



# Artis Real Estate Investment Trust

Q3-19 Investor Presentation

November 2019



# Forward-Looking Information

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This presentation 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 REITs future operation 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. All forward-looking statements in this presentation are made as of November 2019.

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, availability of cash flow, general uninsured losses, future property acquisitions and dispositions, environmental matters, tax related matters, debt financing, unitholder liability, potential conflicts of interest, potential dilution, reliance on key personnel, changes in legislation and changes in the tax treatment of trusts. Artis cannot assure investors that actual results will be consistent with any forward-looking statements and Artis assumes no obligation to update or revise such forward-looking statements to reflect actual events or new circumstances. All forward-looking statements contained in this presentation are qualified by this cautionary statement.

Information in this presentation should be read in conjunction with Artis' applicable consolidated financial statements and management's discussion and analysis. Additional information about Artis, including risks and uncertainties that could cause actual results to differ from those implied or inferred from any forward-looking statements in this presentation, are contained in our various securities filings, including our current Annual Information Form, our interim filings dated May 9, 2019, August 1, 2019 and November 4, 2019 our 2018 annual earnings press release dated February 28, 2019, and our audited annual consolidated financial statements for the years ended December 31, 2018 and 2017, which are available on SEDAR at [www.sedar.com](http://www.sedar.com) or on our company website at [www.artisreit.com](http://www.artisreit.com).

# Investing in Artis



## 1 Investing in Capital Cities

- Provincial and State capitals
- University capitals

## 2 Robust Yield – 55% Pay Out Ratio vs 85% Average in the TSX REIT Sector

- ~ 4.5% cash distribution yield
- ~ 8.0% AFFO yield
- 7.0% implied cap rate
- Low price multiple
- Investment-grade credit rating – DBRS

## 3 Additional Levers of Growth

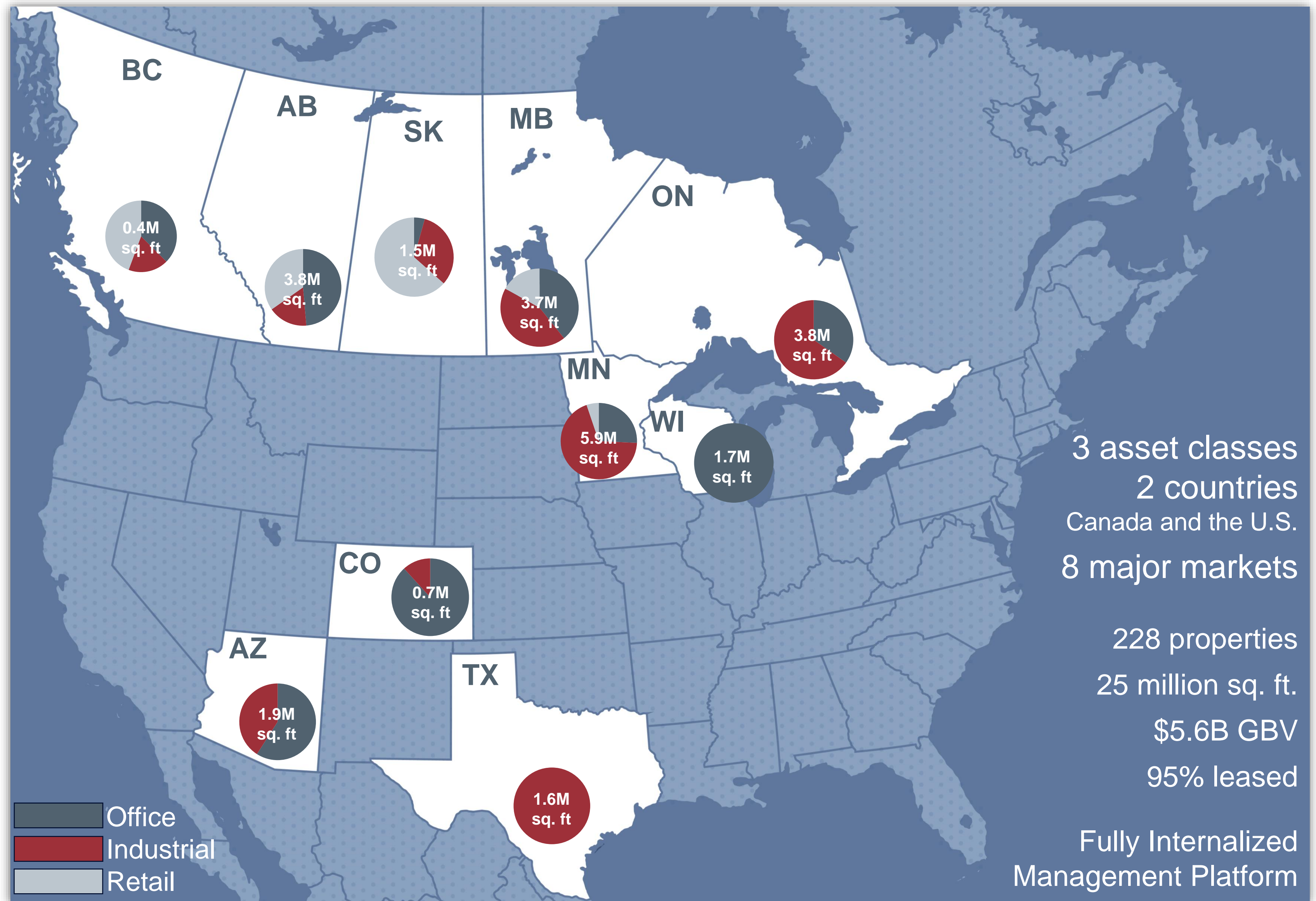
- Active NCIB - \$270 million unit buyback
- Accretive recycling of capital
- ~\$1 billion recycling target
- Positive earnings profile

## 4 Creating Value Through Development

- Industrial developments
- 7.0% targeted unlevered yield



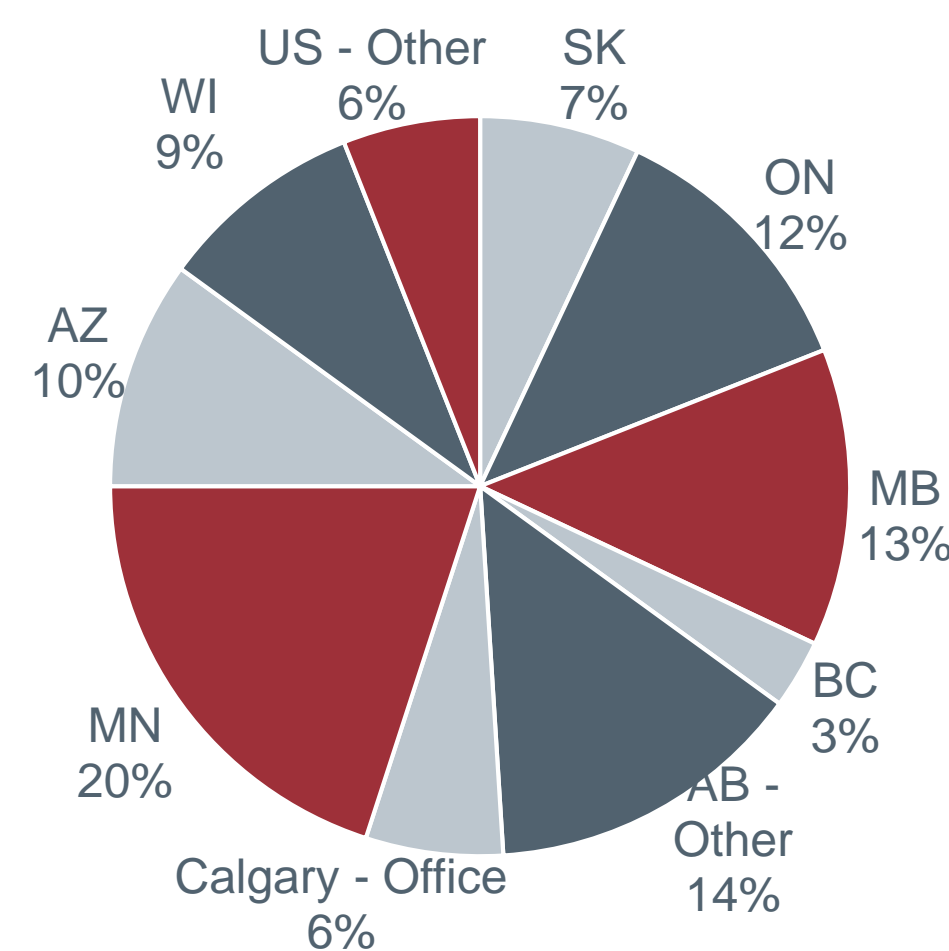
# Diversified Commercial Portfolio



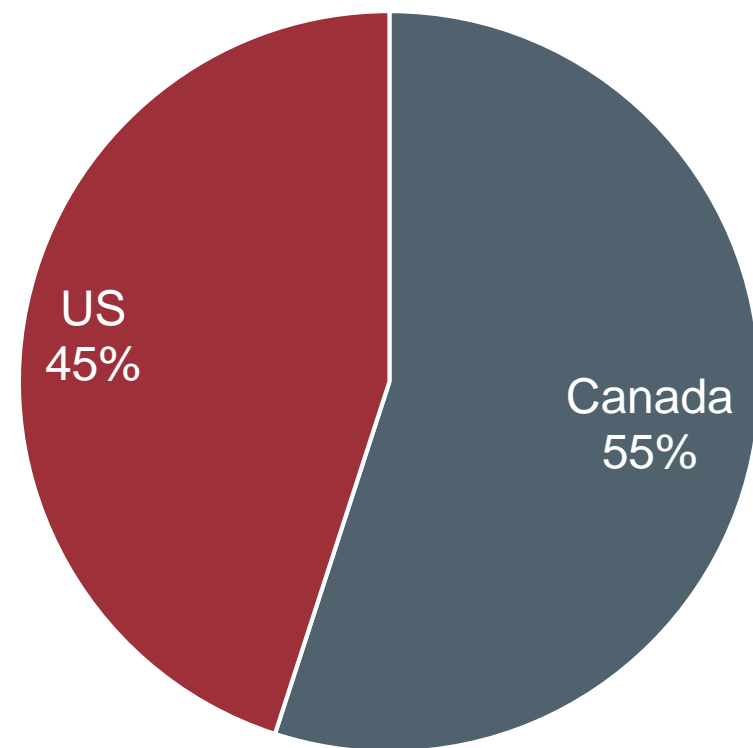
Leased percentage includes commitments on vacant space and excludes properties held for redevelopment and new developments in process.

# Portfolio Diversification

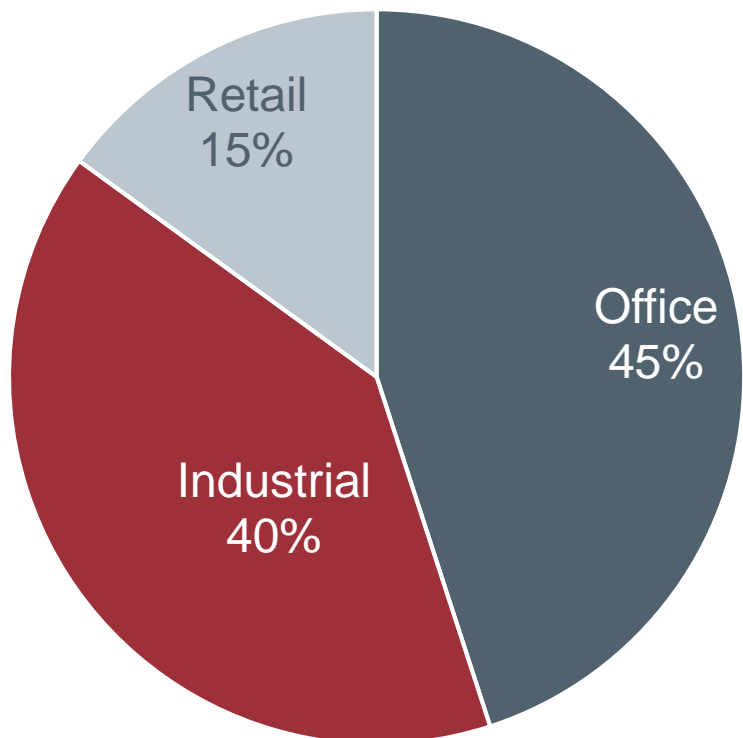
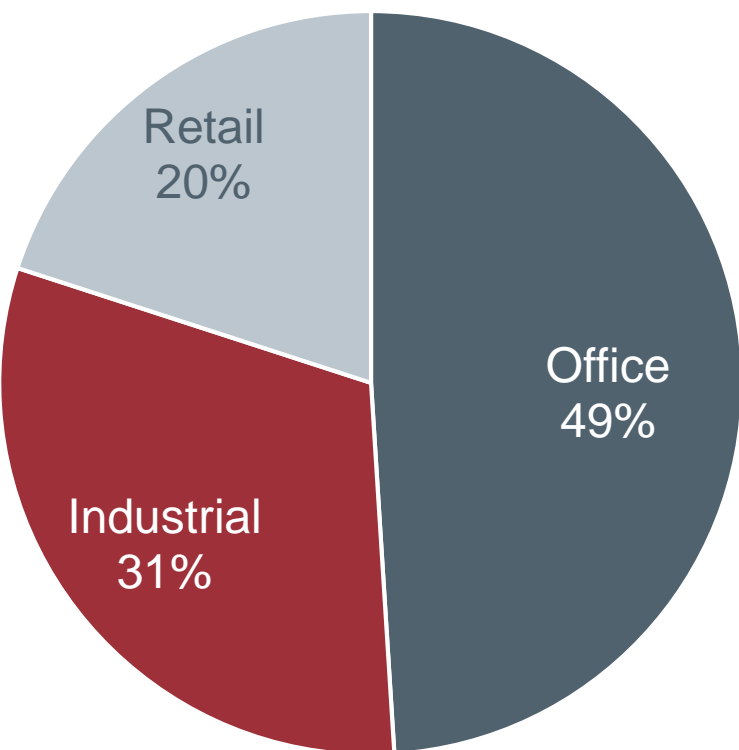
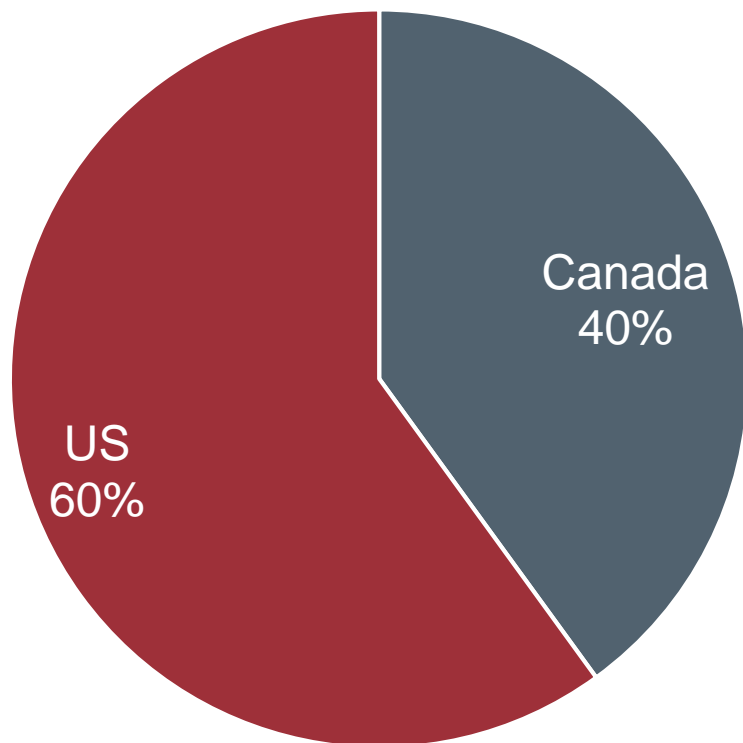
NOI by Geographical Region



Q3-19 Net Operating Income



Projected 2020/2021 NOI upon implementation of new initiatives



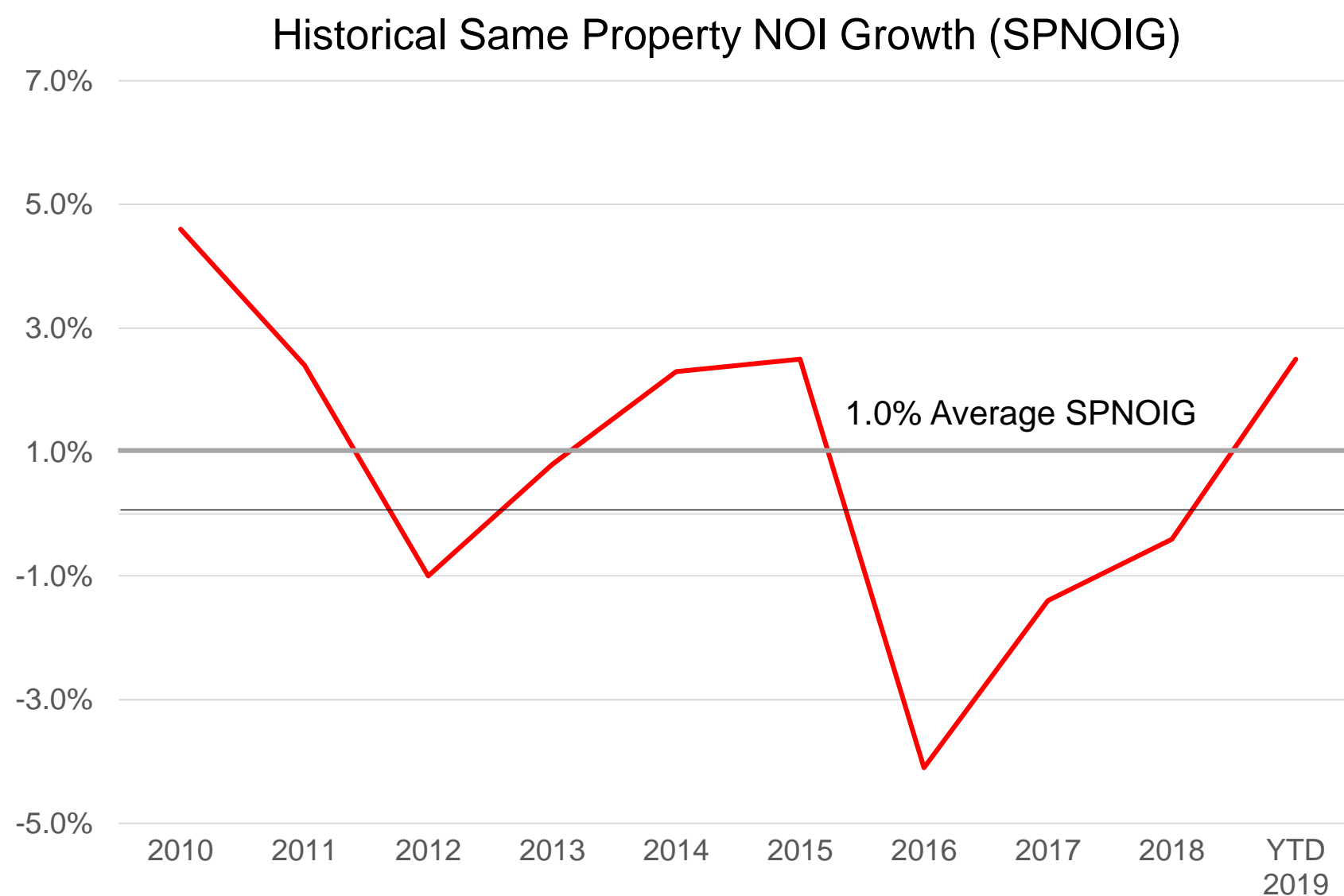
Streamlining and improving the portfolio

Property NOI for three months ended September 30, 2019, inclusive of Artis' proportionate share of joint venture arrangements.



# Office Asset Class

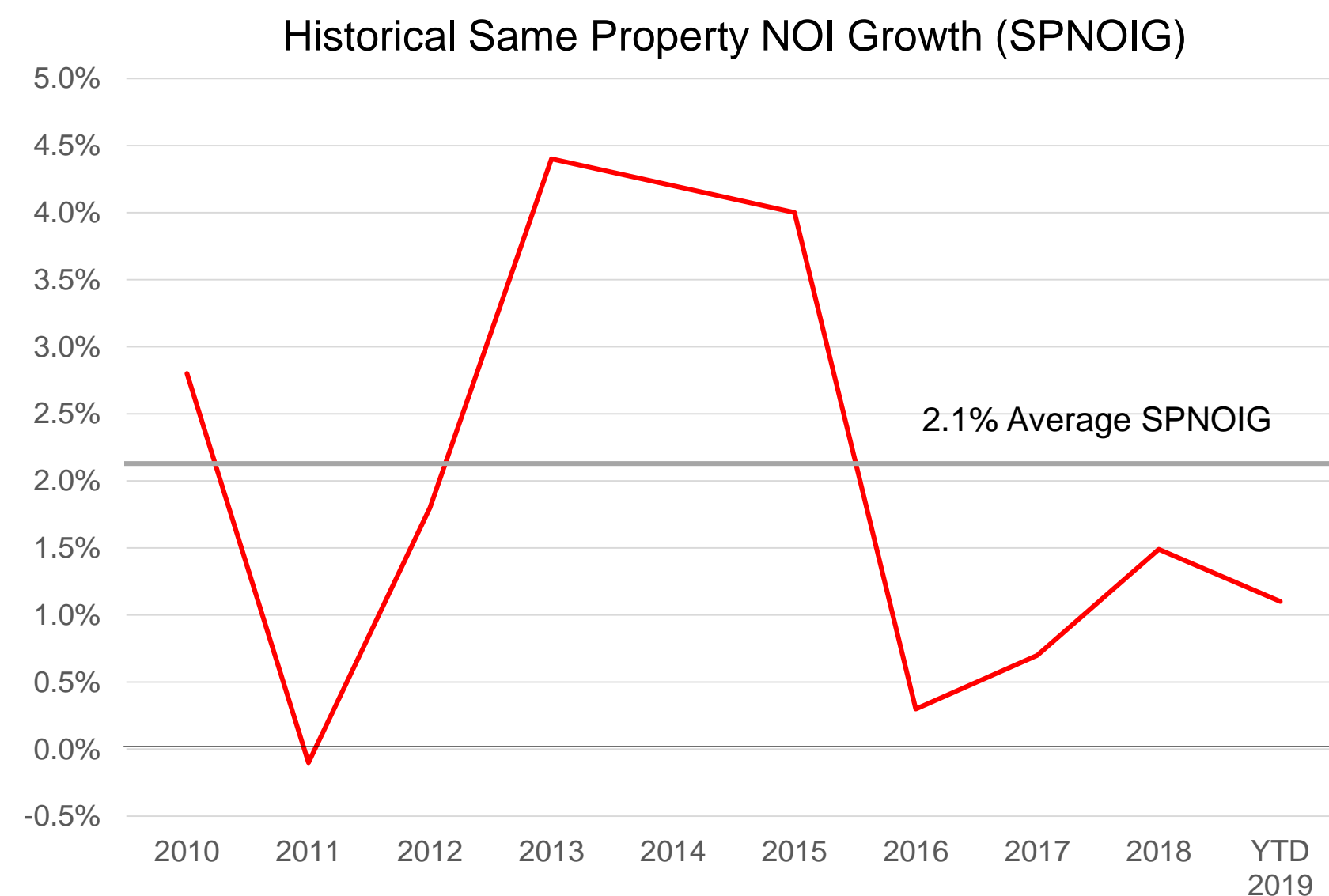
Number of Properties	65
GLA	9.7 million sq. ft.
Leased	87%
Diversification	Major markets in Canada and the US
IFRS GBV/IFRS Weighted-Average Cap Rate	\$2.6 billion/6.8%
2019 YTD Same Property NOI Growth	+2.5%
2018 Property NOI (on a proportionate share basis)	\$167.2 million





# Retail Asset Class

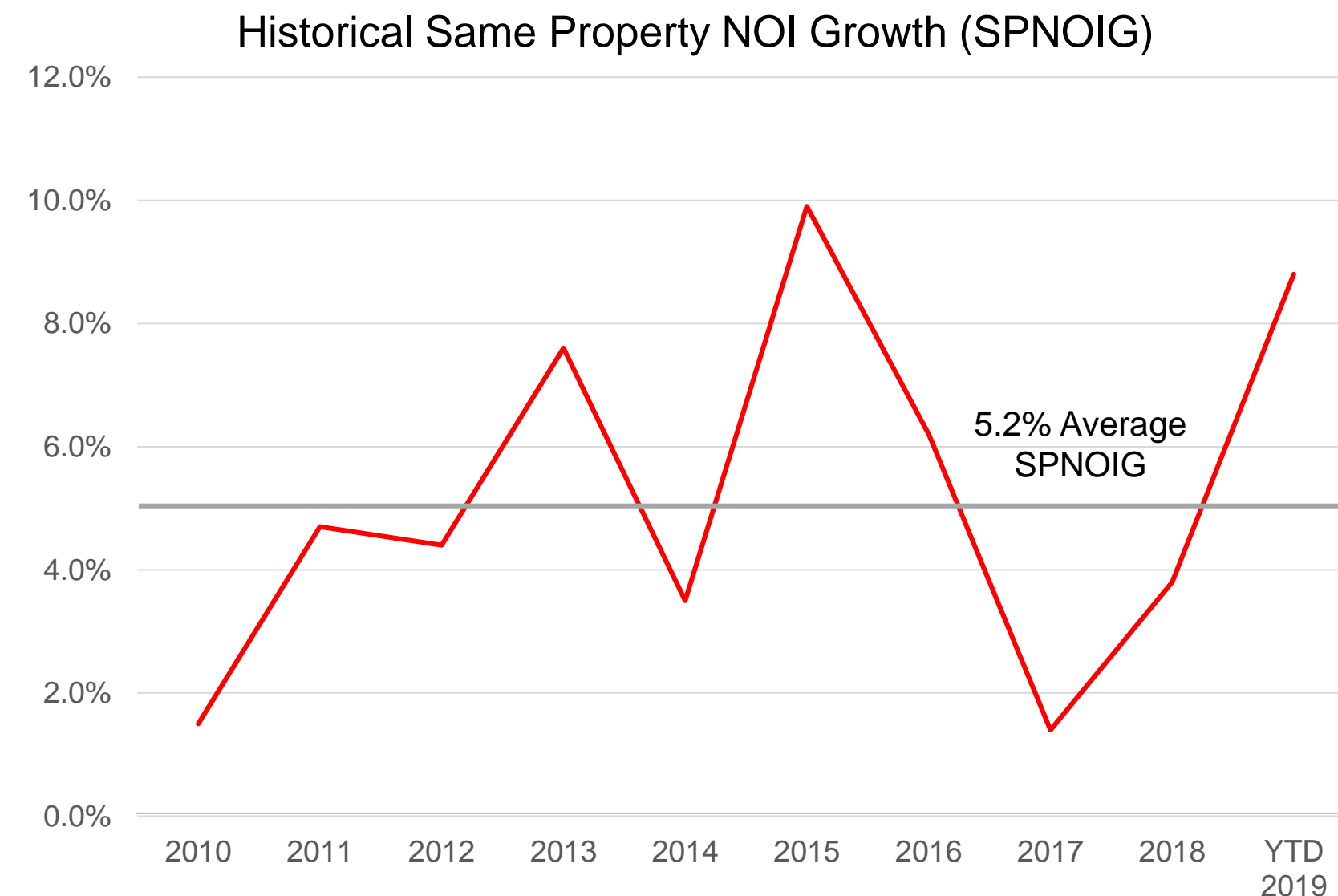
Number of Properties	50
GLA	3.3 million sq. ft.
Leased	93%
Diversification	Major markets in Canada and the US
IFRS GBV/IFRS Weighted-Average Cap Rate	\$1.0 billion/6.6%
2019 YTD Same Property NOI Growth	+1.1%
2018 Property NOI (on a proportionate share basis)	\$64.5 million





# Industrial Asset Class

Number of Properties	113
GLA	12.0 million sq. ft.
Leased	99%
Diversification	Major markets in Canada and the US
IFRS GBV/IFRS Weighted-Average Cap Rate	\$1.8 billion/5.9%
2019 YTD Same Property NOI Growth	+8.8%
2018 Property NOI (on a proportionate share basis)	\$83.6 million





# The Sum of All Parts

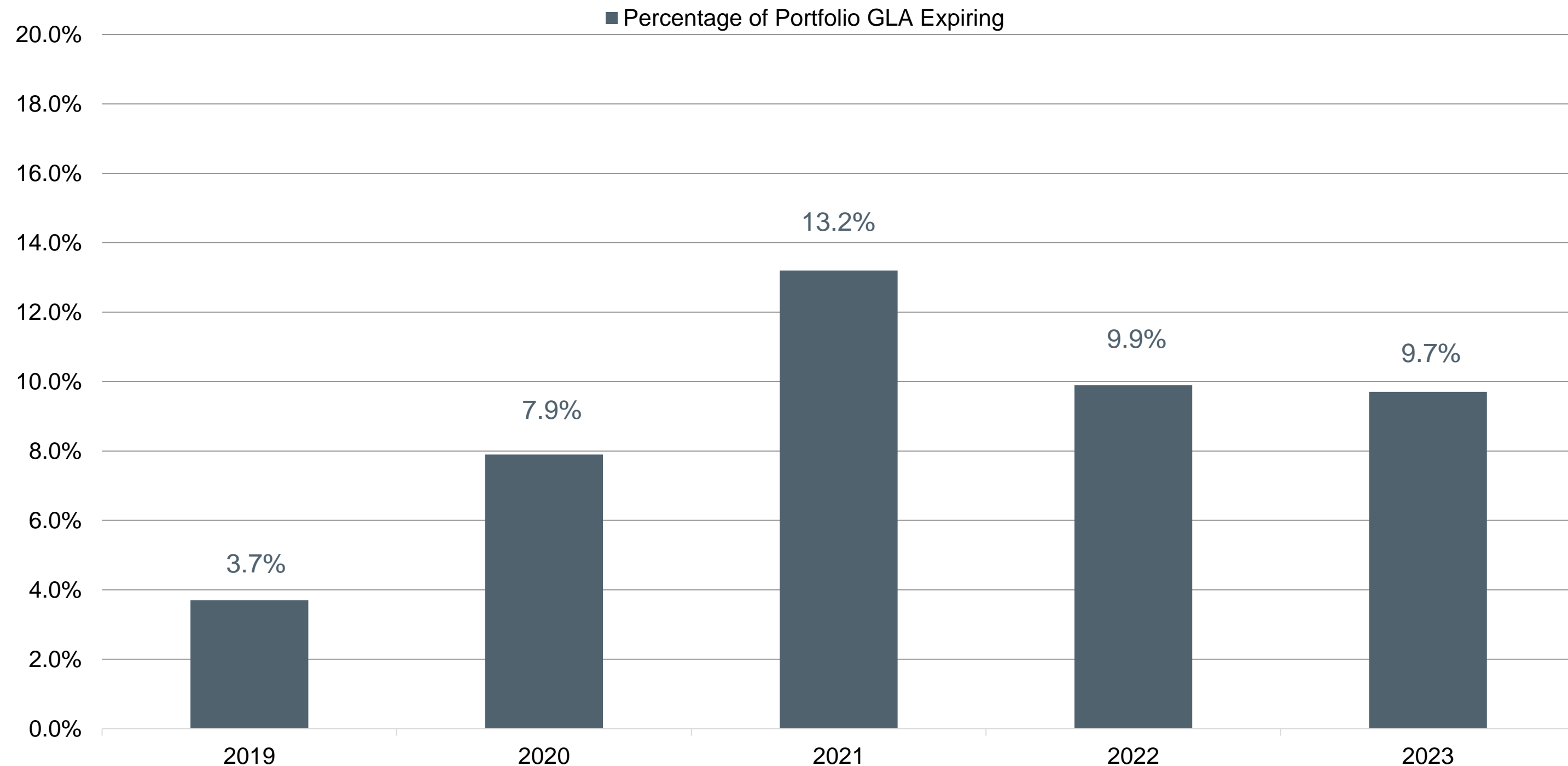
	Share of Property NOI	Number of Properties	GLA	Leased	Same Property NOI Growth YTD	IFRS Weighted- Average Cap Rate	IFRS GBV
Office	49%	65	9.7 million sq. ft.	87%	2.5%	6.8%	\$2.7B
Retail	20%	50	3.3 million sq. ft.	93%	1.1%	6.6%	\$1.0B
Industrial	31%	113	12 million sq. ft.	99%	8.8%	5.9%	\$1.8B
Other							\$0.1B
<b>TOTAL</b>	<b>100%</b>	<b>228</b>	<b>25 million sq. ft.</b>	<b>94%</b>	<b>3.9%</b>	<b>6.5%</b>	<b>\$5.6B</b>

NAV: \$15.72 per unit





# Lease Expiration Schedule



**Same Property NOI Growth YTD: 3.9%**

(5.3% excluding the Calgary office segment and properties planned for disposition)

**Q3 Weighted-Average Increase in Renewal Rents: 8.7%**

The chart above reflects the percentage of Artis' total GLA expiring (excluding properties held for redevelopment, certain completed new developments and new developments in process) exclusive of GLA that has been renewed or committed to new leases at September 30, 2019.



# Leverage Profile DBRS: BBB- Credit Rating

## Healthy Balance Sheet and Liquidity

Fiscal quarter ending:	September 30, 2018	December 31, 2018	September 30, 2019	DBRS Recommended Threshold
Debt: GBV	48.6%	50.6%	52.6%	≤ 53.0%
Secured mortgages and loans: GBV	30.9%	30.6%	28.3%	N/A
Unencumbered assets	\$1.8 billion	\$1.8 billion	\$1.9 billion	N/A
Normalized EBITDA interest coverage	3.14	3.04	2.85	≥ 2.3
Debt: EBITDA	8.33	9.0	9.3	≤ 9.4

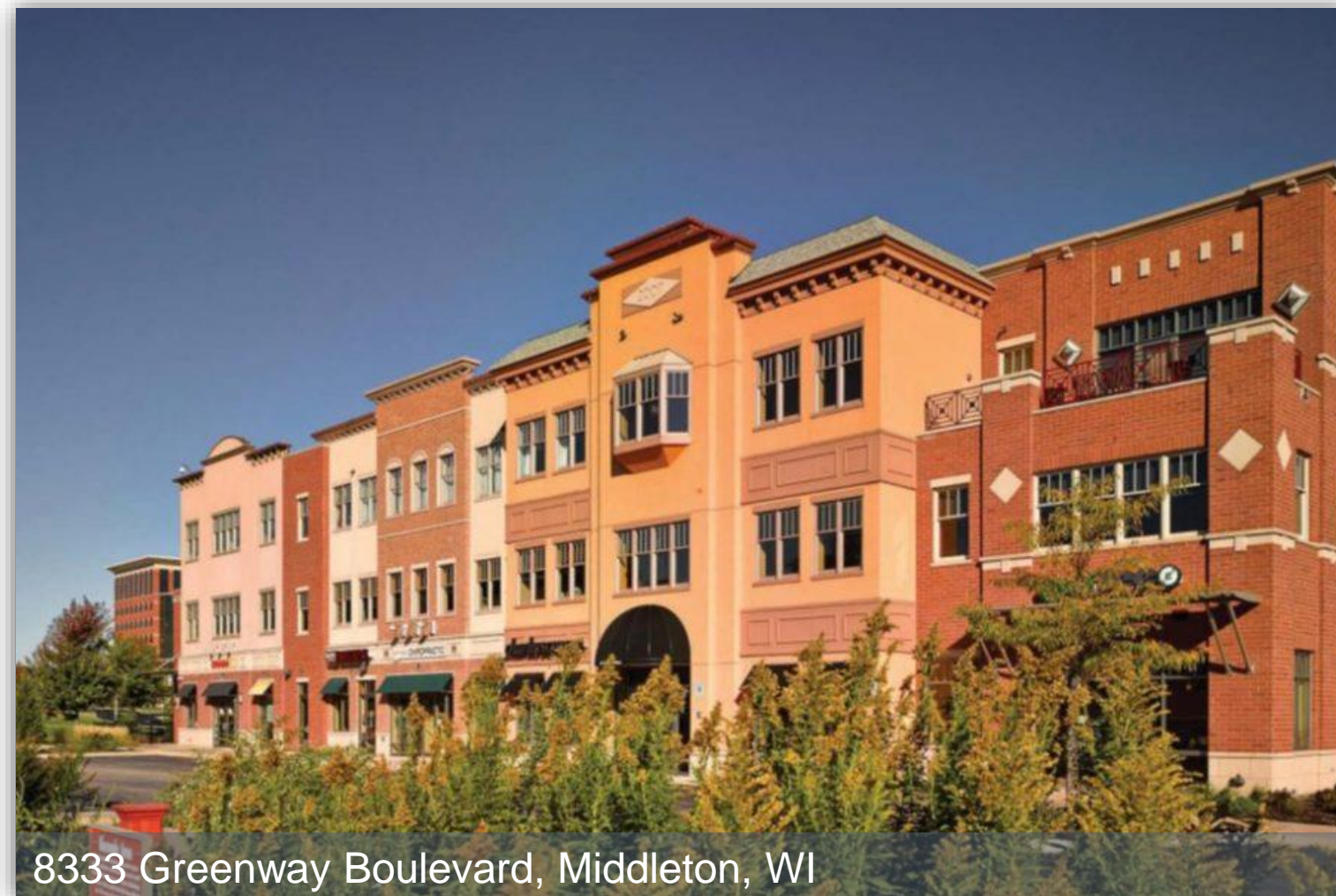
Cash and cash equivalents at September 30, 2019: **\$59.5 million**

Availability on unsecured credit facilities at September 30, 2019: **\$96.6 million**

Information on this slide is inclusive of Artis' proportionate share of its joint venture arrangements.



# Unit Price + NAV Metrics



## Information as of November 2019

Unit Price:	\$12.15
Distribution per Unit:	\$0.54
Cash Yield:	4.5%
Market Cap:	\$1.7B
Implied Cap Rate:	7.0%

Analyst Consensus	2019	
	AFFO	FFO
Per Unit	\$1.05	\$1.38
Pay-Out Ratio	51.4%	39.1%
Unit Price Multiple	11.4x	8.7x
Yield	8.8%	11.5%

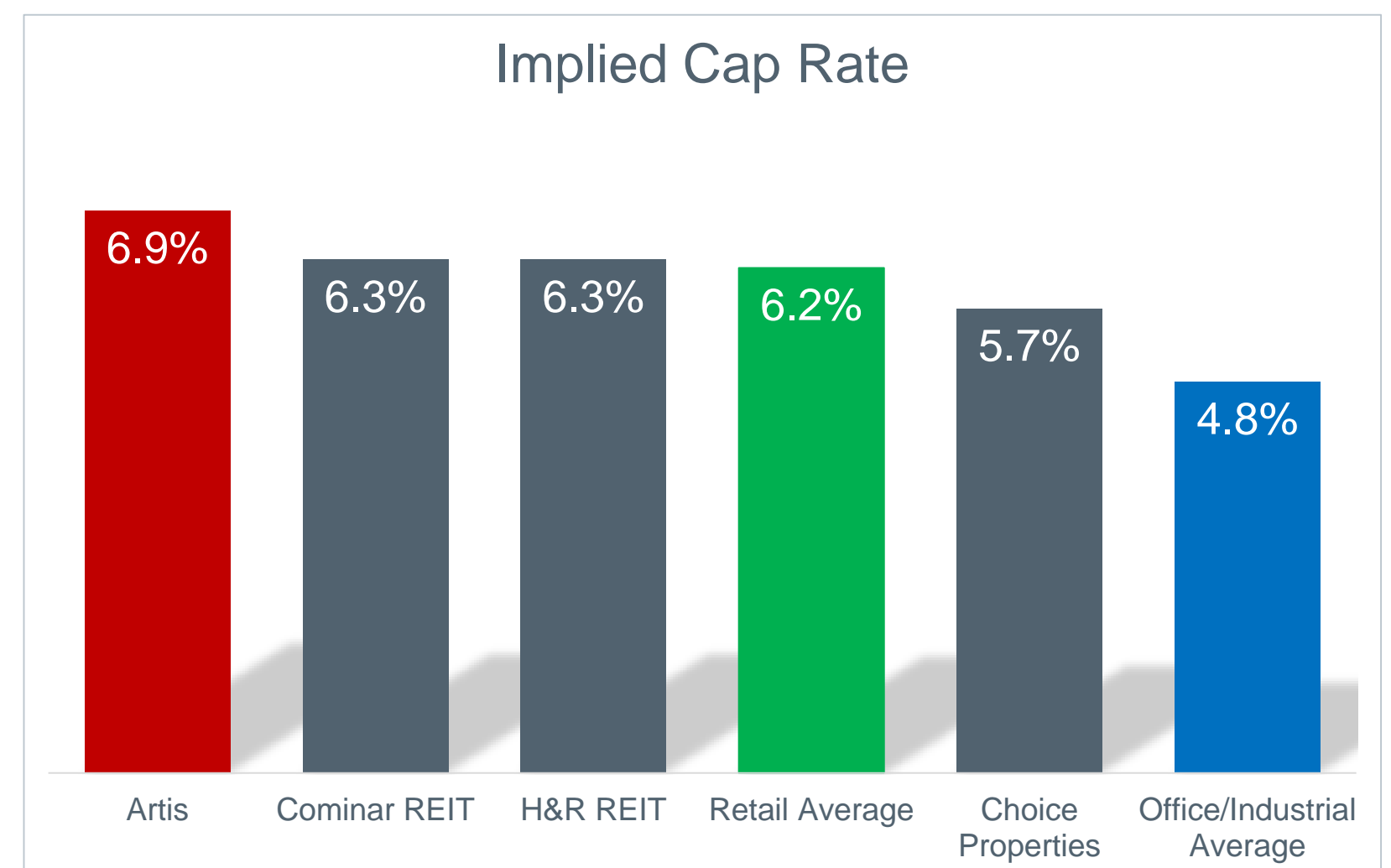
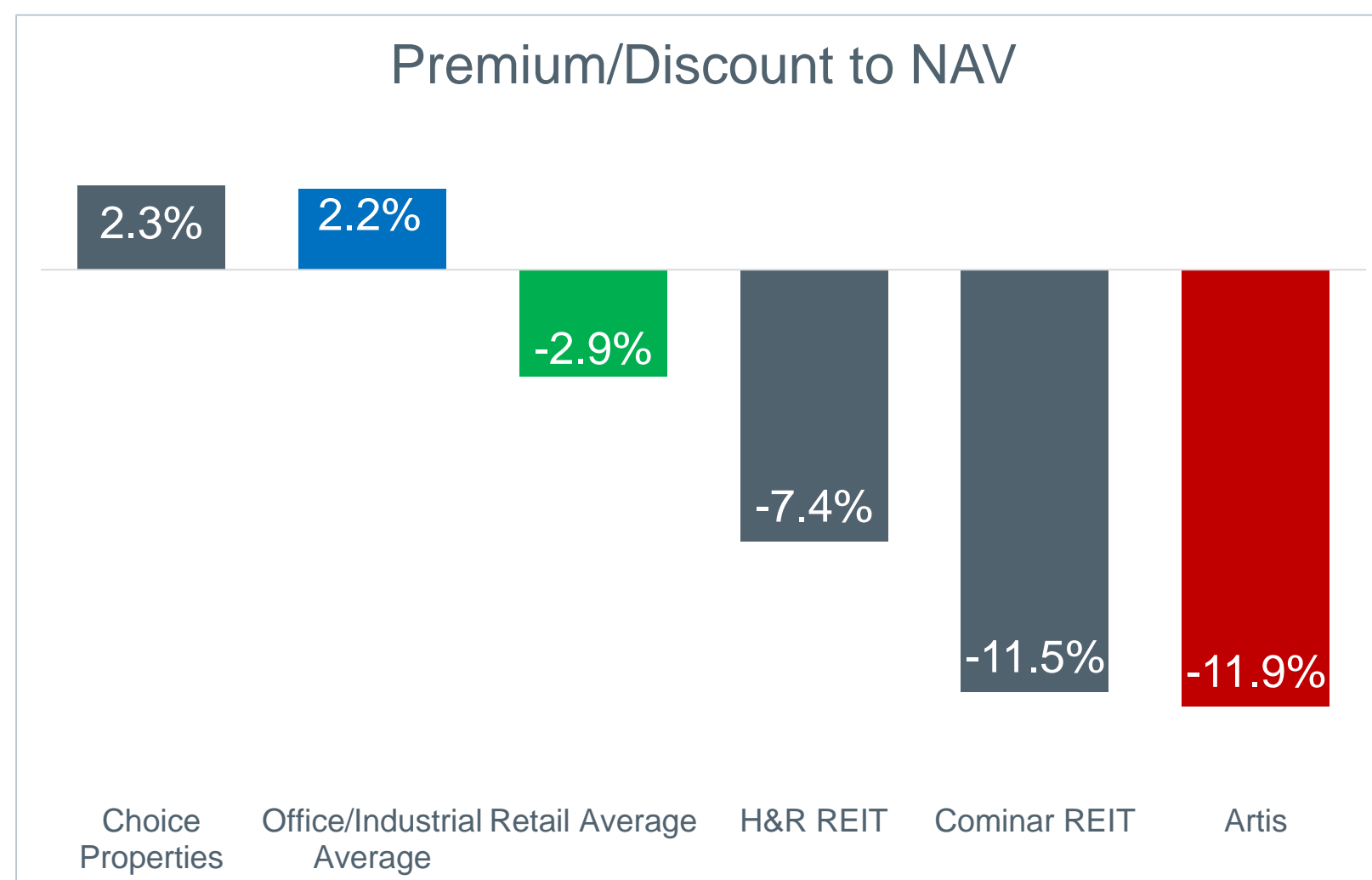
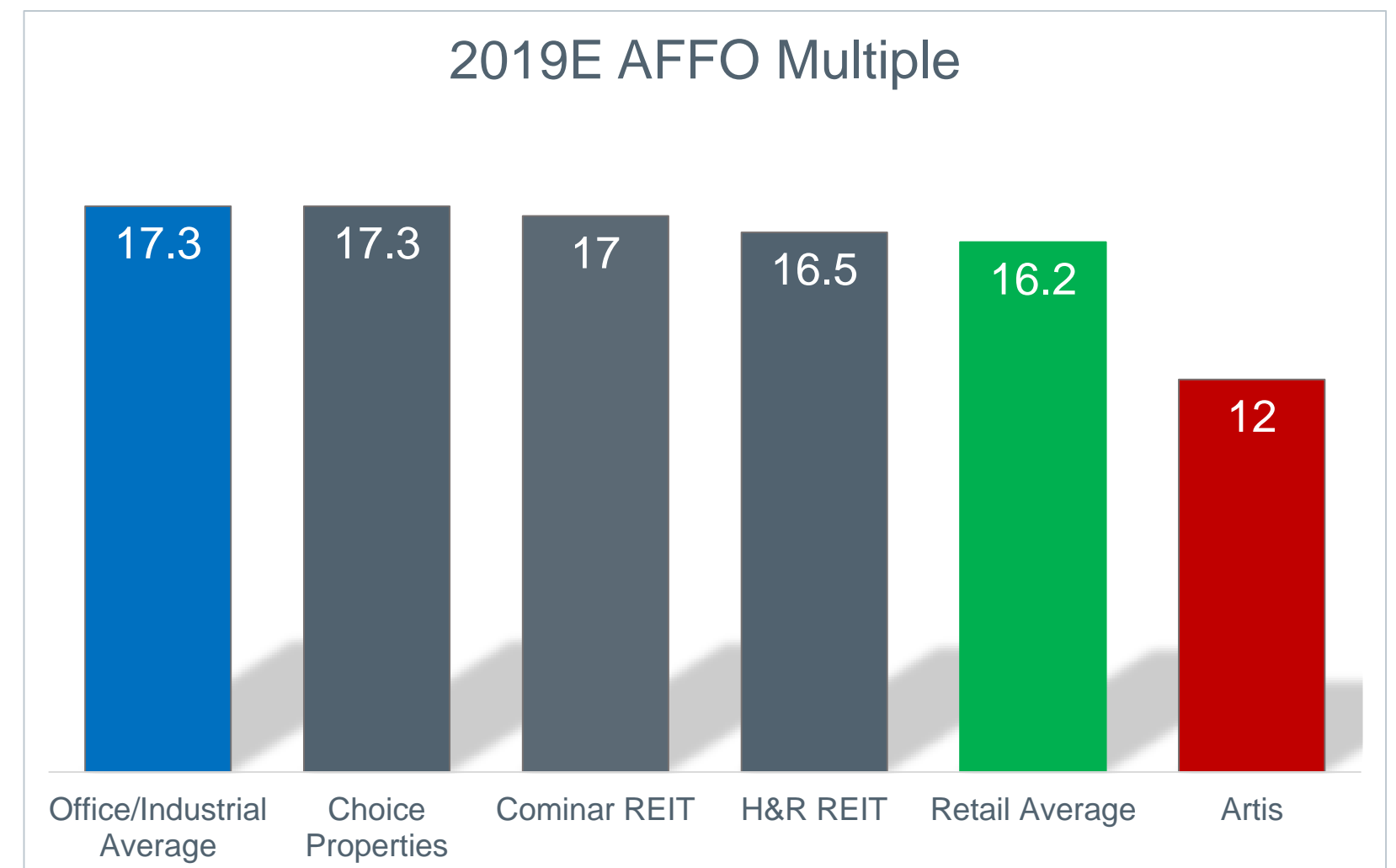
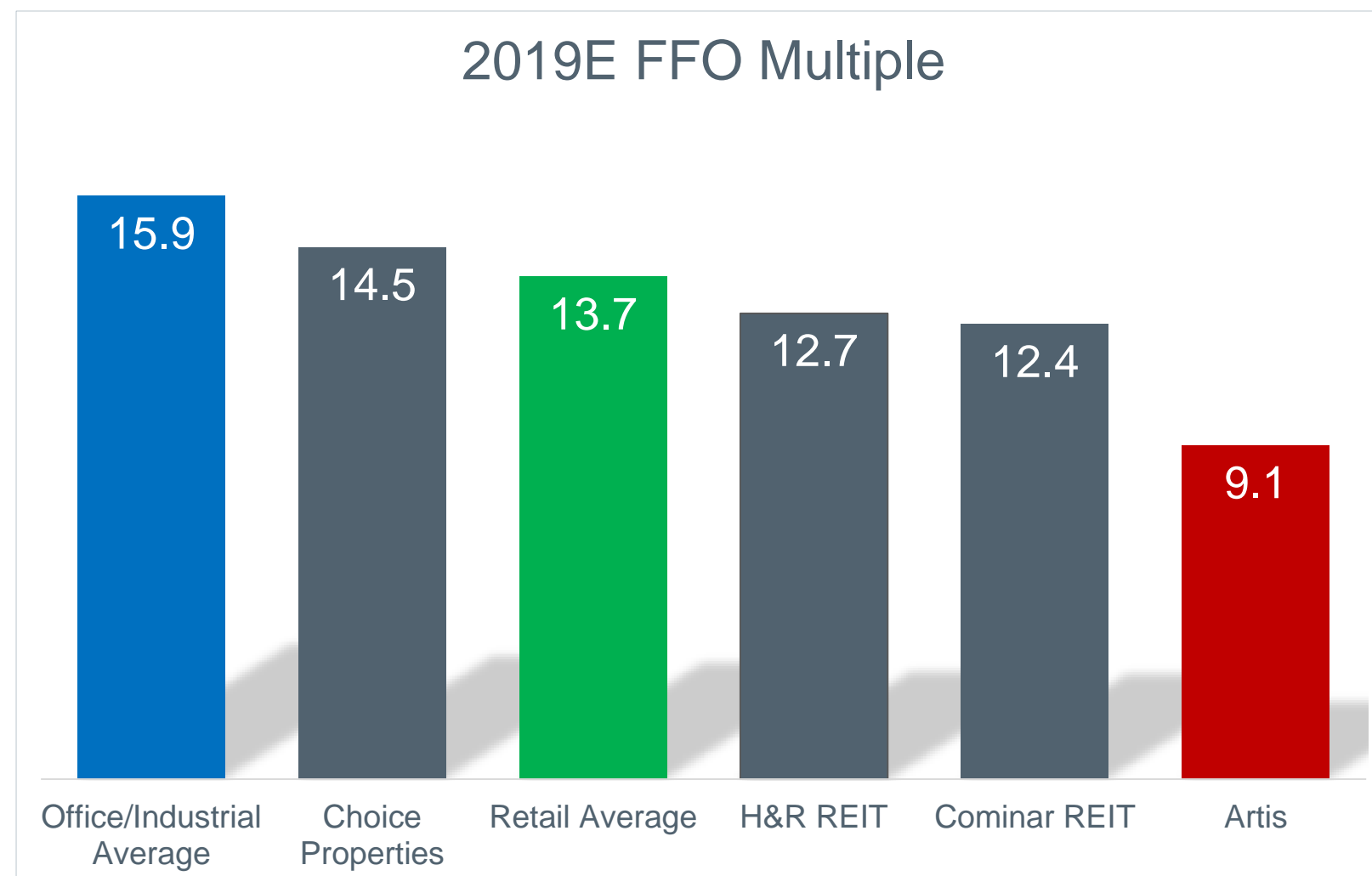
## Analyst Consensus Information per Unit <sup>(1)</sup>

Target Price:	\$13.30
Net Asset Value:	\$14.30
Artis IFRS NAV:	\$15.72

<sup>(1)</sup> Consensus analyst projections from most recent research reports (Q3-19). Artis does not endorse analyst projections. The above information represents the views of the particular analyst and not necessarily those of Artis. An investor should review the entire report of the analyst prior to making any investment decisions.



# Artis v. Peers Analytics



Source: BMO Capital Markets Research



# Classification of Assets

Artis has recategorized the current portfolio into three asset types:  
**Core Artis Assets, Development Assets, and Non-Core Artis Assets**



## **Core Artis Assets** **~\$4.2 billion**

- Invaluable assets located in target markets in which Artis anticipates maintaining a long-term presence
- Well located and well leased to quality tenants
- In markets that historically have healthy occupancy rates and same property NOI growth



## **Development Assets** **~\$200 million**

- Existing assets with growth potential to be realized from redevelopment and repositioning, as well as new development projects
- Primarily new generation industrial properties on existing land
- Target development yields anticipated to be 150-200 bps above acquisition cap rates



## **Non-Core Artis Assets to be sold** **\$800 million to \$1 billion**

- Good quality assets that management believes are outliers in Artis' portfolio with respect to type or location
- Markets and/or asset classes that Artis does not have competitive advantages in and does not anticipate maintaining a long-term presence



# Recent Initiatives: Improving Unitholder Value

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- 1 Distribution reset at \$0.54 per unit annualized
  - New conservative payout ratio ~55%
  - Improved cash flow and earnings profile
- 2 Unit buyback through NCIB
  - Liquidity is in place to fund automatic maximum unit buyback daily
  - Budgeting \$270 million to buy back 23.5 million units during 2019 and 2020 (~\$11.50 per unit average price)
  - As at September 30, 2019, ~16 million units bought back at ~\$10.84 per unit, ~272,800 preferred units bought back at ~\$21.07, and the redemption of 3.2 million Series G preferred units for \$78.5 million (~95% complete)
- 3 Sell \$800 million to \$1 billion of non-core assets at or above IFRS value over the next two years
  - Simplify the REIT and focus on core assets
  - Excellent progress - \$534 million sold and \$327 million held for sale at September 30, 2019 (~85% of the planned sales), expected to be sold on average at or above IFRS NAV of \$15.72/unit
- 4 Strengthen the Balance Sheet
  - Target Debt/GBV of ~46% in the medium term
- 5 Value creation through development and select acquisitions in Artis' major target markets
  - Focus on industrial developments on existing land

These new initiatives  
are ahead of plan and  
proving to be highly  
effective.



# Improved Operating and Financial Metrics

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The goal of our new initiatives is to deliver improved operating and financial metrics to drive AFFO and NAV per unit growth

**~60%**

Pro Forma Payout Ratio

**~45%**

Target Debt/GBV  
Year 3 (Q4-21)

Year 3 AFFO ~\$1.12/unit  
Year 3 FFO ~\$1.45/unit

**4%**

Annual AFFO Accretion

Committed to  
Maintaining  
**Investment Grade**  
DBRS Rating



# Corporate Sustainability

We are committed to improving the energy efficiency of our properties and reducing our environmental footprint.



CERTIFIED PROPERTIES		
<b>3,391,547</b>	<b>3,252,116</b>	<b>4,588,740</b>
SQUARE FEET OF PROPERTIES WITH LEED CERTIFICATION	SQUARE FEET OF PROPERTIES WITH ENERGY STAR CERTIFICATION	SQUARE FEET OF PROPERTIES WITH BOMA BEST CERTIFICATION

A copy of our Environmental, Social & Governance Report can be found at [www.artisreit.com](http://www.artisreit.com)





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