------------------|---------------------------|
| 2019 | | | | 2018 | | | |
| | IFRS | Adjustment ⁽¹⁾ | Total Proportionate Share | | IFRS | Adjustment ⁽¹⁾ | Total Proportionate Share |
| Revenue: | | | | | | | |
| Rental income | \$ 131,206 | \$ 3,770 | \$ 134,976 | \$ 131,264 | \$ 4,860 | \$ 136,124 | |
| Tenant inducements amortized to revenue | (5,835) | (156) | (5,991) | (4,871) | (181) | (5,052) | |
| Straight-line rent adjustments | 1,574 | 189 | 1,763 | 1,338 | 807 | 2,145 | |
| Lease termination income | 60 | — | 60 | 366 | 10 | 376 | |
| | 127,005 | 3,803 | 130,808 | 128,097 | 5,496 | 133,593 | |
| Property operating and realty tax expenses | 51,281 | 1,820 | 53,101 | 51,886 | 2,427 | 54,313 | |
| Property NOI | \$ 75,724 | \$ 1,983 | \$ 77,707 | \$ 76,211 | \$ 3,069 | \$ 79,280 | |

| | | Nine months ended September 30, | | | | | |
|--|------------|---------------------------------|---------------------------|------------|-----------|---------------------------|---------------------------|
| | | 2019 | | | 2018 | | |
| | IFRS | Adjustment ⁽¹⁾ | Total Proportionate Share | | IFRS | Adjustment ⁽¹⁾ | Total Proportionate Share |
| Revenue: | | | | | | | |
| Rental income | \$ 406,170 | \$ 13,085 | \$ 419,255 | \$ 386,865 | \$ 16,118 | \$ 402,983 | |
| Tenant inducements amortized to revenue | (17,131) | (578) | (17,709) | (14,609) | (655) | (15,264) | |
| Straight-line rent adjustments | 4,498 | 653 | 5,151 | 4,401 | 1,260 | 5,661 | |
| Lease termination income | 943 | — | 943 | 3,349 | 40 | 3,389 | |
| | 394,480 | 13,160 | 407,640 | 380,006 | 16,763 | 396,769 | |
| Property operating and realty tax expenses | 159,745 | 6,361 | 166,106 | 152,942 | 7,939 | 160,881 | |
| Property NOI | \$ 234,735 | \$ 6,799 | \$ 241,534 | \$ 227,064 | \$ 8,824 | \$ 235,888 | |

(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 | | | | Nine months ended | | | |
|---|--------------------|-----------|----------|----------|-------------------|------------|----------|----------|
| | September 30, | | Change | % Change | September 30, | | Change | % Change |
| | 2019 | 2018 | | | 2019 | 2018 | | |
| Property NOI | \$ 77,707 | \$ 79,280 | | | \$ 241,534 | \$ 235,888 | | |
| Add (deduct) Property NOI from: | | | | | | | | |
| Acquisitions | (2,862) | (812) | | | (9,073) | (942) | | |
| Dispositions and unconditional dispositions | (2,482) | (7,452) | | | (7,183) | (14,603) | | |
| (Re)development properties | (1,197) | 178 | | | (1,473) | 326 | | |
| Other ⁽²⁾ | (155) | (174) | | | (1,341) | (2,636) | | |
| | (6,696) | (8,260) | | | (19,070) | (17,855) | | |
| Straight-line rent adjustments | (1,289) | (1,993) | | | (3,930) | (5,378) | | |
| Tenant inducements amortized to revenue | 5,401 | 4,610 | | | 16,772 | 13,754 | | |
| Same Property NOI | \$ 75,123 | \$ 73,637 | \$ 1,486 | 2.0 % | \$ 235,306 | \$ 226,409 | \$ 8,897 | 3.9 % |

(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 | | | | Nine months ended | | | |
|------------------------------|--------------------|-----------|----------|----------|-------------------|------------|----------|----------|
| | September 30, | | Change | % Change | September 30, | | Change | % Change |
| | 2019 | 2018 | | | 2019 | 2018 | | |
| Canada: | | | | | | | | |
| Office | \$ 15,765 | \$ 16,665 | \$ (900) | (5.4)% | \$ 53,890 | \$ 53,767 | \$ 123 | 0.2 % |
| Retail | 14,404 | 14,394 | 10 | 0.1 % | 44,729 | 44,376 | 353 | 0.8 % |
| Industrial | 12,242 | 11,407 | 835 | 7.3 % | 35,390 | 33,933 | 1,457 | 4.3 % |
| Total Canada | 42,411 | 42,466 | (55) | (0.1)% | 134,009 | 132,076 | 1,933 | 1.5 % |
| U.S.: | | | | | | | | |
| Office | 15,597 | 15,506 | 91 | 0.6 % | 49,198 | 48,623 | 575 | 1.2 % |
| Retail | 1,146 | 1,104 | 42 | 3.8 % | 3,454 | 3,413 | 41 | 1.2 % |
| Industrial | 8,027 | 7,241 | 786 | 10.9 % | 23,559 | 21,231 | 2,328 | 11.0 % |
| Total U.S. | 24,770 | 23,851 | 919 | 3.9 % | 76,211 | 73,267 | 2,944 | 4.0 % |
| Total in functional currency | 67,181 | 66,317 | 864 | 1.3 % | 210,220 | 205,343 | 4,877 | 2.4 % |
| Foreign exchange | 7,942 | 7,320 | 622 | 8.5 % | 25,086 | 21,066 | 4,020 | 19.1 % |
| Total in Canadian dollars | \$ 75,123 | \$ 73,637 | \$ 1,486 | 2.0 % | \$ 235,306 | \$ 226,409 | \$ 8,897 | 3.9 % |

| | Three months ended | | | | Nine months ended | | | |
|-------------------|--------------------|-----------|----------|----------|-------------------|------------|----------|----------|
| | September 30, | | Change | % Change | September 30, | | Change | % Change |
| | 2019 | 2018 | | | 2019 | 2018 | | |
| Office | \$ 36,362 | \$ 36,930 | \$ (568) | (1.5)% | \$ 119,286 | \$ 116,357 | \$ 2,929 | 2.5 % |
| Retail | 15,918 | 15,837 | 81 | 0.5 % | 49,320 | 48,769 | 551 | 1.1 % |
| Industrial | 22,843 | 20,870 | 1,973 | 9.5 % | 66,700 | 61,283 | 5,417 | 8.8 % |
| Same Property NOI | \$ 75,123 | \$ 73,637 | \$ 1,486 | 2.0 % | \$ 235,306 | \$ 226,409 | \$ 8,897 | 3.9 % |

(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 decreased \$900 period-over-period. Excluding the impact of the Calgary office properties, the Canadian office segment increased \$261 or 2.4% period-over-period.

Same Property Occupancy Report ⁽¹⁾

| Geographical Region | As at September 30, | | Asset Class | As at September 30, | |
|---------------------|---------------------|-------|-------------|---------------------|-------|
| | 2019 | 2018 | | 2019 | 2018 |
| Alberta | 88.9% | 89.1% | Office | 87.8% | 87.6% |
| British Columbia | 93.6% | 99.0% | Retail | 90.0% | 88.7% |
| Manitoba | 91.2% | 89.3% | Industrial | 98.6% | 94.9% |
| Ontario | 95.9% | 91.9% | | | |
| Saskatchewan | 96.2% | 95.4% | Total | 93.3% | 91.3% |
| Arizona | 92.9% | 93.5% | | | |
| Minnesota | 96.6% | 94.1% | | | |
| Wisconsin | 90.5% | 88.3% | | | |
| U.S. - Other | 91.1% | 83.1% | | | |
| Total | 93.3% | 91.3% | | | |

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

| | Three months ended | | | | Nine months ended | | | |
|---|--------------------|-----------|------------|----------|-------------------|------------|------------|----------|
| | September 30, | | Change | % Change | September 30, | | Change | % Change |
| | 2019 | 2018 | | | 2019 | 2018 | | |
| Alberta | \$ 15,523 | \$ 16,741 | \$ (1,218) | (7.3)% | \$ 49,150 | \$ 51,559 | \$ (2,409) | (4.7)% |
| British Columbia | 2,068 | 2,010 | 58 | 2.9 % | 6,709 | 6,389 | 320 | 5.0 % |
| Manitoba | 11,254 | 11,195 | 59 | 0.5 % | 34,455 | 33,015 | 1,440 | 4.4 % |
| Ontario | 8,440 | 7,721 | 719 | 9.3 % | 28,032 | 26,690 | 1,342 | 5.0 % |
| Saskatchewan | 5,126 | 4,799 | 327 | 6.8 % | 15,663 | 14,423 | 1,240 | 8.6 % |
| Arizona | 4,386 | 4,133 | 253 | 6.1 % | 15,685 | 14,390 | 1,295 | 9.0 % |
| Minnesota | 11,739 | 11,551 | 188 | 1.6 % | 35,286 | 34,140 | 1,146 | 3.4 % |
| Wisconsin | 5,489 | 5,275 | 214 | 4.1 % | 16,373 | 16,192 | 181 | 1.1 % |
| U.S. - Other | 3,156 | 2,892 | 264 | 9.1 % | 8,867 | 8,545 | 322 | 3.8 % |
| Total Same Property NOI in functional currency | 67,181 | 66,317 | 864 | 1.3 % | 210,220 | 205,343 | 4,877 | 2.4 % |
| Less: properties planned for disposition | (3,201) | (3,028) | (173) | 5.7 % | (12,311) | (11,374) | (937) | 8.2 % |
| Less: Calgary properties planned for disposition | (1,017) | (2,065) | 1,048 | (50.8)% | (2,731) | (5,321) | 2,590 | (48.7)% |
| Less: Calgary office segment | (3,832) | (3,945) | 113 | (2.9)% | (14,138) | (14,048) | (90) | 0.6 % |
| Stabilized Same Property NOI in functional currency | 59,131 | 57,279 | 1,852 | 3.2 % | 181,040 | 174,600 | 6,440 | 3.7 % |
| Foreign exchange | 7,639 | 7,043 | 596 | 8.5 % | 23,571 | 19,772 | 3,799 | 19.2 % |
| Stabilized Same Property NOI in Canadian dollars | \$ 66,770 | \$ 64,322 | \$ 2,448 | 3.8 % | \$ 204,611 | \$ 194,372 | \$ 10,239 | 5.3 % |

(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.

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 three office properties and seven retail properties, and Calgary properties planned for disposition include three 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 Q3-19, Proportionate Share Property NOI decreased \$1,373 in the office segment, decreased \$497 in the retail segment, and increased \$691 in the industrial segment compared to Q3-18. The office segment decreased primarily due to increased vacancy and lower rental rates in Calgary, Alberta, in addition to dispositions in 2018 and 2019, partially offset by acquisitions in 2018 and 2019.

| | Three months ended September 30, | | | | | |
|---|----------------------------------|-----------|------------|-----------|-----------|------------|
| | 2019 | | | 2018 | | |
| | Office | Retail | Industrial | Office | Retail | Industrial |
| Property NOI | \$ 15,929 | \$ 14,334 | \$ 10,854 | \$ 17,010 | \$ 14,831 | \$ 10,178 |
| Property NOI from investments in joint ventures | 17 | — | 1,367 | 309 | — | 1,352 |
| Proportionate Share Property NOI | \$ 15,946 | \$ 14,334 | \$ 12,221 | \$ 17,319 | \$ 14,831 | \$ 11,530 |
| % of Proportionate Share Property NOI | 37.5 % | 33.7 % | 28.8 % | 39.6 % | 34.0 % | 26.4 % |

U.S. Portfolio:

In Q3-19, Proportionate Share Property NOI decreased \$2,356 in the office segment, increased \$56 in the retail segment, and increased \$1,884 in the industrial segment compared to Q3-18. The office segment decreased primarily due to dispositions in 2019, partially offset by acquisitions in 2018. The industrial segment increased primarily due to increased occupancy at Park 8Ninety I, 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 September 30, | | | | | |
|---|----------------------------------|----------|------------|-----------|----------|------------|
| | 2019 | | | 2018 | | |
| | Office | Retail | Industrial | Office | Retail | Industrial |
| Property NOI | \$ 21,447 | \$ 1,349 | \$ 11,663 | \$ 23,995 | \$ 1,293 | \$ 8,778 |
| Property NOI from investments in joint ventures | 562 | — | 37 | 370 | — | 1,038 |
| Proportionate Share Property NOI | \$ 22,009 | \$ 1,349 | \$ 11,700 | \$ 24,365 | \$ 1,293 | \$ 9,816 |
| % of Proportionate Share Property NOI | 62.8 % | 3.8 % | 33.4 % | 68.7 % | 3.6 % | 27.7 % |

Total Canadian and U.S. Portfolio:

| | Three months ended September 30, | | | | | |
|---|----------------------------------|-----------|------------|-----------|-----------|------------|
| | 2019 | | | 2018 | | |
| | Office | Retail | Industrial | Office | Retail | Industrial |
| Property NOI | \$ 37,376 | \$ 15,683 | \$ 22,517 | \$ 41,005 | \$ 16,124 | \$ 18,956 |
| Property NOI from investments in joint ventures | 579 | — | 1,404 | 679 | — | 2,390 |
| Proportionate Share Property NOI | \$ 37,955 | \$ 15,683 | \$ 23,921 | \$ 41,684 | \$ 16,124 | \$ 21,346 |
| % of Proportionate Share Property NOI | 49.0% | 20.2% | 30.8% | 52.6% | 20.4% | 27.0% |

Canadian Portfolio:

| | Nine months ended September 30, | | | | | |
|---|---------------------------------|-----------|------------|-----------|-----------|------------|
| | 2019 | | | 2018 | | |
| | Office | Retail | Industrial | Office | Retail | Industrial |
| Property NOI | \$ 49,609 | \$ 44,269 | \$ 31,468 | \$ 54,019 | \$ 44,517 | \$ 30,369 |
| Property NOI from investments in joint ventures | (21) | — | 4,075 | 967 | — | 4,057 |
| Proportionate Share Property NOI | \$ 49,588 | \$ 44,269 | \$ 35,543 | \$ 54,986 | \$ 44,517 | \$ 34,426 |
| % of Proportionate Share Property NOI | 38.3% | 34.2% | 27.5% | 41.1% | 33.2% | 25.7% |

U.S. Portfolio:

| | Nine months ended September 30, | | | | | |
|---|---------------------------------|----------|------------|-----------|----------|------------|
| | 2019 | | | 2018 | | |
| | Office | Retail | Industrial | Office | Retail | Industrial |
| Property NOI | \$ 72,649 | \$ 4,092 | \$ 32,428 | \$ 67,992 | \$ 3,962 | \$ 25,954 |
| Property NOI from investments in joint ventures | 1,636 | — | 1,109 | 1,995 | — | 1,805 |
| Proportionate Share Property NOI | \$ 74,285 | \$ 4,092 | \$ 33,537 | \$ 69,987 | \$ 3,962 | \$ 27,759 |
| % of Proportionate Share Property NOI | 66.3% | 3.7% | 30.0% | 68.8% | 3.9% | 27.3% |

Total Canadian and U.S. Portfolio:

| | Nine months ended September 30, | | | | | |
|---|---------------------------------|-----------|------------|------------|-----------|------------|
| | 2019 | | | 2018 | | |
| | Office | Retail | Industrial | Office | Retail | Industrial |
| Property NOI | \$ 122,258 | \$ 48,361 | \$ 63,896 | \$ 122,011 | \$ 48,479 | \$ 56,323 |
| Property NOI from investments in joint ventures | 1,615 | — | 5,184 | 2,962 | — | 5,862 |
| Proportionate Share Property NOI | \$ 123,873 | \$ 48,361 | \$ 69,080 | \$ 124,973 | \$ 48,479 | \$ 62,185 |
| % of Proportionate Share Property NOI | 51.4% | 20.0% | 28.6% | 53.0% | 20.6% | 26.4% |

PROPERTY NOI BY GEOGRAPHICAL REGION

In Q3-19, Proportionate Share Property NOI decreased \$1,195 in Alberta primarily due to increased vacancy and lower rental rates in Calgary, Alberta. Minnesota increased \$1,467 primarily due to an acquisition in 2018. U.S. Other decreased \$1,205 due to dispositions in 2019, partially offset by increased occupancy at Park 8Ninety I, and completion of the Cedar Port I and Park 8Ninety III developments. The U.S. portfolio was also impacted by the effect of foreign exchange.

| Three months ended September 30, 2019 | | | | | | | | | |
|---|-----------|----------|-----------|----------|----------|----------|-----------|----------|----------|
| | Canada | | | | | U.S. | | | |
| | AB | BC | MB | ON | SK | AZ | MN | WI | Other |
| Property NOI | \$ 14,575 | \$ 1,900 | \$ 10,205 | \$ 9,525 | \$ 4,912 | \$ 7,382 | \$ 15,537 | \$ 7,120 | \$ 4,420 |
| Property NOI from investments in joint ventures | 849 | 129 | 17 | — | 389 | — | 275 | — | 324 |
| Proportionate Share Property NOI | \$ 15,424 | \$ 2,029 | \$ 10,222 | \$ 9,525 | \$ 5,301 | \$ 7,382 | \$ 15,812 | \$ 7,120 | \$ 4,744 |
| % of Proportionate Share Property NOI | 19.9 % | 2.6 % | 13.2 % | 12.3 % | 6.8 % | 9.5 % | 20.4 % | 9.2 % | 6.1 % |

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

| Nine months ended September 30, 2019 | | | | | | | | | |
|---|-----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Canada | | | | | U.S. | | | |
| | AB | BC | MB | ON | SK | AZ | MN | WI | Other |
| Property NOI | \$ 44,169 | \$ 6,700 | \$ 31,600 | \$ 28,342 | \$ 14,535 | \$ 25,740 | \$ 47,275 | \$ 21,326 | \$ 14,828 |
| Property NOI from investments in joint ventures | 2,544 | 386 | (21) | — | 1,145 | — | 913 | — | 1,832 |
| Proportionate Share Property NOI | \$ 46,713 | \$ 7,086 | \$ 31,579 | \$ 28,342 | \$ 15,680 | \$ 25,740 | \$ 48,188 | \$ 21,326 | \$ 16,660 |
| % of Proportionate Share Property NOI | 19.4 % | 2.9 % | 13.1 % | 11.7 % | 6.5 % | 10.7 % | 20.0 % | 8.8 % | 6.9 % |

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

CORPORATE EXPENSES

| | Three months ended | | | | Nine months ended | | | |
|--|--------------------|-----------------|-----------------|---------------|-------------------|------------------|---------------|--------------|
| | September 30, | | Change | % Change | September 30, | | Change | % Change |
| | 2019 | 2018 | | | 2019 | 2018 | | |
| Accounting, legal and consulting | \$ 1,010 | \$ 342 | \$ 668 | 195.3 % | \$ 3,234 | \$ 1,689 | \$ 1,545 | 91.5 % |
| Public company costs | 419 | 409 | 10 | 2.4 % | 1,291 | 1,358 | (67) | (4.9)% |
| Unit-based compensation | 1,557 | 380 | 1,177 | 309.7 % | 3,862 | 1,626 | 2,236 | 137.5 % |
| Salaries and benefits | 623 | 826 | (203) | (24.6)% | 2,178 | 5,637 | (3,459) | (61.4)% |
| Depreciation of property and equipment | 271 | 264 | 7 | 2.7 % | 829 | 800 | 29 | 3.6 % |
| General and administrative | 301 | 364 | (63) | (17.3)% | 1,017 | 1,140 | (123) | (10.8)% |
| Total corporate expenses | \$ 4,181 | \$ 2,585 | \$ 1,596 | 61.7 % | \$ 12,411 | \$ 12,250 | \$ 161 | 1.3 % |

Corporate expenses in Q3-19 were \$4,181 (YTD - \$12,411), or 3.3% (YTD - 3.1%) of total revenues compared to \$2,585 (YTD - \$12,250), or 2.0% (YTD - 3.2%) of total revenues in Q3-18. In Q1-18, Artis recorded a non-recurring pension liability adjustment of \$3,392 which is included in salaries and benefits.

Accounting, legal and consulting includes \$421 (YTD - \$421) in Q3-19 related to the Board of Trustees' strategic review.

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

INTEREST EXPENSE

| | Three months ended | | | | Nine months ended | | | |
|--|--------------------|------------------|-----------------|--------------|-------------------|------------------|-----------------|---------------|
| | September 30, | | Change | % Change | September 30, | | Change | % Change |
| | 2019 | 2018 | | | 2019 | 2018 | | |
| Mortgages and other loans ⁽¹⁾ | \$ 13,236 | \$ 14,155 | \$ (919) | | \$ 41,776 | \$ 42,332 | \$ (556) | |
| Debentures ⁽¹⁾ | 4,231 | 3,483 | 748 | | 12,992 | 9,594 | 3,398 | |
| Credit facilities ⁽¹⁾ | 7,461 | 4,995 | 2,466 | | 19,921 | 16,007 | 3,914 | |
| Preferred shares ⁽¹⁾ | 34 | 34 | — | | 101 | 101 | — | |
| | 24,962 | 22,667 | 2,295 | 10.1 % | 74,790 | 68,034 | 6,756 | 9.9 % |
| Foreign exchange | 2,380 | 2,365 | 15 | | 7,720 | 6,277 | 1,443 | |
| Total interest expense | \$ 27,342 | \$ 25,032 | \$ 2,310 | 9.2 % | \$ 82,510 | \$ 74,311 | \$ 8,199 | 11.0 % |
| Mortgages and other loans included in investments in joint ventures ⁽¹⁾ | 902 | 1,230 | (328) | | 2,680 | 3,685 | (1,005) | |
| Foreign exchange included in investments in joint ventures | 194 | 227 | (33) | | 586 | 632 | (46) | |
| Total Proportionate Share interest expense | \$ 28,438 | \$ 26,489 | \$ 1,949 | 7.4 % | \$ 85,776 | \$ 78,628 | \$ 7,148 | 9.1 % |

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

Interest expense has increased primarily due to additional amounts drawn on the revolving term credit facilities compared to Q3-18 and the issuance of the Series C senior unsecured debentures in Q1-19, partially offset by the repayment of the Series A senior unsecured debentures in Q1-19 and the repayment of mortgages in 2018 and 2019. Financing costs on mortgages and other loans, debentures and the credit facilities are netted against the related debt and amortized on an effective interest basis over the expected term of the debt.

The REIT's weighted-average effective rate at September 30, 2019, on mortgages and other loans secured by properties, inclusive of properties held in joint venture arrangements, was 4.09%, 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 September 30, 2019, was 3.90%, compared to 4.09% at December 31, 2018.

FAIR VALUE GAIN (LOSS) ON INVESTMENT PROPERTIES

The changes in fair value on investment properties, period-over-period, are recognized as fair value gains and losses in the consolidated statement of operations. Fair values of the investment properties are determined through either the discounted cash flow method or the overall capitalization method. External valuations are performed for a selection of properties representing various geographical regions and asset classes across the REIT's portfolio. Fair value changes in individual properties result from changes in the projected income and cash flow projections of those properties, as well as from changes in capitalization rates and discount rates applied. In Q3-19, the Proportionate Share fair value gain on investment properties was \$807 (YTD - loss of \$42,911), compared to a loss of \$28,367 (YTD - loss of \$8,894) in Q3-18. The fair value gain in Q3-19 was primarily due to a realized fair value gain on the disposition of 415 Yonge Street, mostly offset by an unrealized fair value loss related to a decline in the value of select U.S. office properties.

FOREIGN CURRENCY TRANSLATION (LOSS) GAIN

In Q3-19, 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 loss of \$4,284 (YTD - gain of \$5,864) in Q3-19, compared to a gain of \$6,692 (YTD - gain of \$4,006) in Q3-18.

TRANSACTION COSTS

During Q3-19, \$80 (YTD - \$217) of transaction costs were expensed, compared to \$227 (YTD - \$5,930) in Q3-18. In Q1-18, Artis internalized the property management of several of its investment properties and terminated the third party property management contracts for an aggregate fee of \$5,025, which was included in transaction costs. The remaining transaction costs were attributable to the acquisitions of investment properties.

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

Artis holds a number of interest rate swaps to effectively lock the interest rate on a portion of variable rate debt. The REIT recorded an unrealized loss on the fair value adjustment of the interest rate swaps outstanding of \$190 (YTD - loss of \$15,429) in Q3-19, compared to an unrealized gain of \$4,085 (YTD - gain of \$10,690) in Q3-18. 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 gain of \$3,246 (YTD - loss of \$2,546) in Q3-19 on the fair value of outstanding foreign currency contracts, compared to an unrealized loss of \$6,784 (YTD - loss of \$1,637) in Q3-18.

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 INCOME (LOSS)

Other comprehensive income (loss) includes the unrealized foreign currency translation gains in the aggregate amount of \$17,606 (YTD - losses of \$43,559) in Q3-19, compared to losses \$23,702 (YTD - gains of \$39,068) in Q3-18. 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 substantially in accordance with the guidelines set out by REALpac, as issued in February 2019.

Reconciliation of Net Income to FFO and AFFO

| 000's, except per unit amounts | Three months ended | | Change | % Change | Nine months ended | | Change | % Change |
|--|--------------------|--------------------|-------------------|---------------|--------------------|--------------------|-----------------|--------------|
| | September 30, 2019 | September 30, 2018 | | | September 30, 2019 | September 30, 2018 | | |
| Net income | \$ 44,632 | \$ 25,719 | | | \$ 89,860 | \$ 151,416 | | |
| Add (deduct): | | | | | | | | |
| Fair value (gain) loss on investment properties ⁽¹⁾ | (807) | 28,367 | | | 42,911 | 8,894 | | |
| Tenant inducements amortized to revenue ⁽¹⁾ | 5,991 | 5,052 | | | 17,709 | 15,264 | | |
| Transaction costs on acquisitions | 80 | 227 | | | 217 | 905 | | |
| Strategic review costs | 421 | — | | | 421 | — | | |
| Foreign currency translation loss (gain) | 4,284 | (6,692) | | | (5,864) | (4,006) | | |
| Fair value (gain) loss on derivative instruments and other transactions ⁽¹⁾ | (3,056) | 2,714 | | | 16,484 | (16,396) | | |
| Deferred income tax expense | 336 | — | | | 336 | — | | |
| Remeasurement component of unit-based compensation | 669 | (342) | | | 1,404 | (564) | | |
| Distributions on preferred shares treated as interest expense | 45 | 45 | | | 134 | 130 | | |
| Incremental leasing costs | 721 | 654 | | | 2,736 | 2,459 | | |
| Preferred unit distributions | (4,713) | (5,283) | | | (15,552) | (16,487) | | |
| FFO | \$ 48,603 | \$ 50,461 | \$ (1,858) | (3.7)% | \$ 150,796 | \$ 141,615 | \$ 9,181 | 6.5 % |
| Add (deduct): | | | | | | | | |
| Amortization of recoverable capital expenditures ⁽¹⁾ | \$ (2,421) | \$ (2,223) | | | \$ (7,229) | \$ (6,667) | | |
| Non-recoverable property maintenance reserve ⁽¹⁾ | (950) | (950) | | | (2,850) | (2,850) | | |
| Leasing costs reserve ⁽¹⁾ | (7,700) | (7,560) | | | (22,820) | (22,970) | | |
| Straight-line rent adjustments ⁽¹⁾ | (1,763) | (2,145) | | | (5,151) | (5,661) | | |
| AFFO | \$ 35,769 | \$ 37,583 | \$ (1,814) | (4.8)% | \$ 112,746 | \$ 103,467 | \$ 9,279 | 9.0 % |
| FFO per unit: | | | | | | | | |
| Basic | \$ 0.35 | \$ 0.33 | \$ 0.02 | 6.1 % | \$ 1.05 | \$ 0.93 | \$ 0.12 | 12.9 % |
| Diluted | 0.34 | 0.33 | 0.01 | 3.0 % | 1.04 | 0.92 | 0.12 | 13.0 % |
| AFFO per unit: | | | | | | | | |
| Basic | \$ 0.25 | \$ 0.24 | \$ 0.01 | 4.2 % | \$ 0.78 | \$ 0.68 | \$ 0.10 | 14.7 % |
| Diluted | 0.25 | 0.24 | 0.01 | 4.2 % | 0.78 | 0.67 | 0.11 | 16.4 % |

(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 adjusted FFO and AFFO for \$421 (YTD - \$421) in Q3-19 relating to the Special Committee's strategic review. Although the add-back of strategic review costs to arrive at FFO and AFFO is not in accordance with the guidelines set out by REALpac as issued in February 2019, management believes it provides a better representation of recurring FFO and AFFO.

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 | | | | Nine months ended | | | |
|---|--------------------|-----------|------------|----------|-------------------|------------|---------|----------|
| | September 30, | | Change | % Change | September 30, | | Change | % Change |
| | 2019 | 2018 | | | 2019 | 2018 | | |
| FFO per above | \$ 48,603 | \$ 50,461 | | | \$ 150,796 | \$ 141,615 | | |
| Add (deduct): | | | | | | | | |
| Pension liability adjustment ⁽¹⁾ | — | — | | | — | 3,392 | | |
| Property management termination fees ⁽²⁾ | — | — | | | — | 5,025 | | |
| Normalized FFO | \$ 48,603 | \$ 50,461 | \$ (1,858) | (3.7)% | \$ 150,796 | \$ 150,032 | \$ 764 | 0.5 % |
| Normalized AFFO | \$ 35,769 | \$ 37,583 | \$ (1,814) | (4.8)% | \$ 112,746 | \$ 111,884 | \$ 862 | 0.8 % |
| Normalized FFO per unit: | | | | | | | | |
| Basic | \$ 0.35 | \$ 0.33 | \$ 0.02 | 6.1 % | \$ 1.05 | \$ 0.98 | \$ 0.07 | 7.1 % |
| Diluted | 0.34 | 0.33 | 0.01 | 3.0 % | 1.04 | 0.98 | 0.06 | 6.1 % |
| Normalized AFFO per unit: | | | | | | | | |
| Basic | \$ 0.25 | \$ 0.24 | \$ 0.01 | 4.2 % | \$ 0.78 | \$ 0.73 | \$ 0.05 | 6.8 % |
| Diluted | 0.25 | 0.24 | 0.01 | 4.2 % | 0.78 | 0.73 | 0.05 | 6.8 % |

(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 Q3-19 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 1.3206 in Q3-19 compared to 1.3069 in Q3-18.

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 82.0% (YTD - 80.9%) is recoverable from tenants in Q3-19, compared to 81.1% (YTD - 80.6%) in Q3-18. 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:

| | Three months ended September 30, | | | Nine months ended September 30, | |
|------------------|-------------------------------------|---------|------------------|------------------------------------|---------|
| (000's) | 2019 | 2018 | (000's) | 2019 | 2018 |
| Basic units | 140,396 | 153,820 | Basic units | 143,950 | 153,046 |
| Add: | | | Add: | | |
| Restricted units | 678 | 506 | Restricted units | 553 | 452 |
| Deferred units | 456 | 75 | Deferred units | 214 | 64 |
| Diluted units | 141,530 | 154,401 | Diluted units | 144,717 | 153,562 |

PORTFOLIO OCCUPANCY

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

Occupancy Report by Asset Class ⁽¹⁾

| | Q3-19 % Committed ⁽²⁾ | Q3-19 | Q2-19 | Q1-19 | Q4-18 | Q3-18 |
|-----------------|-------------------------------------|-------|-------|-------|-------|-------|
| Office | 90.3% | 87.1% | 88.0% | 87.1% | 87.6% | 87.3% |
| Retail | 93.6% | 93.4% | 93.1% | 92.9% | 92.7% | 92.1% |
| Industrial | 99.2% | 98.5% | 96.8% | 96.4% | 96.2% | 94.7% |
| Total portfolio | 94.9% | 93.3% | 92.7% | 92.0% | 92.1% | 91.2% |

Occupancy Report by Geographical Region ⁽¹⁾

| | Q3-19 % Committed ⁽²⁾ | Q3-19 | Q2-19 | Q1-19 | Q4-18 | Q3-18 |
|------------------|-------------------------------------|--------|--------|--------|--------|--------|
| Canada: | | | | | | |
| Alberta | 88.1 % | 87.7 % | 87.7 % | 85.2 % | 87.0 % | 86.0 % |
| British Columbia | 93.6 % | 93.6 % | 99.2 % | 98.5 % | 95.0 % | 94.2 % |
| Manitoba | 94.5 % | 90.8 % | 91.0 % | 91.0 % | 90.2 % | 89.2 % |
| Ontario | 97.0 % | 96.0 % | 93.9 % | 93.9 % | 93.2 % | 91.7 % |
| Saskatchewan | 95.8 % | 95.6 % | 96.2 % | 95.7 % | 96.0 % | 94.5 % |
| U.S.: | | | | | | |
| Arizona | 97.6 % | 93.6 % | 93.1 % | 94.3 % | 94.6 % | 94.5 % |
| Minnesota | 97.4 % | 96.7 % | 95.9 % | 95.2 % | 95.6 % | 96.1 % |
| Wisconsin | 90.8 % | 90.5 % | 89.4 % | 88.2 % | 88.7 % | 88.3 % |
| Other | 97.9 % | 93.8 % | 91.9 % | 88.9 % | 88.3 % | 85.2 % |
| Total portfolio | 94.9% | 93.3% | 92.7% | 92.0% | 92.1% | 91.2% |

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

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

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary ⁽¹⁾

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|---------|------------------------------------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| Leasable area renewed (in S.F.) | 362,669 | 249,051 | 1,048,797 | 1,120,648 |
| Increase in weighted-average rental rate | 8.7 % | 5.9 % | 4.5 % | 3.6 % |

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

In Q3-19, 362,669 square feet were renewed at an increase in the weighted-average rental rate of 8.7%, compared to 249,051 square feet renewed at an increase of 5.9% in Q3-18.

Excluding the impact of Calgary office segment lease renewals, Artis' increase in the weighted-average rental rate was 9.2% (YTD - increase of 4.9%) in Q3-19 compared to an increase of 6.1% (YTD - increase of 4.3%) in Q3-18.

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 | 933,030 | 90,143 | 493,431 | 637,215 | 1,167,776 | 429,933 | 4,006,080 | 7,757,608 |
| Office - committed | 301,895 | — | 155,375 | 593,353 | 136,817 | 17,197 | 629,041 | 1,833,678 |
| Total office | 1,234,925 | 90,143 | 648,806 | 1,230,568 | 1,304,593 | 447,130 | 4,635,121 | 9,591,286 |
| Retail - uncommitted | 212,523 | 6,323 | 85,369 | 372,792 | 432,144 | 463,133 | 1,534,204 | 3,106,488 |
| Retail - committed | 8,376 | — | 78,883 | 34,230 | 48,197 | — | 46,803 | 216,489 |
| Total retail | 220,899 | 6,323 | 164,252 | 407,022 | 480,341 | 463,133 | 1,581,007 | 3,322,977 |
| Industrial - uncommitted | 91,795 | 3,645 | 319,104 | 906,380 | 1,607,796 | 1,529,134 | 6,062,128 | 10,519,982 |
| Industrial - committed | 77,966 | — | 333,645 | 98,110 | 9,880 | 69,999 | 321,819 | 911,419 |
| Total industrial | 169,761 | 3,645 | 652,749 | 1,004,490 | 1,617,676 | 1,599,133 | 6,383,947 | 11,431,401 |
| Total - uncommitted | 1,237,348 | 100,111 | 897,904 | 1,916,387 | 3,207,716 | 2,422,200 | 11,602,412 | 21,384,078 |
| Total - committed | 388,237 | — | 567,903 | 725,693 | 194,894 | 87,196 | 997,663 | 2,961,586 |
| Total portfolio | 1,625,585 | 100,111 | 1,465,807 | 2,642,080 | 3,402,610 | 2,509,396 | 12,600,075 | 24,345,664 |

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

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

In-Place Rents

In-place rents reflect the weighted-average net annual rental rate per square foot as at September 30, 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 | \$ 14.30 | \$ 15.39 | \$ 17.52 | \$ 14.67 | \$ 15.61 | \$ 15.80 |
| Market rents | 11.86 | 16.03 | 15.45 | 14.81 | 17.00 | 16.09 |
| Change | (17.1)% | 4.2 % | (11.8)% | 1.0 % | 8.9 % | 1.8 % |
| Revenue impact ⁽²⁾ | \$ (838) | \$ 288 | \$ (1,442) | \$ 9 | \$ 3,074 | \$ 1,091 |
| Retail: | | | | | | |
| In-place rents | \$ 15.41 | \$ 23.43 | \$ 24.15 | \$ 20.70 | \$ 22.43 | \$ 22.16 |
| Market rents | 19.38 | 23.65 | 24.67 | 20.80 | 22.49 | 22.52 |
| Change | 25.8 % | 0.9 % | 2.2 % | 0.5 % | 0.3 % | 1.6 % |
| Revenue impact ⁽²⁾ | \$ 591 | \$ 70 | \$ 216 | \$ 43 | \$ 95 | \$ 1,015 |
| Industrial: | | | | | | |
| In-place rents | \$ 7.93 | \$ 7.51 | \$ 7.71 | \$ 7.34 | \$ 9.72 | \$ 8.76 |
| Market rents | 7.74 | 8.10 | 8.17 | 7.71 | 9.50 | 8.81 |
| Change | (2.4)% | 7.9 % | 6.0 % | 5.0 % | (2.3)% | 0.6 % |
| Revenue impact ⁽²⁾ | \$ (37) | \$ 353 | \$ 264 | \$ 359 | \$ (641) | \$ 298 |
| Total Canadian portfolio: | | | | | | |
| In-place rents | \$ 12.79 | \$ 13.81 | \$ 15.86 | \$ 11.64 | \$ 14.46 | \$ 14.13 |
| Market rents | 12.37 | 14.33 | 15.29 | 11.92 | 14.83 | 14.33 |
| Change | (3.3)% | 3.8 % | (3.6)% | 2.4 % | 2.6 % | 1.4 % |
| Revenue impact ⁽²⁾ | \$ (284) | \$ 711 | \$ (962) | \$ 411 | \$ 2,528 | \$ 2,404 |

U.S. Portfolio:

| | 2019 | 2020 | 2021 | 2022 | 2023 & later | Total |
|-------------------------------|----------|----------|----------|----------|--------------|----------|
| Office: | | | | | | |
| In-place rents | \$ 21.37 | \$ 18.37 | \$ 17.10 | \$ 16.58 | \$ 17.50 | \$ 17.78 |
| Market rents | 23.77 | 19.42 | 17.47 | 18.57 | 17.68 | 18.44 |
| Change | 11.2 % | 5.7 % | 2.2 % | 12.0 % | 1.0 % | 3.7 % |
| Revenue impact ⁽²⁾ | \$ 731 | \$ 824 | \$ 222 | \$ 760 | \$ 434 | \$ 2,971 |
| Retail: | | | | | | |
| In-place rents | \$ 6.70 | \$ 12.99 | \$ 17.97 | \$ 19.02 | \$ 13.79 | \$ 14.40 |
| Market rents | 11.99 | 14.60 | 17.57 | 19.97 | 14.31 | 15.32 |
| Change | 79.0 % | 12.4 % | (2.2)% | 5.0 % | 3.8 % | 6.4 % |
| Revenue impact ⁽²⁾ | \$ 83 | \$ 135 | \$ (25) | \$ 17 | \$ 57 | \$ 267 |
| Industrial: | | | | | | |
| In-place rents | \$ 4.04 | \$ 5.63 | \$ 5.51 | \$ 5.81 | \$ 6.37 | \$ 5.93 |
| Market rents | 4.08 | 5.94 | 5.49 | 5.42 | 6.31 | 5.87 |
| Change | 1.0 % | 5.5 % | (0.4)% | (6.7)% | (0.9)% | (1.0)% |
| Revenue impact ⁽²⁾ | \$ 18 | \$ 124 | \$ (20) | \$ (243) | \$ (207) | \$ (328) |
| Total U.S. portfolio: | | | | | | |
| In-place rents | \$ 10.81 | \$ 14.00 | \$ 10.05 | \$ 10.10 | \$ 11.07 | \$ 11.15 |
| Market rents | 11.87 | 14.86 | 10.15 | 10.63 | 11.12 | 11.42 |
| Change | 9.8 % | 6.1 % | 1.0 % | 5.2 % | 0.5 % | 2.4 % |
| Revenue impact ⁽²⁾ | \$ 832 | \$ 1,083 | \$ 177 | \$ 534 | \$ 284 | \$ 2,910 |

(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 | \$ 17.61 | \$ 17.29 | \$ 17.32 | \$ 16.30 | \$ 16.59 | \$ 16.88 |
| Market rents | 17.45 | 18.19 | 16.39 | 18.02 | 17.35 | 17.37 |
| Change | (0.9)% | 5.2 % | (5.4)% | 10.6 % | 4.6 % | 2.9 % |
| Revenue impact ⁽²⁾ | \$ (107) | \$ 1,112 | \$ (1,220) | \$ 769 | \$ 3,508 | \$ 4,062 |
| Retail: | | | | | | |
| In-place rents | \$ 14.58 | \$ 21.29 | \$ 23.35 | \$ 20.64 | \$ 21.83 | \$ 21.43 |
| Market rents | 18.68 | 21.79 | 23.75 | 20.77 | 21.92 | 21.84 |
| Change | 28.1 % | 2.3 % | 1.7 % | 0.6 % | 0.4 % | 1.9 % |
| Revenue impact ⁽²⁾ | \$ 674 | \$ 205 | \$ 191 | \$ 60 | \$ 152 | \$ 1,282 |
| Industrial: | | | | | | |
| In-place rents | \$ 5.16 | \$ 6.77 | \$ 6.28 | \$ 6.76 | \$ 7.95 | \$ 7.27 |
| Market rents | 5.13 | 7.24 | 6.43 | 6.83 | 7.82 | 7.27 |
| Change | (0.6)% | 6.9 % | 2.4 % | 1.0 % | (1.6)% | 0.0 % |
| Revenue impact ⁽²⁾ | \$ (19) | \$ 477 | \$ 244 | \$ 116 | \$ (848) | \$ (30) |
| Total Canadian and U.S. portfolio: | | | | | | |
| In-place rents | \$ 11.73 | \$ 13.91 | \$ 12.92 | \$ 11.02 | \$ 12.87 | \$ 12.72 |
| Market rents | 12.10 | 14.58 | 12.69 | 11.40 | 13.09 | 12.96 |
| Change | 3.2 % | 4.8 % | (1.8)% | 3.4 % | 1.7 % | 1.9 % |
| Revenue impact ⁽²⁾ | \$ 548 | \$ 1,794 | \$ (785) | \$ 945 | \$ 2,812 | \$ 5,314 |
| Total Canadian and U.S. portfolio excluding Calgary office segment: | | | | | | |
| In-place rents | \$ 11.29 | \$ 13.92 | \$ 12.33 | \$ 11.00 | \$ 12.84 | \$ 12.58 |
| Market rents | 12.17 | 14.60 | 12.51 | 11.36 | 12.85 | 12.80 |
| Change | 7.8 % | 4.9 % | 1.5 % | 3.3 % | 0.1 % | 1.7 % |
| Revenue impact ⁽²⁾ | \$ 1,231 | \$ 1,765 | \$ 564 | \$ 877 | \$ 149 | \$ 4,586 |

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

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

Market rents at September 30, 2019, were estimated to be 1.9% above in-place rents across the portfolio, compared to 1.8% above in-place rents at June 30, 2019. Today's market rents for the 2019 and 2020 lease expiries are estimated to be 3.2% above and 4.8% 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 7.8% and 4.9% 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 | 437,818 | 26,328 | 120,161 | 212,856 | 581,777 | 243,346 | 1,885,087 | 3,507,373 |
| AB - committed | 11,403 | — | 39,342 | 10,735 | — | — | 97,551 | 159,031 |
| Total Alberta | 449,221 | 26,328 | 159,503 | 223,591 | 581,777 | 243,346 | 1,982,638 | 3,666,404 |
| BC - uncommitted | 27,416 | — | 15,119 | 14,943 | 47,830 | 9,716 | 282,696 | 397,720 |
| BC - committed | — | — | 3,012 | 11,909 | 5,271 | 10,292 | — | 30,484 |
| Total British Columbia | 27,416 | — | 18,131 | 26,852 | 53,101 | 20,008 | 282,696 | 428,204 |
| MB - uncommitted | 203,977 | 7,048 | 96,827 | 433,411 | 559,661 | 287,395 | 1,669,290 | 3,257,609 |
| MB - committed | 139,846 | — | 65,925 | 189,353 | 55,095 | — | 31,216 | 481,435 |
| Total Manitoba | 343,823 | 7,048 | 162,752 | 622,764 | 614,756 | 287,395 | 1,700,506 | 3,739,044 |
| ON - uncommitted | 113,193 | 4,656 | 272,269 | 289,313 | 310,474 | 572,913 | 1,515,337 | 3,078,155 |
| ON - committed | 36,625 | — | 40,992 | 124,019 | — | 7,649 | 426,250 | 635,535 |
| Total Ontario | 149,818 | 4,656 | 313,261 | 413,332 | 310,474 | 580,562 | 1,941,587 | 3,713,690 |
| SK - uncommitted | 61,736 | 6,171 | 9,355 | 80,476 | 121,393 | 364,706 | 770,666 | 1,414,503 |
| SK - committed | 2,049 | — | 17,872 | 7,261 | — | — | 18,838 | 46,020 |
| Total Saskatchewan | 63,785 | 6,171 | 27,227 | 87,737 | 121,393 | 364,706 | 789,504 | 1,460,523 |
| AZ - uncommitted | 44,661 | 3,562 | 48,215 | 143,497 | 260,598 | 77,395 | 988,268 | 1,566,196 |
| AZ - committed | 75,794 | — | 86,559 | 155,056 | — | — | — | 317,409 |
| Total Arizona | 120,455 | 3,562 | 134,774 | 298,553 | 260,598 | 77,395 | 988,268 | 1,883,605 |
| MN - uncommitted | 152,821 | 1,262 | 223,073 | 435,190 | 1,162,021 | 610,631 | 2,629,347 | 5,214,345 |
| MN - committed | 43,577 | — | 260,389 | 218,548 | 108,980 | 62,350 | 31,212 | 725,056 |
| Total Minnesota | 196,398 | 1,262 | 483,462 | 653,738 | 1,271,001 | 672,981 | 2,660,559 | 5,939,401 |
| WI - uncommitted | 159,026 | 45,183 | 111,693 | 233,505 | 83,528 | 86,742 | 560,091 | 1,279,768 |
| WI - committed | 6,046 | — | 17,134 | 8,812 | 25,548 | 6,905 | 392,596 | 457,041 |
| Total Wisconsin | 165,072 | 45,183 | 128,827 | 242,317 | 109,076 | 93,647 | 952,687 | 1,736,809 |
| U.S. - Other - uncommitted | 36,700 | 5,901 | 1,192 | 73,196 | 80,434 | 169,356 | 1,301,630 | 1,668,409 |
| U.S. - Other - committed | 72,897 | — | 36,678 | — | — | — | — | 109,575 |
| Total U.S. - Other | 109,597 | 5,901 | 37,870 | 73,196 | 80,434 | 169,356 | 1,301,630 | 1,777,984 |
| Total - uncommitted | 1,237,348 | 100,111 | 897,904 | 1,916,387 | 3,207,716 | 2,422,200 | 11,602,412 | 21,384,078 |
| Total - committed | 388,237 | — | 567,903 | 725,693 | 194,894 | 87,196 | 997,663 | 2,961,586 |
| Total portfolio | 1,625,585 | 100,111 | 1,465,807 | 2,642,080 | 3,402,610 | 2,509,396 | 12,600,075 | 24,345,664 |

(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 | \$ | 15.93 | \$ | 22.11 | \$ | 21.33 | \$ | 24.16 | \$ | 18.08 | \$ | 19.31 |
| Market rents | | 15.47 | | 21.80 | | 19.57 | | 24.48 | | 19.42 | | 19.80 |
| Change | | (2.9)% | | (1.4)% | | (8.3)% | | 1.3 % | | 7.4 % | | 2.5 % |
| Revenue impact ⁽²⁾ | \$ | (73) | \$ | (68) | \$ | (1,027) | \$ | 78 | \$ | 2,658 | \$ | 1,568 |
| British Columbia: | | | | | | | | | | | | |
| In-place rents | \$ | 28.24 | \$ | 24.43 | \$ | 20.25 | \$ | 24.62 | \$ | 17.80 | \$ | 19.38 |
| Market rents | | 26.78 | | 24.79 | | 19.53 | | 21.66 | | 17.01 | | 18.54 |
| Change | | (5.2)% | | 1.5 % | | (3.6)% | | (12.0)% | | (4.4)% | | (4.3)% |
| Revenue impact ⁽²⁾ | \$ | (26) | \$ | 10 | \$ | (38) | \$ | (59) | \$ | (222) | \$ | (335) |
| Manitoba: | | | | | | | | | | | | |
| In-place rents | \$ | 8.27 | \$ | 12.78 | \$ | 13.04 | \$ | 8.80 | \$ | 13.05 | \$ | 12.41 |
| Market rents | | 8.43 | | 12.84 | | 12.67 | | 8.66 | | 13.05 | | 12.35 |
| Change | | 1.9 % | | 0.5 % | | (2.8)% | | (1.6)% | | 0.0 % | | (0.5)% |
| Revenue impact ⁽²⁾ | \$ | 27 | \$ | 35 | \$ | (228) | \$ | (42) | \$ | 2 | \$ | (206) |
| Ontario: | | | | | | | | | | | | |
| In-place rents | \$ | 11.65 | \$ | 9.25 | \$ | 7.98 | \$ | 6.66 | \$ | 11.01 | \$ | 9.89 |
| Market rents | | 11.07 | | 10.26 | | 9.22 | | 7.64 | | 11.22 | | 10.34 |
| Change | | (5.0)% | | 10.9 % | | 15.5 % | | 14.7 % | | 1.9 % | | 4.6 % |
| Revenue impact ⁽²⁾ | \$ | (181) | \$ | 419 | \$ | 384 | \$ | 570 | \$ | 409 | \$ | 1,601 |
| Saskatchewan: | | | | | | | | | | | | |
| In-place rents | \$ | 24.16 | \$ | 18.25 | \$ | 22.16 | \$ | 12.74 | \$ | 15.66 | \$ | 15.79 |
| Market rents | | 23.02 | | 21.84 | | 21.73 | | 12.37 | | 15.25 | | 15.63 |
| Change | | (4.7)% | | 19.7 % | | (1.9)% | | (2.9)% | | (2.6)% | | (1.0)% |
| Revenue impact ⁽²⁾ | \$ | (31) | \$ | 315 | \$ | (53) | \$ | (136) | \$ | (319) | \$ | (224) |
| Arizona: | | | | | | | | | | | | |
| In-place rents | \$ | 29.08 | \$ | 20.88 | \$ | 15.78 | \$ | 24.74 | \$ | 12.73 | \$ | 16.35 |
| Market rents | | 31.10 | | 21.94 | | 16.81 | | 24.60 | | 12.68 | | 16.80 |
| Change | | 6.9 % | | 5.1 % | | 6.5 % | | (0.6)% | | (0.4)% | | 2.8 % |
| Revenue impact ⁽²⁾ | \$ | 273 | \$ | 316 | \$ | 269 | \$ | (11) | \$ | (50) | \$ | 797 |
| Minnesota: | | | | | | | | | | | | |
| In-place rents | \$ | 4.74 | \$ | 10.46 | \$ | 8.06 | \$ | 7.67 | \$ | 9.51 | \$ | 8.68 |
| Market rents | | 4.84 | | 11.57 | | 7.95 | | 8.53 | | 9.47 | | 8.87 |
| Change | | 2.1 % | | 10.6 % | | (1.4)% | | 11.2 % | | (0.4)% | | 2.2 % |
| Revenue impact ⁽²⁾ | \$ | 47 | \$ | 726 | \$ | (133) | \$ | 575 | \$ | (110) | \$ | 1,105 |
| Wisconsin: | | | | | | | | | | | | |
| In-place rents | \$ | 12.25 | \$ | 15.38 | \$ | 15.52 | \$ | 16.45 | \$ | 14.89 | \$ | 14.89 |
| Market rents | | 16.34 | | 15.71 | | 16.10 | | 16.62 | | 15.45 | | 15.68 |
| Change | | 33.4 % | | 2.1 % | | 3.7 % | | 1.0 % | | 3.8 % | | 5.3 % |
| Revenue impact ⁽²⁾ | \$ | 527 | \$ | 79 | \$ | 63 | \$ | 16 | \$ | 527 | \$ | 1,212 |
| U.S. - Other: | | | | | | | | | | | | |
| In-place rents | \$ | 18.39 | \$ | 13.04 | \$ | 15.54 | \$ | 9.56 | \$ | 10.22 | \$ | 10.72 |
| Market rents | | 17.98 | | 12.51 | | 15.27 | | 9.29 | | 10.16 | | 10.60 |
| Change | | (2.2)% | | (4.1)% | | (1.7)% | | (2.8)% | | (0.6)% | | (1.1)% |
| Revenue impact ⁽²⁾ | \$ | (15) | \$ | (38) | \$ | (22) | \$ | (46) | \$ | (83) | \$ | (204) |
| Total portfolio: | | | | | | | | | | | | |
| In-place rents | \$ | 11.73 | \$ | 13.91 | \$ | 12.92 | \$ | 11.02 | \$ | 12.87 | \$ | 12.72 |
| Market rents | | 12.10 | | 14.58 | | 12.69 | | 11.40 | | 13.09 | | 12.96 |
| Change | | 3.2 % | | 4.8 % | | (1.8)% | | 3.4 % | | 1.7 % | | 1.9 % |
| Revenue impact ⁽²⁾ | \$ | 548 | \$ | 1,794 | \$ | (785) | \$ | 945 | \$ | 2,812 | \$ | 5,314 |

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

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

LARGEST SEGMENTS BY PROPERTY NOI

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the office, retail and industrial asset classes. For the three months ended September 30, 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, Calgary office and Greater Phoenix Area office.

Twin Cities Area Office Segment

The Twin Cities Area office segment represents 10.0% of the Q3-19 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 18.0% at September 30, 2019, decreased from 18.6% at June 30, 2019. At September 30, 2019, the Twin Cities Area office segment of Artis' portfolio was 90.9% occupied, compared to 91.8% at June 30, 2019. During the remainder of 2019, 25,032 square feet comes up for renewal, which represents 0.1% of the total portfolio GLA; 34.0% was renewed or committed to new leases at September 30, 2019. Of the total Twin Cities Area office GLA, 47.3% expires in 2023 or later.

Madison Office Segment

The Madison office segment represents 9.2% of the Q3-19 Proportionate Share Property NOI and 6.9% of the overall portfolio by GLA. At September 30, 2019, the Madison office segment of Artis' portfolio was 90.5% occupied, increased from 89.4% at June 30, 2019. During the remainder of 2019, 128,827 square feet comes up for renewal, which represents 0.5% of the total portfolio GLA; 15.3% was renewed or committed to new leases at September 30, 2019. Of the total Madison office GLA, 54.9% expires in 2023 or later.

Twin Cities Area Industrial Segment

The Twin Cities Area industrial segment represents 8.7% of the Q3-19 Proportionate Share Property NOI and 15.8% of the overall portfolio by GLA. Direct vacancy in the Twin Cities Area industrial market, as reported by CBRE, was 4.4% at September 30, 2019, unchanged from June 30, 2019. The average asking market lease rate was \$6.55 per square foot at September 30, 2019, compared to \$6.59 per square foot at June 30, 2019. Occupancy in this segment of the portfolio was 99.1% at September 30, 2019, increased from 97.9% reported at June 30, 2019. During the remainder of 2019, 442,776 square feet comes up for renewal, which represents 1.8% of the total portfolio GLA; 53.3% was renewed or committed to new leases at September 30, 2019. Of Artis' total Twin Cities Area industrial GLA, 44.3% expires in 2023 or later.

Calgary Office Segment

The Calgary office segment represents 6.4% of the Q3-19 Proportionate Share Property NOI and 6.5% of the overall portfolio by GLA. 25.5% of the total Calgary office GLA is located downtown, 35.2% is beltline, and 39.3% is suburban. Overall direct vacancy in the Calgary office market, as reported by CBRE, was 18.4% at September 30, 2019. At September 30, 2019, the Calgary office segment of Artis' portfolio was 82.4% occupied (excluding properties held for redevelopment), compared to 82.3% at June 30, 2019. During the remainder of the year, 57,338 square feet comes up for renewal, which represents 0.2% of the total portfolio GLA. Of Artis' Calgary office GLA, 53.1% expires in 2023 or later (excluding properties held for redevelopment). Artis' largest 10 Calgary office tenants by GLA lease just under half of Artis' Calgary office space with a weighted-average lease term of 5.1 years. The average size of Artis' Calgary office tenants is approximately 10,000 square feet.

Greater Phoenix Area Office Segment

The Greater Phoenix Area office segment represents 6.2% of the Q3-19 Proportionate Share Property NOI and 3.8% of the overall portfolio by GLA. Overall direct vacancy in the Greater Phoenix Area office market, as reported by Avison Young, was 14.3% at September 30, 2019, compared to 15.1% at June 30, 2019. At September 30, 2019, the Greater Phoenix Area office segment of Artis' portfolio was 92.4% occupied, compared to 92.8% at June 30, 2019. During the remainder of 2019, 129,867 square feet comes up for renewal, which represents 0.5% of the total portfolio GLA. Of Artis' Greater Phoenix Area office GLA, 26.1% 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. 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 | 185,578 | 8,074 | 33,909 | 2,082 | 32,355 | — | 47,183 | 309,181 |
| Downtown - committed | 2,386 | — | 10,000 | — | — | — | 93,650 | 106,036 |
| Total downtown | 187,964 | 8,074 | 43,909 | 2,082 | 32,355 | — | 140,833 | 415,217 |
| Beltline - uncommitted | 33,687 | 2,438 | 9,991 | — | — | — | 527,515 | 573,631 |
| Beltline - committed | — | — | — | — | — | — | — | — |
| Total beltline | 33,687 | 2,438 | 9,991 | — | — | — | 527,515 | 573,631 |
| Suburban - uncommitted | 61,079 | 15,815 | 962 | 24,842 | 293,881 | 33,003 | 195,944 | 625,526 |
| Suburban - committed | 4,131 | — | 2,476 | 8,622 | — | — | 800 | 16,029 |
| Total suburban | 65,210 | 15,815 | 3,438 | 33,464 | 293,881 | 33,003 | 196,744 | 641,555 |
| Total - uncommitted | 280,344 | 26,327 | 44,862 | 26,924 | 326,236 | 33,003 | 770,642 | 1,508,338 |
| Total - committed | 6,517 | — | 12,476 | 8,622 | — | — | 94,450 | 122,065 |
| Total Calgary office | 286,861 | 26,327 | 57,338 | 35,546 | 326,236 | 33,003 | 865,092 | 1,630,403 |

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 | 652,686 | 63,816 | 448,569 | 610,291 | 841,540 | 396,930 | 3,235,438 | 6,249,270 |
| Other - committed | 295,378 | — | 142,899 | 584,731 | 136,817 | 17,197 | 534,591 | 1,711,613 |
| Total other office | 948,064 | 63,816 | 591,468 | 1,195,022 | 978,357 | 414,127 | 3,770,029 | 7,960,883 |

(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 | \$ 21.64 | \$ 7.25 | \$ 20.40 | \$ — | \$ 13.17 | \$ 15.88 |
| Market rents | 9.46 | 9.00 | 13.29 | — | 22.26 | 18.24 |
| Change | (56.3)% | 24.1 % | (34.9)% | — % | 69.0 % | 14.9 % |
| Revenue impact ⁽²⁾ | \$ (534) | \$ 4 | \$ (230) | \$ — | \$ 1,280 | \$ 520 |
| Beltline: | | | | | | |
| In-place rents | \$ 28.60 | \$ — | \$ — | \$ — | \$ 13.77 | \$ 14.04 |
| Market rents | 14.00 | — | — | — | 16.50 | 16.45 |
| Change | (51.0)% | — % | — % | — % | 19.8 % | 17.2 % |
| Revenue impact ⁽²⁾ | \$ (145) | \$ — | \$ — | \$ — | \$ 1,442 | \$ 1,297 |
| Suburban: | | | | | | |
| In-place rents | \$ 13.36 | \$ 12.91 | \$ 18.33 | \$ 12.18 | \$ 12.31 | \$ 15.50 |
| Market rents | 12.28 | 13.68 | 14.52 | 14.26 | 12.01 | 13.56 |
| Change | (8.1)% | 6.0 % | (20.8)% | 17.1 % | (2.4)% | (12.5)% |
| Revenue impact ⁽²⁾ | \$ (4) | \$ 25 | \$ (1,119) | \$ 68 | \$ (59) | \$ (1,089) |
| Total Calgary Office: | | | | | | |
| In-place rents | \$ 22.36 | \$ 12.58 | \$ 18.54 | \$ 12.18 | \$ 13.34 | \$ 14.97 |
| Market rents | 10.42 | 13.41 | 14.40 | 14.26 | 16.42 | 15.52 |
| Change | (53.4)% | 6.6 % | (22.3)% | 17.1 % | 23.1 % | 3.7 % |
| Revenue impact ⁽²⁾ | \$ (683) | \$ 29 | \$ (1,349) | \$ 68 | \$ 2,663 | \$ 728 |

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

| | 2019 | 2020 | 2021 | 2022 | 2023 & later | Total |
|-------------------------------|----------|----------|----------|----------|--------------|----------|
| Other office: | | | | | | |
| In-place rents | \$ 17.15 | \$ 17.43 | \$ 16.92 | \$ 16.63 | \$ 17.34 | \$ 17.24 |
| Market rents | 18.13 | 18.34 | 17.05 | 18.32 | 17.57 | 17.72 |
| Change | 5.7 % | 5.2 % | 0.8 % | 10.2 % | 1.3 % | 2.8 % |
| Revenue impact ⁽²⁾ | \$ 576 | \$ 1,083 | \$ 129 | \$ 701 | \$ 845 | \$ 3,334 |

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

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

ANALYSIS OF FINANCIAL POSITION

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

| September 30, 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 | \$ 4,617,436 | \$ 250,242 | \$ 4,867,678 | \$ 4,941,825 | \$ 255,661 | \$ 5,197,486 | |
| Investment properties under development | 87,728 | 42,906 | 130,634 | 119,604 | 40,635 | 160,239 | |
| Investments in joint ventures | 176,333 | (176,333) | — | 176,501 | (176,501) | — | |
| Property and equipment | 8,021 | — | 8,021 | 6,533 | — | 6,533 | |
| Notes receivable | 94,836 | — | 94,836 | 16,216 | — | 16,216 | |
| | 4,984,354 | 116,815 | 5,101,169 | 5,260,679 | 119,795 | 5,380,474 | |
| Current assets: | | | | | | | |
| Investment properties held for sale | 326,932 | — | 326,932 | 320,465 | — | 320,465 | |
| Inventory properties | 13,743 | — | 13,743 | 11,227 | — | 11,227 | |
| Deposits on investment properties | 3,232 | — | 3,232 | 2,237 | — | 2,237 | |
| Prepaid expenses and other assets | 10,361 | 113 | 10,474 | 20,582 | 244 | 20,826 | |
| Notes receivable | 3,871 | — | 3,871 | 4,543 | — | 4,543 | |
| Accounts receivable and other receivables | 17,638 | 3,285 | 20,923 | 21,101 | 822 | 21,923 | |
| Cash held in trust | 11,764 | — | 11,764 | 10,200 | — | 10,200 | |
| Cash | 59,531 | 10,684 | 70,215 | 66,143 | 3,808 | 69,951 | |
| | 447,072 | 14,082 | 461,154 | 456,498 | 4,874 | 461,372 | |
| | \$ 5,431,426 | \$ 130,897 | \$ 5,562,323 | \$ 5,717,177 | \$ 124,669 | \$ 5,841,846 | |
| LIABILITIES AND UNITHOLDERS' EQUITY | | | | | | | |
| Non-current liabilities: | | | | | | | |
| Mortgages and loans payable | \$ 975,555 | \$ 85,412 | \$ 1,060,967 | \$ 1,272,452 | \$ 44,017 | \$ 1,316,469 | |
| Senior unsecured debentures | 249,237 | — | 249,237 | 199,565 | — | 199,565 | |
| Credit facilities | 901,635 | — | 901,635 | 772,538 | — | 772,538 | |
| Other long-term liabilities | 1,049 | — | 1,049 | 8,319 | — | 8,319 | |
| | 2,127,476 | 85,412 | 2,212,888 | 2,252,874 | 44,017 | 2,296,891 | |
| Current liabilities: | | | | | | | |
| Mortgages and loans payable | 487,327 | 27,375 | 514,702 | 412,558 | 59,068 | 471,626 | |
| Senior unsecured debentures | 199,860 | — | 199,860 | 199,971 | — | 199,971 | |
| Security deposits and prepaid rent | 35,621 | 2,817 | 38,438 | 35,842 | 3,264 | 39,106 | |
| Accounts payable and other liabilities | 89,144 | 15,293 | 104,437 | 77,887 | 18,320 | 96,207 | |
| | 811,952 | 45,485 | 857,437 | 726,258 | 80,652 | 806,910 | |
| | 2,939,428 | 130,897 | 3,070,325 | 2,979,132 | 124,669 | 3,103,801 | |
| Unitholders' equity | 2,491,998 | — | 2,491,998 | 2,738,045 | — | 2,738,045 | |
| | \$ 5,431,426 | \$ 130,897 | \$ 5,562,323 | \$ 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 | |
|---|--------------------|-------------------|---------------------|-------------------|
| | September 30, 2019 | December 31, 2018 | September 30, 2019 | December 31, 2018 |
| GBV | \$ 5,437,645 | \$ 5,722,580 | \$ 5,568,542 | \$ 5,847,249 |
| Secured mortgages and loans | 1,462,882 | 1,685,010 | 1,575,669 | 1,788,095 |
| Secured mortgages and loans to GBV | 26.9 % | 29.4 % | 28.3 % | 30.6 % |
| Preferred shares liability | \$ 634 | \$ 653 | \$ 634 | \$ 653 |
| Carrying value of debentures | 449,097 | 399,536 | 449,097 | 399,536 |
| Credit facilities | 901,635 | 772,538 | 901,635 | 772,538 |
| Total long-term debt and credit facilities | \$ 2,814,248 | \$ 2,857,737 | \$ 2,927,035 | \$ 2,960,822 |
| Total long-term debt and credit facilities to GBV | 51.8 % | 49.9 % | 52.6 % | 50.6 % |

Total Long-term Debt and Credit Facilities to EBITDA Ratios

| | IFRS | | Proportionate Share | |
|---|--------------------|-------------------|---------------------|-------------------|
| | September 30, 2019 | December 31, 2018 | September 30, 2019 | December 31, 2018 |
| Total long-term debt and credit facilities | \$ 2,814,248 | \$ 2,857,737 | \$ 2,927,035 | \$ 2,960,822 |
| EBITDA ⁽¹⁾ | 314,172 | 329,800 | 314,172 | 329,800 |
| Total long-term debt and credit facilities to EBITDA | 9.0 | 8.7 | 9.3 | 9.0 |
| Normalized EBITDA | \$ 314,172 | \$ 329,800 | \$ 314,172 | \$ 329,800 |
| Total long-term debt and credit facilities to normalized EBITDA | 9.0 | 8.7 | 9.3 | 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 | |
|---------------------------------------|--------------------|-------------------|---------------------|-------------------|
| | September 30, 2019 | December 31, 2018 | September 30, 2019 | December 31, 2018 |
| Unencumbered assets | \$ 1,877,339 | \$ 1,805,382 | \$ 1,919,866 | \$ 1,847,443 |
| Senior unsecured debentures | 449,097 | 399,536 | 449,097 | 399,536 |
| Unsecured credit facilities | 901,635 | 772,538 | 901,635 | 772,538 |
| Total unsecured debt | \$ 1,350,732 | \$ 1,172,074 | \$ 1,350,732 | \$ 1,172,074 |
| Unencumbered assets to unsecured debt | 1.4 | 1.5 | 1.4 | 1.6 |

NAV per Unit

| 000's, except unit and per unit amounts | September 30, 2019 | December 31, 2018 | Change |
|---|-----------------------|----------------------|--------------|
| Unitholders' equity | \$ 2,491,998 | \$ 2,738,045 | \$ (246,047) |
| Less value of preferred equity ⁽¹⁾ | (305,951) | (390,945) | 84,994 |
| NAV attributable to common unitholders | \$ 2,186,047 | \$ 2,347,100 | \$ (161,053) |
| Total number of dilutive units outstanding: | | | |
| Common units | 137,933,930 | 150,282,829 | (12,348,899) |
| Restricted units | 678,205 | 546,573 | 131,632 |
| Deferred units | 455,981 | 92,673 | 363,308 |
| | 139,068,116 | 150,922,075 | (11,853,959) |
| NAV per unit | \$ 15.72 | \$ 15.55 | \$ 0.17 |

(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, the redemption of the Series G preferred units, distributions made to unitholders and other comprehensive loss, partially offset by net income. Preferred equity decreased period-over-period primarily due to the redemption of the Series G preferred units. 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: | | | |
| Acquisitions | 7,643 | — | 7,643 |
| Transfers from investments in joint ventures ⁽²⁾ | 66,765 | (66,765) | — |
| Capital expenditures: | | | |
| Investment properties | 18,975 | 77 | 19,052 |
| Investment properties under development | 49,018 | 39,233 | 88,251 |
| Capitalized interest | 2,289 | 1,260 | 3,549 |
| Leasing commissions | 7,669 | 238 | 7,907 |
| Straight-line rent adjustments | 2,924 | 464 | 3,388 |
| Tenant inducement additions, net of amortization | 12,704 | 1,031 | 13,735 |
| Dispositions | (200,440) | — | (200,440) |
| Foreign currency translation loss | (95,525) | (8,176) | (103,701) |
| Fair value loss | (43,035) | (683) | (43,718) |
| Balance, June 30, 2019 | 5,210,881 | 262,975 | 5,473,856 |
| Additions: | | | |
| Acquisition | 3,800 | — | 3,800 |
| Capital expenditures | | | |
| Investment properties | 11,251 | — | 11,251 |
| Investment properties under development | 19,122 | 3,976 | 23,098 |
| Capitalized interest | 692 | 544 | 1,236 |
| Leasing commissions | 4,492 | 1,052 | 5,544 |
| Straight-line rent adjustments | 1,574 | 189 | 1,763 |
| Tenant inducement additions, net of amortization | 3,905 | 1,528 | 5,433 |
| Dispositions | (230,080) | — | (230,080) |
| Foreign currency translation gain | 26,288 | 2,248 | 28,536 |
| Fair value (loss) gain | (19,829) | 20,636 | 807 |
| Balance, September 30, 2019 | \$ 5,032,096 | \$ 293,148 | \$ 5,325,244 |

(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 September 30, | | | | | Nine months ended September 30, | | | |
|---|-------------------------------------|------------------|--------------------|----------------|--|------------------------------------|-------------------|---------------------|----------------|
| | 2019 | 2018 | Change | % Change | | 2019 | 2018 | Change | % Change |
| Issuance of units | \$ — | \$ — | \$ — | | | \$ — | \$ 43,651 | \$ (43,651) | |
| Long-term debt, including acquired above- and below-market mortgages, net of financing costs | — | — | — | | | 1,326 | 38,388 | (37,062) | |
| Cash consideration | 3,800 | 63,385 | (59,585) | | | 8,940 | 80,173 | (71,233) | |
| Bargain purchase gains | — | — | — | | | 1,106 | 5,384 | (4,278) | |
| Foreign currency translation gain | — | — | — | | | — | 968 | (968) | |
| Other net liabilities | — | — | — | | | 71 | — | 71 | |
| Total acquisitions | \$ 3,800 | \$ 63,385 | \$ (59,585) | (94.0)% | | \$ 11,443 | \$ 168,564 | \$ (157,121) | (93.2)% |

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 Q3-19, new and redevelopment expenditures included \$16,550 for 300 Main and 330 Main, \$2,711 for Tower Business Center, and \$1,265 for Park 8Ninety II.

| | Three months ended September 30, | | | | | Nine months ended September 30, | | | |
|--|-------------------------------------|------------------|-----------------|---------------|--|------------------------------------|------------------|------------------|----------------|
| | 2019 | 2018 | Change | % Change | | 2019 | 2018 | Change | % Change |
| New and redevelopment expenditures | \$ 23,098 | \$ 16,177 | \$ 6,921 | | | \$ 111,349 | \$ 32,029 | \$ 79,320 | |
| Building improvements expenditures: | | | | | | | | | |
| Recoverable from tenants | 2,079 | 1,443 | 636 | | | 5,070 | 4,044 | 1,026 | |
| Non-recoverable | 4,486 | 5,287 | (801) | | | 13,933 | 15,650 | (1,717) | |
| Property maintenance expenditures: | | | | | | | | | |
| Recoverable from tenants | 3,051 | 3,264 | (213) | | | 7,527 | 5,049 | 2,478 | |
| Non-recoverable | 1,635 | 978 | 657 | | | 3,773 | 3,618 | 155 | |
| Total capital expenditures | \$ 34,349 | \$ 27,149 | \$ 7,200 | 26.5 % | | \$ 141,652 | \$ 60,390 | \$ 81,262 | 134.6 % |

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

Leasing costs ⁽¹⁾:

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

| | Three months ended September 30, | | | | Nine months ended September 30, | | | |
|---|-------------------------------------|------------------|-----------------|---------------|------------------------------------|------------------|-----------------|--------------|
| | 2019 | 2018 | Change | % Change | 2019 | 2018 | Change | % Change |
| Investment property leasing costs: | | | | | | | | |
| Tenant inducements | \$ 9,734 | \$ 13,337 | \$ (3,603) | | \$ 28,806 | \$ 35,771 | \$ (6,965) | |
| Leasing commissions | 4,210 | 2,050 | 2,160 | | 11,466 | 6,897 | 4,569 | |
| Investment property (re)development related leasing costs: | | | | | | | | |
| Tenant inducements | 1,690 | 852 | 838 | | 8,071 | 3,540 | 4,531 | |
| Leasing commissions | 1,334 | 1,671 | (337) | | 1,985 | 2,974 | (989) | |
| Total leasing costs | \$ 16,968 | \$ 17,910 | \$ (942) | (5.3)% | \$ 50,328 | \$ 49,182 | \$ 1,146 | 2.3 % |

(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.

In Q3-19, tenant inducements related to new developments included \$1,110 for a long-term tenant at Tower Business Center.

Dispositions:

During Q3-19, Artis sold one office property in Canada and one office property in the United States, for an aggregate sale price of \$245,825. The aggregate sale proceeds, net of a note receivable of \$79,000, costs of \$14,791 and related debt of \$94,368, were \$57,666. The note receivable is secured by the disposed office property.

Foreign currency translation gain (loss) on investment properties:

In Q3-19, the Proportionate Share foreign currency translation gain on investment properties was \$28,536 (YTD - loss of \$75,165) due to the change in the period end US dollar to Canadian dollar exchange rate from 1.3087 at June 30, 2019 to 1.3243 at September 30, 2019.

Investment properties held for sale:

At September 30, 2019, the REIT had eight office properties, three retail properties and one parcel of development land located in Canada and six retail properties and one parcel of development land located in the United States, with an aggregate Proportionate Share fair value of \$326,932 classified as held for sale. These properties were listed for sale with external brokers or under unconditional sale agreements at September 30, 2019.

Completed new and (re)development properties:

In Q3-19, Artis completed the development of Park 8Ninety II, as discussed in the Portfolio Summary section of this MD&A.

Fair value gain (loss) on investment properties:

During Q3-19, the REIT recorded a gain on the Proportionate Share fair value of investment properties of \$807 (YTD - loss of \$42,911), compared to a loss of \$28,367 (YTD - loss of \$8,894) in Q3-18. The fair value gain in Q3-19 was primarily due to a realized fair value gain on the disposition of 415 Yonge Street, mostly offset by an unrealized fair value loss related to a decline in the value of select U.S. office properties.

Artis determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method. Capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one income is stabilized and capitalized at a rate deemed appropriate for each investment property. Individual properties were valued using capitalization rates in the range of 3.75% to 10.00%. Additional information on the average capitalization rates and ranges used for the portfolio properties, assuming all properties were valued using an overall capitalization method, broken out by asset class and country are set out in the table below.

| | September 30, 2019 | | | December 31, 2018 | | |
|--------------------|--------------------|---------|------------------|-------------------|---------|------------------|
| | Maximum | Minimum | Weighted-average | Maximum | Minimum | Weighted-average |
| Office: | | | | | | |
| Canada | 8.50% | 4.75% | 6.60% | 8.50% | 4.75% | 6.43% |
| U.S. | 8.00% | 6.00% | 6.99% | 8.00% | 5.75% | 6.83% |
| Total office | 8.50% | 4.75% | 6.79% | 8.50% | 4.75% | 6.62% |
| Retail: | | | | | | |
| Canada | 9.25 % | 5.25 % | 6.48 % | 8.75 % | 5.25 % | 6.41 % |
| U.S. | 10.00 % | 6.75 % | 8.59 % | 8.50 % | 5.75 % | 6.98 % |
| Total retail | 10.00 % | 5.25 % | 6.59 % | 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% | 6.20% | 8.00% | 5.25% | 6.47% |
| Total industrial | 8.00% | 3.75% | 5.92% | 8.00% | 3.75% | 6.17% |
| Total: | | | | | | |
| Canadian portfolio | 9.25% | 3.75% | 6.30% | 8.75% | 3.75% | 6.30% |
| U.S. portfolio | 10.00% | 5.00% | 6.76% | 8.50% | 5.25% | 6.72% |
| Total portfolio | 10.00% | 3.75% | 6.47% | 8.75% | 3.75% | 6.46% |

Inventory Properties

At September 30, 2019, inventory properties included one industrial property. The REIT is undergoing the conversion of this property into commercial condominium units.

Notes Receivable

On September 27, 2019, the REIT disposed of 415 Yonge Street and received as partial consideration a note receivable in the amount of \$79,000. The REIT will receive monthly interest-only payments at a rate of 5.05% per annum. The note receivable is secured by the office property and matures in July 2022.

In conjunction with the 2007 acquisition of TransAlta Place, the REIT acquired a note receivable in the amount of \$31,000. The balance of this note receivable at September 30, 2019 was \$9,131 (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 September 30, 2019 was \$98,707, compared to \$20,759 at December 31, 2018.

Cash

At September 30, 2019, the REIT had \$59,531 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 September 30, 2019 was 2.3 years, compared to 3.3 years at December 31, 2018.

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

Canadian Portfolio:

| | IFRS | | Proportionate Share | |
|--|--------------------|-------------------|---------------------|-------------------|
| | September 30, 2019 | December 31, 2018 | September 30, 2019 | December 31, 2018 |
| Fixed rate mortgages | \$ 411,291 | \$ 466,539 | \$ 444,266 | \$ 500,301 |
| Variable rate mortgages: | | | | |
| Hedged | 134,429 | 138,171 | 134,429 | 138,171 |
| Unhedged | 48,381 | 49,312 | 48,381 | 49,312 |
| Net above- and below-market mortgage adjustments | (48) | (59) | (48) | (59) |
| Financing costs | (1,200) | (1,671) | (1,275) | (1,757) |
| | \$ 592,853 | \$ 652,292 | \$ 625,753 | \$ 685,968 |

U.S. Portfolio:

| | IFRS | | Proportionate Share | |
|--|--------------------|-------------------|---------------------|-------------------|
| | September 30, 2019 | December 31, 2018 | September 30, 2019 | December 31, 2018 |
| Fixed rate mortgages | \$ 75,665 | \$ 209,048 | \$ 87,376 | \$ 221,335 |
| Variable rate mortgages: | | | | |
| Hedged | 378,670 | 396,070 | 378,670 | 396,070 |
| Unhedged | 415,318 | 431,531 | 484,242 | 489,315 |
| Net above- and below-market mortgage adjustments | 3,466 | 1,234 | 3,466 | 1,234 |
| Financing costs | (3,090) | (5,165) | (3,838) | (5,827) |
| | \$ 870,029 | \$ 1,032,718 | \$ 949,916 | \$ 1,102,127 |

Total Canadian and U.S. Portfolio:

| | IFRS | | Proportionate Share | |
|---|--------------------|-------------------|---------------------|-------------------|
| | September 30, 2019 | December 31, 2018 | September 30, 2019 | December 31, 2018 |
| Fixed rate mortgages | \$ 486,956 | \$ 675,587 | \$ 531,642 | \$ 721,636 |
| Variable rate mortgages: | | | | |
| Hedged | 513,099 | 534,241 | 513,099 | 534,241 |
| Unhedged | 463,699 | 480,843 | 532,623 | 538,627 |
| Net above- and below-market mortgage adjustments | 3,418 | 1,175 | 3,418 | 1,175 |
| Financing costs | (4,290) | (6,836) | (5,113) | (7,584) |
| | \$ 1,462,882 | \$ 1,685,010 | \$ 1,575,669 | \$ 1,788,095 |
| % of unhedged variable rate mortgage debt of total debt, including credit facilities and debentures | 16.5 % | 16.8 % | 18.2 % | 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): | | | |
| Assumed variable rate mortgage on acquisition | 33,278 | (31,614) | 1,664 |
| Draws on variable rate construction loans | 71 | 35,233 | 35,304 |
| 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) |
| Repayment of maturing fixed rate mortgage | (14,974) | — | (14,974) |
| Principal repayments | (23,368) | (667) | (24,035) |
| Foreign currency translation gain | (41,043) | (2,814) | (43,857) |
| Balance, June 30, 2019 | 1,569,000 | 103,971 | 1,672,971 |
| Add (deduct): | | | |
| Draws on variable rate construction loans | — | 9,108 | 9,108 |
| Repayment of fixed rate mortgages related to sale of investment properties | (94,368) | — | (94,368) |
| Repayment of maturing variable rate mortgage | (10,949) | — | (10,949) |
| Principal repayments | (10,917) | (337) | (11,254) |
| Foreign currency translation loss | 10,988 | 868 | 11,856 |
| Balance, September 30, 2019 | \$ 1,463,754 | \$ 113,610 | \$ 1,577,364 |

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

During Q3-19, the REIT renewed a maturing variable rate mortgage in the amount of US\$19,954 for a property held under a joint venture arrangement.

Senior Unsecured Debentures

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

| | | | | September 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 % | 199,860 | 200,000 | 199,565 | 200,000 |
| Series C | February 22, 2019 | February 22, 2021 | 3.674 % | 249,237 | 250,000 | — | — |
| | | | | \$ 449,097 | \$ 450,000 | \$ 399,536 | \$ 400,000 |

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

At September 30, 2019, the carrying value of the senior unsecured debentures increased \$49,561 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 September 30, 2019, there was \$603,378 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 September 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 \$7,457, which was paid subsequent to the end of the period.

UNITHOLDERS' EQUITY

Unitholders' equity decreased overall by \$246,047 between December 31, 2018 and September 30, 2019. The decrease was primarily due to common units of \$161,976 and preferred units of \$6,283 purchased through the NCIB, partially offset by the related contributed surplus of \$24,350. Also contributing to the decrease was the redemption of preferred units of \$75,710 and related contributed surplus of \$2,753, distributions made to unitholders of \$71,459 and other comprehensive loss of \$42,888, partially offset by net income of \$89,860 and the issuance of common units for \$812.

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 September 30, 2019 | Nine months ended September 30, 2019 | Year ended December 31, 2018 | Year ended December 31, 2017 |
|---|---|--|------------------------------------|------------------------------------|
| Cash flow from operations | \$ 50,273 | \$ 157,379 | \$ 213,727 | \$ 214,005 |
| Net income | 44,632 | 89,860 | 158,636 | 234,435 |
| Distributions declared | 23,534 | 73,326 | 173,408 | 181,052 |
| Excess of cash flow from operations over distributions declared | 26,739 | 84,053 | 40,319 | 32,953 |
| Excess (shortfall) of net income over distributions declared | 21,098 | 16,534 | (14,772) | 53,383 |

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

CAPITAL RESOURCES

At September 30, 2019, Artis had \$59,531 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 September 30, 2019, the REIT had \$96,622 available on its revolving term credit facilities.

At September 30, 2019, the REIT had 89 unencumbered properties and six unencumbered parcels of development land, inclusive of properties held in joint venture arrangements, representing a Proportionate Share fair value of \$1,919,866.

Artis is not in default or arrears on any of its obligations, including distributions to unitholders, interest or principal payments on debt or any debt covenants at September 30, 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 | \$ 104,437 | 104,437 | \$ — | \$ — | \$ — |
| Credit facilities | 903,378 | — | 657,378 | 246,000 | — |
| Senior unsecured debentures ⁽²⁾ | 450,000 | 200,000 | 250,000 | — | — |
| Mortgages and loans payable | 1,577,364 | 461,758 | 531,632 | 540,414 | 43,560 |
| Total contractual obligations | \$ 3,035,179 | \$ 766,195 | \$ 1,439,010 | \$ 786,414 | \$ 43,560 |

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 | \$ 234,177 | 15.9 % | \$ 9,784 | \$ 243,961 | 3.87 % |
| 2020 | 207,734 | 14.1 % | 33,250 | 240,984 | 4.01 % |
| 2021 | 405,088 | 27.5 % | 23,110 | 428,198 | 3.79 % |
| 2022 | 195,529 | 13.3 % | 16,870 | 212,399 | 3.91 % |
| 2023 | 397,132 | 27.0 % | 9,121 | 406,253 | 3.98 % |
| 2024 & later | 31,925 | 2.2 % | 13,644 | 45,569 | 3.64 % |
| Total | \$ 1,471,585 | 100.0 % | \$ 105,779 | \$ 1,577,364 | 3.90 % |

(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.

SUMMARIZED QUARTERLY INFORMATION

| \$000's, except per unit amounts | Q3-19 | Q2-19 | Q1-19 | Q4-18 | Q3-18 | Q2-18 | Q1-18 | Q4-17 |
|---|------------|-------------|------------|------------|------------|------------|------------|------------|
| Revenue | \$ 127,005 | \$ 133,928 | \$ 133,547 | \$ 132,864 | \$ 128,097 | \$ 126,140 | \$ 125,769 | \$ 126,256 |
| Expenses: | | | | | | | | |
| Property operating | 31,054 | 31,655 | 34,480 | 35,315 | 31,281 | 30,301 | 30,800 | 32,222 |
| Realty taxes | 20,227 | 21,740 | 20,589 | 20,290 | 20,605 | 19,951 | 20,004 | 19,092 |
| | 51,281 | 53,395 | 55,069 | 55,605 | 51,886 | 50,252 | 50,804 | 51,314 |
| Net operating income | 75,724 | 80,533 | 78,478 | 77,259 | 76,211 | 75,888 | 74,965 | 74,942 |
| Other income (expenses): | | | | | | | | |
| Corporate expenses | (4,181) | (4,113) | (4,117) | (2,186) | (2,585) | (3,364) | (6,301) | (3,332) |
| Interest expense | (27,342) | (27,916) | (27,252) | (26,853) | (25,032) | (25,665) | (23,614) | (23,462) |
| Interest income | 516 | 510 | 441 | 689 | 371 | 329 | 585 | 307 |
| Net income (loss) from investments in joint ventures | 21,525 | (691) | 2,657 | (2,085) | 5,343 | 475 | 5,021 | 5,742 |
| Fair value (loss) gain on investment properties | (19,829) | (24,508) | (18,527) | (23,576) | (32,096) | 24,505 | (5,932) | 4,906 |
| Foreign currency translation (loss) gain | (4,284) | 3,435 | 6,713 | (12,119) | 6,692 | (519) | (2,167) | (3,144) |
| Transaction costs | (80) | (137) | — | (488) | (227) | (27) | (5,676) | (543) |
| Fair value gain (loss) on derivative instruments and other transactions | 3,056 | (7,195) | (12,345) | (3,357) | (2,714) | 3,459 | 13,954 | (1,420) |
| Income before income taxes | 45,105 | 19,918 | 26,048 | 7,284 | 25,963 | 75,081 | 50,835 | 53,996 |
| Income tax (expense) recovery | (473) | (46) | (692) | (64) | (244) | (106) | (113) | 67 |
| Net income | 44,632 | 19,872 | 25,356 | 7,220 | 25,719 | 74,975 | 50,722 | 54,063 |
| Other comprehensive income (loss): | | | | | | | | |
| Unrealized foreign currency translation gain (loss) | 17,606 | (30,899) | (30,266) | 77,121 | (23,702) | 28,260 | 34,510 | 12,534 |
| Unrealized gain (loss) from remeasurements of net pension obligation | — | 269 | 402 | (437) | — | — | — | (33) |
| | 17,606 | (30,630) | (29,864) | 76,684 | (23,702) | 28,260 | 34,510 | 12,501 |
| Total comprehensive income (loss) | \$ 62,238 | \$ (10,758) | \$ (4,508) | \$ 83,904 | \$ 2,017 | \$ 103,235 | \$ 85,232 | \$ 66,564 |
| Net income per unit attributable to common unitholders: | | | | | | | | |
| Basic | \$ 0.28 | \$ 0.10 | \$ 0.13 | \$ 0.01 | \$ 0.13 | \$ 0.45 | \$ 0.30 | \$ 0.33 |
| Diluted | 0.28 | 0.10 | 0.13 | 0.01 | 0.13 | 0.45 | 0.29 | 0.33 |
| Secured mortgages and loans to GBV | 26.9 % | 28.3 % | 28.8 % | 29.4 % | 29.4 % | 30.2 % | 30.2 % | 29.9 % |

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

Reconciliation of Net Income to FFO and AFFO

| 000's, except per unit amounts | Q3-19 | Q2-19 | Q1-19 | Q4-18 | Q3-18 | Q2-18 | Q1-18 | Q4-17 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
| Net income | \$ 44,632 | \$ 19,872 | \$ 25,356 | \$ 7,220 | \$ 25,719 | \$ 74,975 | \$ 50,722 | \$ 54,063 |
| Add (deduct): | | | | | | | | |
| Adjustment for investments in joint ventures ⁽¹⁾ | (20,480) | 2,075 | (970) | 3,434 | (3,548) | 796 | (2,919) | (3,245) |
| Fair value loss (gain) on investment properties | 19,829 | 24,508 | 18,527 | 23,576 | 32,096 | (24,505) | 5,932 | (4,906) |
| Tenant inducements amortized to revenue | 5,835 | 5,831 | 5,465 | 5,152 | 4,871 | 4,940 | 4,798 | 4,415 |
| Transaction costs on acquisitions | 80 | 137 | — | 488 | 227 | 27 | 651 | 543 |
| Strategic review costs | 421 | — | — | — | — | — | — | — |
| Foreign currency translation loss (gain) | 4,284 | (3,435) | (6,713) | 12,119 | (6,692) | 519 | 2,167 | 3,144 |
| Fair value (gain) loss on derivative instruments and other transactions | (3,056) | 7,195 | 12,345 | 3,357 | 2,714 | (3,459) | (13,954) | 1,420 |
| Deferred income tax expense | 336 | — | — | — | — | — | — | — |
| Remeasurement component of unit-based compensation | 669 | 204 | 531 | (946) | (342) | (135) | (87) | 289 |
| Distributions on preferred shares treated as interest expense | 45 | 45 | 44 | 44 | 45 | 43 | 42 | 43 |
| Incremental leasing costs | 721 | 882 | 1,133 | 1,124 | 654 | 889 | 916 | 1,252 |
| Preferred unit distributions | (4,713) | (5,405) | (5,434) | (5,461) | (5,283) | (5,283) | (5,921) | (4,643) |
| FFO | \$ 48,603 | \$ 51,909 | \$ 50,284 | \$ 50,107 | \$ 50,461 | \$ 48,807 | \$ 42,347 | \$ 52,375 |
| Add (deduct): | | | | | | | | |
| Amortization of recoverable capital expenditures ⁽²⁾ | \$ (2,421) | \$ (2,405) | \$ (2,403) | \$ (2,716) | \$ (2,223) | \$ (2,274) | \$ (2,170) | \$ (3,407) |
| Non-recoverable property maintenance reserve ⁽²⁾ | (950) | (950) | (950) | (950) | (950) | (950) | (950) | (950) |
| Leasing costs reserve ⁽²⁾ | (7,700) | (7,560) | (7,560) | (7,560) | (7,560) | (7,560) | (7,850) | (8,100) |
| Straight-line rent adjustments ⁽²⁾ | (1,763) | (1,624) | (1,764) | (1,337) | (2,145) | (1,719) | (1,797) | (1,925) |
| AFFO | \$ 35,769 | \$ 39,370 | \$ 37,607 | \$ 37,544 | \$ 37,583 | \$ 36,304 | \$ 29,580 | \$ 37,993 |
| FFO per unit: | | | | | | | | |
| Basic | \$ 0.35 | \$ 0.36 | \$ 0.34 | \$ 0.33 | \$ 0.33 | \$ 0.32 | \$ 0.28 | \$ 0.35 |
| Diluted | 0.34 | 0.36 | 0.34 | 0.33 | 0.33 | 0.32 | 0.28 | 0.35 |
| AFFO per unit: | | | | | | | | |
| Basic | \$ 0.25 | \$ 0.28 | \$ 0.25 | \$ 0.25 | \$ 0.24 | \$ 0.24 | \$ 0.20 | \$ 0.25 |
| Diluted | 0.25 | 0.27 | 0.25 | 0.24 | 0.24 | 0.24 | 0.19 | 0.25 |
| Weighted-average number of common units outstanding for FFO: | | | | | | | | |
| Basic | 140,396 | 142,981 | 148,564 | 153,138 | 153,820 | 153,798 | 151,494 | 150,594 |
| Diluted ⁽³⁾ | 141,530 | 143,593 | 149,217 | 153,711 | 154,401 | 154,346 | 152,041 | 151,022 |

(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 | Q3-19 | Q2-19 | Q1-19 | Q4-18 | Q3-18 | Q2-18 | Q1-18 | Q4-17 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| FFO per above | \$ 48,603 | \$ 51,909 | \$ 50,284 | \$ 50,107 | \$ 50,461 | \$ 48,807 | \$ 42,347 | \$ 52,375 |
| Add (deduct): | | | | | | | | |
| Pension liability adjustment ⁽¹⁾ | — | — | — | — | — | — | 3,392 | — |
| Property management termination fees ⁽¹⁾ | — | — | — | — | — | — | 5,025 | — |
| Normalized FFO | \$ 48,603 | \$ 51,909 | \$ 50,284 | \$ 50,107 | \$ 50,461 | \$ 48,807 | \$ 50,764 | \$ 52,375 |
| Normalized AFFO | \$ 35,769 | \$ 39,370 | \$ 37,607 | \$ 37,544 | \$ 37,583 | \$ 36,304 | \$ 37,997 | \$ 37,993 |
| Normalized FFO per unit: | | | | | | | | |
| Basic | \$ 0.35 | \$ 0.36 | \$ 0.34 | \$ 0.33 | \$ 0.33 | \$ 0.32 | \$ 0.34 | \$ 0.35 |
| Diluted | 0.34 | 0.36 | 0.34 | 0.33 | 0.33 | 0.32 | 0.33 | 0.35 |
| Normalized AFFO per unit: | | | | | | | | |
| Basic | \$ 0.25 | \$ 0.28 | \$ 0.25 | \$ 0.25 | \$ 0.24 | \$ 0.24 | \$ 0.25 | \$ 0.25 |
| Diluted | 0.25 | 0.27 | 0.25 | 0.24 | 0.24 | 0.24 | 0.25 | 0.25 |

(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 November 4, 2019, the balance of common units outstanding is 137,933,930.

As of November 4, 2019, the balance of preferred units outstanding is as follows:

| | Series A | Series E | Series I | Total |
|---|-----------|-----------|-----------|------------|
| Preferred units outstanding at September 30, 2019 | 3,387,300 | 3,850,700 | 5,000,000 | 12,238,000 |
| Preferred units purchased and cancelled through NCIB | — | (6,300) | — | (6,300) |
| Preferred units purchased through NCIB, not cancelled at November 4, 2019 | — | (3,200) | — | (3,200) |
| Preferred units outstanding at November 4, 2019 | 3,387,300 | 3,841,200 | 5,000,000 | 12,228,500 |

The balance of restricted units outstanding as of November 4, 2019 is 674,474, none of which have vested.

The balance of deferred units outstanding as of November 4, 2019 is 468,861. All of these deferred units have vested, 20,786 are redeemable.

OUTLOOK

Scotiabank's Global Outlook dated October 10, 2019, predicts that real GDP in Canada will grow by 1.6% in 2019 and 1.8% in 2020. GDP in British Columbia, Saskatchewan, Manitoba and Ontario is predicted to grow by 2.8%, 1.5%, 1.5% and 1.7%, respectively, in 2020, which are healthy growth rates. Scotiabank is forecasting GDP growth of 2.4% in 2020 for Alberta, and stabilized unemployment rates for the province. 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 2.2% in 2019 and 1.4% in 2020. According to the United States Bureau of Labor Statistics, U.S. unemployment decreased nationally from 3.7% to 3.5% year-over-year in September. Most recently available unemployment rates in our U.S. target markets are generally near or below the national average. We continue to monitor this and other key economic indicators in our target U.S. markets on a continuous basis. Given the health of the U.S. economy, strength of the US dollar, positive GDP growth expectations and decline in unemployment rates, we anticipate that there is further growth potential to be realized during the remainder of 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 September 30, 2019, we have purchased 15,959,760 common units for a weighted-average price of \$10.84, and 273,500 preferred units for a weighted-average price of \$21.01.

In accordance with these new initiatives, at September 30, 2019, we have sold or entered into unconditional agreements to sell 14 properties totalling 1,551,876 square feet of leasable area for \$533,751. At September 30, 2019, we had 17 properties and two parcels of development land classified as held for sale, including eight office properties and nine retail properties that have a total fair value of \$326,932.

Subsequent to the end of the quarter, we sold the Estevan Portfolio, comprising two retail properties located in Estevan, Saskatchewan, for a sale price of \$13,000, representing a capitalization rate of 9.52%.

Also subsequent to the end of the quarter, we entered into an unconditional agreement to sell Centre 15 Building, an office property located in Calgary, Alberta, for \$14,000, which represents a capitalization rate of 7.50%. The fair value of Centre 15 Building at September 30, 2019, was \$13,000 and the sale is expected to close in January 2020. Additionally, we entered into an unconditional agreement to sell the Minnesota Retail Portfolio, comprising 6 retail properties and one parcel of development land in the Twin Cities Area, Minnesota, for approximately \$46,353, which represents a capitalization rate of 10.75%. The fair value of the Minnesota Retail Portfolio at September 30, 2019, was \$52,034 and the sale is expected to close in December 2019.

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 20.2% (reported for the quarter ended September 30, 2019) 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 into 2020, and that our properties will perform in line with the moderate growth expectations of our target markets. We will continue to focus on organic growth and value creation opportunities by extracting maximum value from our portfolio, redevelopment and repositioning of select assets in primary markets through property improvement projects, expansion of existing portfolio properties, selective recycling of capital and capitalizing on new development opportunities.

SUBSEQUENT EVENTS

As at September 30, 2019, Artis had \$59,531 of cash on hand and \$96,622 available on its revolving term credit facilities. Subsequent to September 30, 2019, the following transactions took place:

- The REIT received upwards financing upon renewal of a variable rate mortgage in the amount of US\$8,552.
- The REIT repaid three maturing mortgages in the aggregate amounts of \$8,609 and US\$19,891.
- The REIT acquired the second phase of an office development project located in the Twin Cities Area, Minnesota for a purchase price of US\$41,961, which was partially satisfied with new mortgage financing in the amount of US\$25,175.
- The REIT disposed of a portfolio of two retail properties located in Estevan, Saskatchewan. The properties were sold for \$13,000 and the purchaser assumed the outstanding mortgage financing in the amount of \$3,298.
- The REIT acquired a parcel of industrial development land adjacent to an existing industrial property in the Greater Houston Area, Texas for a purchase price of US\$3,614.
- The REIT entered into an unconditional agreement to sell an office property located in Calgary, Alberta for \$14,000 with expected closing in January 2020.
- The REIT entered into an unconditional agreement to sell a portfolio of six retail properties and a parcel of development land located in the Twin Cities Area, Minnesota for US\$35,100 with expected closing in December 2019.
- The REIT drew a net balance of \$5,000 and US\$14,600 on its revolving term credit facilities.

- The REIT purchased through the NCIB 9,500 Series E preferred units at a weighted-average price of \$21.33.
- The REIT declared a monthly cash distribution of \$0.045 per common unit for the month of October 2019.
- The REIT declared a quarterly cash distribution of \$0.3750 per Series I preferred unit for the three months ended October 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 September 30, 2019, 33.3% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 35.1% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At September 30, 2019, the REIT is a party to \$2,080,176 of variable rate debt, including credit facilities and debentures (December 31, 2018, \$1,989,356). At September 30, 2019, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with \$1,013,099 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 September 30, 2019, the REIT's ratio of secured mortgages and loans to GBV was 26.9%, compared to 29.4% at December 31, 2018. At September 30, 2019, the REIT's ratio of total long-term debt and credit facilities to GBV was 51.8%, compared to 49.9% at December 31, 2018. Approximately 17.2% of Artis' maturing mortgage debt comes up for renewal during the remainder of 2019, and 13.3% in 2020. Management is in discussion with various lenders with respect to the renewal or refinancing of the remainder 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 1,847 tenant leases with a weighted-average term to maturity of 5.0 years. Approximately 53.3% 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. | 2.3 % | 322 | 1.3 % | 3.4 |
| Graham Group Ltd. | 1.8 % | 243 | 1.0 % | 14.8 |
| AT&T | 1.6 % | 257 | 1.1 % | 5.8 |
| WorleyParsons Canada Services Ltd. | 1.5 % | 170 | 0.7 % | 2.0 |
| Bell Canada | 1.3 % | 115 | 0.5 % | 10.0 |
| Home Depot | 1.3 % | 153 | 0.6 % | 9.5 |
| TDS Telecommunications Corporation | 1.2 % | 195 | 0.8 % | 5.3 |
| TransAlta Corporation | 1.1 % | 336 | 1.4 % | 3.7 |
| The Toronto Dominion Bank | 1.1 % | 133 | 0.5 % | 4.9 |
| Shoppers Drug Mart Inc. | 1.0 % | 136 | 0.6 % | 5.8 |
| CB Richard Ellis, Inc. | 0.9 % | 108 | 0.4 % | 7.3 |
| Canadian Institute for Health Information | 0.9 % | 92 | 0.4 % | 5.9 |
| Fairview Health Services | 0.9 % | 179 | 0.7 % | 3.9 |
| Cara Operations Ltd. | 0.8 % | 100 | 0.4 % | 9.3 |
| 3M Canada Company | 0.8 % | 319 | 1.3 % | 5.0 |
| Prime Therapeutics LLC | 0.8 % | 223 | 0.9 % | 15.0 |
| Catalent Pharma Solutions, LLC | 0.7 % | 198 | 0.8 % | 17.3 |
| Bellatrix Exploration Ltd. | 0.7 % | 94 | 0.4 % | 10.4 |
| Telephone and Data Systems, Inc. | 0.7 % | 131 | 0.5 % | 5.3 |
| UCare Minnesota | 0.7 % | 124 | 0.5 % | 2.7 |
| Total | 22.1 % | 3,628 | 14.8 % | 7.2 |

(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 | 1.1 % | 189 | 0.8 % | 2.0 |
| Provincial Government | 0.8 % | 117 | 0.5 % | 6.2 |
| Civic or Municipal Government | 0.4 % | 98 | 0.4 % | 12.3 |
| Total | 2.3 % | 404 | 1.7 % | 5.7 |
| Weighted-average term to maturity (entire portfolio) | | | | 5.0 |

(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. | | | | Total |
|-----------------------------------|---------------|--------------|---------------|--------------|---------------|---------------------|--------------|---------------|--------------|--------------|----------------|
| | AB | BC | MB | SK | ON | Calgary office only | AZ | MN | WI | Other | |
| 2019 | 0.7 % | 0.1 % | 0.6 % | 0.1 % | 1.2 % | 0.2 % | 0.5 % | 2.0 % | 0.5 % | 0.2 % | 5.9 % |
| 2020 | 0.9 % | 0.1 % | 2.5 % | 0.3 % | 1.6 % | 0.1 % | 1.2 % | 2.7 % | 1.0 % | 0.3 % | 10.6 % |
| 2021 | 2.3 % | 0.2 % | 2.5 % | 0.5 % | 1.2 % | 1.3 % | 1.0 % | 5.1 % | 0.4 % | 0.3 % | 13.5 % |
| 2022 | 1.0 % | 0.1 % | 1.1 % | 1.4 % | 2.3 % | 0.1 % | 0.3 % | 2.7 % | 0.4 % | 0.7 % | 10.0 % |
| 2023 | 2.7 % | 0.3 % | 1.4 % | 0.6 % | 1.4 % | 1.5 % | 0.4 % | 1.9 % | 0.2 % | 0.6 % | 9.5 % |
| 2024 | 1.2 % | 0.1 % | 1.3 % | 0.3 % | 1.2 % | 0.6 % | 0.4 % | 2.7 % | 1.3 % | 0.3 % | 8.8 % |
| 2025 & later | 4.0 % | 0.7 % | 4.1 % | 2.3 % | 5.3 % | 1.4 % | 3.2 % | 5.9 % | 2.3 % | 4.3 % | 32.1 % |
| Month-to-month | 0.1 % | — % | — % | — % | — % | 0.1 % | — % | — % | 0.2 % | — % | 0.3 % |
| Vacant | 1.8 % | 0.1 % | 1.4 % | 0.3 % | 0.6 % | 1.2 % | 0.5 % | 0.8 % | 0.6 % | 0.4 % | 6.5 % |
| New development/ redevelopment | 0.4 % | — % | — % | — % | 0.2 % | 0.4 % | — % | — % | — % | 2.2 % | 2.8 % |
| Total | 15.1 % | 1.7 % | 14.9 % | 5.8 % | 15.0 % | 6.9 % | 7.5 % | 23.8 % | 6.9 % | 9.3 % | 100.0 % |

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the office, retail and industrial asset classes. By city and asset class, the five largest segments of the REIT's portfolio (by Q3-19 Proportionate Share Property NOI) are Twin Cities Area office, Madison office, Twin Cities Area industrial, Calgary office and Greater Phoenix Area 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 nine months ended September 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 September 30, 2019, investment properties under development account for 1.7% 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 September 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 nine months ended September 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 September 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 nine months ended September 30, 2019.