ARTIS REIT 2020 ANNUAL REPORT

ARTIS
REIT

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MESSAGE FROM THE CHAIR OF THE BOARD OF TRUSTEES

Dear Fellow Unitholders,

The primary responsibility of Artis' Board of Trustees (the "Board") is to vigilantly establish and monitor the corporate governance practices and to provide oversight of the business and affairs of Artis.

In fulfilling its responsibilities, the Board has made significant strides towards enhancing Artis' governance framework, including the reconstitution of our Board to bring fresh perspectives and a broad range of knowledge and experience. I am extremely proud to report that women represent 57% of our Board membership—the highest representation of all Canadian REITs. We look forward to exceeding gender and racial diversity best practices at the Board and Management level as we continue to grow Artis.

The newly reconstituted Board has been working tirelessly, and during our short time working together, we have overhauled our Board mandate and committee charters, position descriptions and other important governance and business policies and practices. Our governance framework is stronger today than ever before.

Along with our efforts to improve corporate governance and increase unitholder value, the Board will focus more attention on corporate social responsibility and sustainability initiatives. This will include establishing ambitious goals to manage the environmental impact of our properties and to improve operating efficiencies. The Board's commitment to sound governance practices will be top of mind as we oversee the current and future direction of Artis to ensure the best interests of our unitholders are served.

I would like to acknowledge our Trustees for their dedication, sound advice, tenacity and "out of the box" thinking as they oversaw the 100-day review, ultimately arriving at a bold new vision and strategy for Artis. The rigour with which the Board conducted its review, analyses and deliberations was impressive and carried out at the highest standard.

We believe our owners are in for an exciting and highly-rewarding future as we are on the path to creating something unique in the Canadian capital markets. While the unknown can be unnerving, it can also be fruitful. We look forward to delivering on our commitment to maximizing value for our owners.

To our employees across North America—your hard work, commitment and many contributions are greatly appreciated. While the road ahead for Artis brings uncertainty, it also brings new opportunities. I look forward to our journey ahead together.

On behalf of the Board,

BEN RODNEY
Chair of the Board of Trustees

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

To Our Valued Owners,

This is my first time writing to you as your Chief Executive Officer. Let me begin by saying it is an honour to lead our organization. I would also like to convey my excitement for the future and the opportunity to work with our Board of Trustees (the "Board"), Management, Team Members and other stakeholders to help Artis achieve its full potential.

Artis finished the year with a unit price of $10.66. This represented a 29% discount to our IFRS net asset value ("NAV") per unit of $15.03. NAV will be our most important metric going forward and we will focus our efforts and energy on driving both the intrinsic value of Artis' units and the price the market recognizes and ascribes to our units. This, combined with our distribution, is what matters most to our unitholders and as we have conveyed in our go-forward vision and strategy, we are committed to doing everything possible to grow NAV per unit and distributions for the long term.

2020 was a year of significant change at Artis. The year concluded with new leadership at the Board and Management level and the commencement of a 100-day review to evaluate and determine the future of the REIT. In addition to these changes at Artis, COVID-19 created unanticipated challenges for the real estate sector through most of 2020 and into 2021. Our performance this year demonstrated for us the strength of our teams across North America and the resilience of our portfolio during a time of unprecedented economic uncertainty. With the headwinds from COVID-19 abating, we believe that our cities will reawaken, offices will once again be a source of energy and creativity, and many businesses will reignite. As we prepare this year's annual letter to our owners, there is optimism, progress, and hope in the defeat of COVID-19 and a return to our "new normal" lives. Our thoughts remain with the communities and individuals, including healthcare workers and first responders, that have been most deeply impacted by the COVID-19 crisis.

On behalf of the Board, I would like to acknowledge our teams at the corporate and property levels for their hard work and commitment over the past year. I would also like to extend our thanks and appreciation to our tenants, lenders, partners, and other stakeholders for their continued support.

THE OPPORTUNITY

Artis has traded at a material discount to its underlying NAV for many years, and it is widely known that diversified REITs are out of favour. As we embarked on our 100-day review under the stewardship of the Board, we said to ourselves "surely we can create something truly unique." Our approach was one that tried to use a different lens to assess and evaluate opportunities to build Artis for the long term. We also recognized that what had been tried for many years had simply not worked. Status quo was not an option. It was also imperative to the Board that we understood how some of our largest fellow unitholders felt about making a significant pivot and we appreciate and value the input, encouragement, and support many of them provided.

WHERE WE'RE GOING

Our vision is to become the best-in-class real estate asset management and investment platform focused on growing NAV per unit and distributions for our investors through value investing. There is a lot embedded in this bold and pioneering vision that I would like to provide more colour and context around.

Our goal is to create Canada's pre-eminent asset management and investment platform focused on value investing in real estate. To achieve this, our starting point will be a fortress balance sheet. From there, we will focus relentlessly on growing and maximizing our intrinsic value per unit, measured by our most important key performance indicator: NAV per unit.

We look forward to monetizing our industrial portfolio with the goal of maximizing value in a tax-efficient manner. While this means selling our industrial properties this could take many different forms, including retaining partial ownership, continuing to manage the assets, or an outright sale that would result in relinquishing management to the new owners. While do not know at this time what the path will be, we do know the desired outcome- to unlock significant value and substantially strengthen our balance sheet and liquidity.

Next, we will look to sell, on an opportunistic basis, our office and retail assets over time. The approach to these asset sales will be disciplined and strategic, again with the goal of maximizing value in a tax-efficient manner—with "a true owner's mindset". As with the sale of the industrial portfolio, this could take many forms.

As we move forward in these endeavours, divesting partial or entire ownership positions, we will improve our balance sheet while deploying some of the proceeds into new investments including undervalued publicly traded real estate entities and value-add acquisitions or developments.

Our portfolio will evolve from ten markets and three asset classes into a selection of high-conviction, value investments where we will have strategic influence and our capital can and will compound. As part of this new vision and strategy, we expect our asset mix to continue to have a material exposure to direct hard assets that generate healthy returns on invested capital, through development and value-add opportunities. Our emphasis will be on capital allocation with a disciplined focus on identifying and pursuing opportunities with higher hurdle rates for acceptable uses of capital.

An integral part of our plan will involve promoting a corporate culture that prioritizes environmental, social and governance ("ESG") initiatives and establishing an ESG-minded culture that strives to promote best practices at every level. Optimizing the energy efficiency of our portfolio will surface property level operating cost savings that will increase the competitiveness of our assets. As part of our emphasis on ESG and sustainable initiatives, we may uncover high IRR capital projects that are compelling or find unique financing opportunities present themselves that can lower our cost of capital.

Our plan is bold and innovative. It is not the easy path and execution will require extreme diligence and dedication, but we are confident that our plan is a roadmap for success and is the right strategy to create long-term value for our owners. 2021 will be a transition year and my letter to you will look very different a year from now as will our organization. We will work hard for you and focus on the various components of our strategy with discipline and rigour. We thank you, the owners of Artis, for supporting us and entrusting us with your capital. We look forward to evolving and building our business by first unlocking value and then rewarding our owners with NAV and distribution growth for decades to come.

Sincerely,

SAMIR MANJI
Chief Executive Officer

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED FINANCIAL STATEMENTS

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 audited annual consolidated financial statements for the years ended December 31, 2020 and 2019, 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 March 2, 2021. 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 impact of the COVID-19 pandemic, 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 associated with the COVID-19 pandemic, real property ownership, geographic concentration, current economic conditions, strategic initiatives, debt financing, interest rate fluctuations, foreign currency, tenants, SIFT rules, other tax-related factors, illiquidity, competition, reliance on key personnel, future property transactions, general uninsured losses, dependence on information technology, cyber security, environmental matters and climate change, land and air rights leases, public markets, market price of common units, changes in legislation and investment eligibility, availability of cash flow, fluctuations in cash distributions, nature of units, legal rights attaching to units, preferred units, debentures, dilution, unitholder liability, failure to obtain additional financing, potential conflicts of interest, developments and trustees.

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.

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 certain 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. 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. Management considers AFFO to be a valuable recurring earnings measure for evaluating the REIT's operating performance as it adjusts FFO by excluding straight-line rent adjustments, as well as costs incurred relating to leasing activities and property capital expenditures. 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. Artis calculates FFO and AFFO per unit by asset class based on the Proportionate Share Property NOI for each asset class as a percentage of Artis' total Proportionate Share Property NOI multiplied by total FFO or AFFO per unit for the period. Management uses the FFO and AFFO payout ratios to measure the REIT's ability to pay distributions.

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.

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.

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

Prior to December 31, 2020, the REIT calculated Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") as net income, adjusted for interest expense, transaction costs, income taxes, all non-cash revenue and expense items on a Proportionate Share basis. Effective December 31, 2020, the REIT calculates Adjusted EBITDA to include the add back of non-recurring items, such as strategic initiative and proxy matter expenses as the REIT believes this is a better representation of recurring Adjusted EBITDA.

Adjusted EBITDA Interest Coverage Ratio is calculated by dividing Adjusted EBITDA by interest expense from operations (excluding amortization of financing costs, above- and below-market mortgage adjustments and accretion on debentures). Management considers this ratio to be a valuable measure of Artis' ability to service the interest requirements on its outstanding debt. Refer to the Debt Metrics section of this MD&A for a calculation of this measure.

Debt to Adjusted EBITDA Ratio

Artis calculates debt to Adjusted EBITDA based on annualizing the current quarter's Adjusted EBITDA as defined above and comparing that balance to Artis' total outstanding debt, on a Proportionate Share basis. Management considers this ratio to be a valuable measure of Artis' ability to meet financial obligations. Refer to the Debt Metrics section of this MD&A for a calculation of this measure.

BUSINESS 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 April 15, 2020 (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 March 2, 2021, there were 133,593,711 common units, 12,099,514 preferred units, 416,429 restricted units and 80,983 deferred units of Artis outstanding (refer to the Outstanding Unit Data section of this MD&A for further details).

OBJECTIVES

Artis' primary objective is to provide a tax-efficient monthly cash distribution as well as long-term appreciation in the value of Artis' units through the accumulation and effective management of a quality portfolio of commercial real estate.

Since its inception, Artis has provided a steady stream of monthly cash distributions to its unitholders. The amount distributed is set by the Board of Trustees (the "Board") in accordance with the Declaration of Trust. On November 5, 2020, the REIT announced a 3% increase to common unitholder distributions, from $0.54 per unit annually to $0.5562 per unit annually, effective for the December 2020 distribution payable on January 15, 2021.

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 industrial, office and retail 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.

2020 OVERVIEW

PROXY MATTER AND BOARD RECONSTITUTION

2020 was a year of significant change for Artis. On September 30, 2020, the REIT received a unitholder requisition from Sandpiper Group ("Sandpiper") requesting that a special meeting of unitholders be called for the purpose of reconstituting the Board with five new Trustees (the "Proxy Matter"). On November 30, 2020, a settlement agreement was reached with Sandpiper pursuant to which four existing trustees tendered their resignations from the Board and the Chief Executive Officer and the Chief Financial Officer announced their retirements. In connection with the settlement, Heather-Anne Irwin, Samir Manji, Mike Shaikh, Aida Tammer and Lis Wigmore were added to the Board.

Subsequently, on December 1, 2020, the Board approved the appointment of Samir Manji as Chair of the Board and announced the newly structured committees of the Board. These changes resulted in immediate improvements to the REIT's governance, including the addition of new and diverse perspectives, a reduction in Board fees, and the implementation of a comprehensive review of the Board mandate, committee charters, and governance policies. Further discussion pertaining to these governance changes can be found in the Environmental, Social and Governance Updates section of this MD&A.

The newly reconstituted Board commenced a review of the REIT (the "100-Day Review") and committed to completing the review within 100 days of the announcement of the settlement agreement. In light of these recent developments, the Board has suspended the previously announced retail spin-off. In the meantime, the Board and management continue to execute a comprehensive plan to reduce debt and optimize the portfolio.

On December 14, 2020, the Board appointed Samir Manji as Interim Chief Executive Officer and Ben Rodney as Lead Trustee of the Board, in each case, effective January 1, 2021.

FINANCIAL AND OPERATIONAL RESULTS

Despite the ongoing challenges related to the COVID-19 pandemic, we reported strong portfolio occupancy of 91.9% (including commitments) at December 31, 2020, compared to 93.4% at December 31, 2019. During the year, 1,300,461 square feet of new leases and 1,797,146 square feet of lease renewals commenced. The weighted-average increase in renewal rents compared to expiring rents on renewals that commenced in 2020 was 2.4%.

FFO per unit for the year ended December 31, 2020 was $1.41, unchanged from the year ended December 31, 2019, while AFFO per unit for the year ended December 31, 2020 was $1.02, compared to $1.05 for the year ended December 31, 2019. We reported conservative FFO and AFFO payout ratios of 38.3% and 52.9%, respectively, for the year ended December 31, 2020.

FFO and AFFO in 2020 were primarily impacted by dispositions in 2019 and 2020 and the ongoing impact of the COVID-19 pandemic, partially offset by acquisitions and new developments in 2019 and 2020, a decrease in year-over-year interest expense, and a higher US dollar to Canadian dollar average exchange rate in 2020 compared to 2019. Also contributing to the per unit results is the decrease in the weighted-average number of units outstanding, primarily due to units repurchased under the normal course issuer bid ("NCIB").

BALANCE SHEET AND LIQUIDITY

At December 31, 2020, NAV per unit was $15.03 compared to $15.56 at December 31, 2019. Artis' debt metrics improved during 2020; we reported that both secured mortgages and loans to GBV and total long term debt to GBV decreased to 26.2% and 49.3%, respectively, at December 31, 2020, compared to 26.3% and 51.3%, respectively, at December 31, 2019. Artis' Adjusted EBITDA interest coverage ratio increased to 3.38 for the year ended December 31, 2020, compared to 2.98 for the year ended December 31, 2019.

(In thousands of Canadian dollars, unless otherwise noted)

During 2020, we repaid the Series B senior unsecured debentures with a face value of $200,000 and issued new three-year Series D senior unsecured debentures in the amount of $250,000. The REIT also entered into a new $200,000 non-revolving credit facility agreement.

During the year, we purchased 3,727,716 common units for an aggregate market price of $33,442 and 31,100 Series A, 45,802 Series E and 34,460 Series I preferred units for an aggregate market price of $1,850. We remain committed to repurchasing units under the NCIB.

PORTFOLIO ACTIVITY

During 2020, we completed one industrial development project in the U.S. and two retail development projects in Canada. Park 8Ninety IV is a best-in-class build-to-suit industrial development located in the Greater Houston Area, Texas, which is 100% leased to a multi-national tenant. The REIT had a 95% interest in Park 8Ninety IV in the form of a joint venture arrangement and, subsequent to December 31, 2020, purchased the remaining 5% interest in the property. We also completed the development of Linden Ridge Shopping Centre II, a 17,071 square foot retail densification project located in Winnipeg, Manitoba, and 330 Main, a 28,086 square foot state-of-the-art retail property also located in Winnipeg, Manitoba. Linden Ridge Shopping Centre II is 100% leased to two national tenants while 330 Main is 94% leased to two national tenants.

In November 2018, in conjunction with a number of strategic initiatives aimed at improving Artis' growth profile and strengthening its balance sheet, we announced our intention to embark on a disposition program with a target of $800,000 to $1,000,000 of non-core assets sales over a three-year time frame. In September 2020, we had achieved this target with approximately $800,000 of dispositions completed ahead of schedule and committed to sell an additional $550,000 (together defined as the "Strategic Initiatives").

Below is a list of properties that were sold in 2020 in accordance with the Strategic Initiatives.

Property	Property count	Location	Disposition date	Asset class	Owned share of GLA	Annualized Property NOI (1)	Capitalization rate (2)	Sale price	Fair value (3)
Centre 15 Building	1	Calgary, AB	January 21, 2020	Office	76,021	$ 1,349	7.50 %	$ 14,000	$ 13,991
Calgary Office Portfolio (4)	2	Calgary, AB	January 30, 2020	Office	497,635	6,727	8.75 %	77,814	78,872
800 5th Avenue	1	Calgary, AB	January 31, 2020	Office	258,445	2,418	8.00 %	26,000	25,854
1165 Kenaston Street	1	Ottawa, ON	March 31, 2020	Office	180,689	638	N/A	22,500	22,437
Millwright Building (5)	1	Twin Cities Area, MN	August 25, 2020	Office	138,781	2,412	6.00 %	54,542	55,781
801 Carlson Land	—	Twin Cities Area, MN	November 9, 2020	Office	—	(218)	N/A	7,167	5,185
Concorde Corporate Centre	2	Toronto, ON	November 16, 2020	Office	565,190	5,176	5.00 %	114,000	112,085
Delta Shoppers Mall	1	Greater Vancouver Area, BC	November 18, 2020	Retail	74,669	1,683	5.20 %	34,280	34,068
Shoppers Landmark Centre	1	Regina, SK	November 25, 2020	Retail	49,023	834	6.20 %	16,000	15,405
Strathcona Shoppers Centre	1	Regina, SK	December 7, 2020	Retail	21,910	456	6.30 %	7,625	7,139
ASM America Headquarters Building	1	Phoenix, AZ	December 10, 2020	Office	130,282	1,983	5.60 %	35,181	28,839
1110 Pettigrew Avenue	1	Regina, SK	December 15, 2020	Industrial	118,957	730	7.10 %	15,250	14,261
	13				2,111,602	$ 24,188		$ 424,359	$ 413,917

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

(2) Capitalization rates based on 12-month forward looking Property NOI, as of the date of closing.

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

(4) Disposition includes a parcel of development land.

(5) The REIT held an 80% interest in the Millwright Building in the form of a joint venture arrangement.

At December 31, 2020, we had entered into an unconditional sale agreement for the Victoria Square Retail Portfolio, comprising two retail properties located in Regina, Saskatchewan, for a sale price of $45,000, which represents a capitalization rate of 9.4%. The sale is expected to close in April 2021.

Subsequent to December 31, 2020, we sold Tower Business Center, an industrial property located in the Greater Denver Area, Colorado, for a sale price of US$53,160 at the REIT's interest which represents a capitalization rate of 4.0%. Artis had an 80% interest in this property in the form of a joint venture arrangement. The sale closed on February 9, 2021.

IMPACT OF COVID-19

Health and Safety of Stakeholders

We continue to work diligently to maintain a safe environment for our tenants, employees, customers and visitors to our properties. Our first priority and intention is to keep our buildings safe and open unless ordered closed by government authority. To ensure this is possible, we have made appropriate contingency plans to maintain building supplies and necessary personnel for operations.

In accordance with current recommendations, we have increased common area cleaning at all properties. We have instructed our cleaning contractors to maintain a full complement of staff. The surplus manpower is being used to intensify cleaning and sanitizing in high-traffic areas. High-touch surfaces, such as doorknobs, handles, railings and elevator buttons are being regularly cleaned throughout the day. Building cleaners are monitoring soap and hand sanitizer dispensers to ensure continued availability of these products. We have had no service reductions and are currently fully staffed with building operations and cleaning personnel. If this needs to change, we will immediately notify all tenants. We have asked our non-building operations personnel to work remotely to comply with social distancing requirements.

In an effort to minimize risk related to COVID-19 throughout our buildings, we have also imposed protocols for our employees and contractors, as directed by local or federal government guidelines and recommendations, and are encouraging tenants to do the same, namely:

(In thousands of Canadian dollars, unless otherwise noted)

- Encouraging compliance with handwashing and other hygiene recommendations;
- Requiring individuals who have travelled between provinces, states or internationally to follow local government regulations regarding isolation periods;
- Directing individuals who experience any symptoms consistent with COVID-19 or have been exposed to someone with COVID-19 to refrain from visiting our buildings and to follow public health recommendations.

We will continue to closely monitor this situation and will adjust our approach as recommended by public health agencies.

Tenant Support Program and Rent Collection

As a diversified REIT, our portfolio comprises industrial, office and retail properties which, at December 31, 2020, were 89.9% leased (91.9% including commitments on vacant space) to high-quality tenants across Canada and the U.S. with a weighted-average remaining lease term of 5.3 years. We expect that the COVID-19 pandemic will continue to have the largest impact on our retail segment, which represented 19.3% of Q4-20 Proportionate Share Property NOI. At December 31, 2020, our retail portfolio was 87.9% leased (90.7% including commitments on vacant space) with a weighted-average remaining lease term of 4.6 years. Overall, we are confident that the quality of our retail properties, strong tenant base and our limited exposure to this asset class will mitigate the impact on our overall business. In addition, the Canadian office segment continues to be impacted by a decline in parking revenues as a result of work from home arrangements due to the COVID-19 pandemic.

Rent Collection

Rent collection has been a key focus for us and our stakeholders during this time. As at December 31, 2020, we have collected 98.5% of rent charges (both excluding and including deferred rent charges) for the three months ended December 31, 2020. Further detail pertaining to rent collections for the three months ended December 31, 2020, including information by asset class and geographical region, can be found on the following page.

With respect to Artis' retail portfolio, as at December 31, 2020, we have collected approximately 97.9% of rent charges, excluding deferred rent, for the three months ended December 31, 2020. We continue to work diligently with our tenants as government restrictions related to the pandemic are constantly evolving.

Rent Deferrals

Due to government-mandated capacity restrictions and temporary closures of certain non-essential businesses, a number of our tenants have had to limit operations. Although governments had eased COVID-19 restrictions and businesses had started to reopen in mid-2020, a resurgence of COVID-19 in the fall resulted in the re-imposition of many restrictions and may lead to more restrictions being implemented again in an effort to reduce the spread of COVID-19. To support tenants through this difficult time, qualifying tenants who are in need of assistance have been given the option to defer a portion of their rent, with an agreement to repay the amount deferred at a specified later date.

As at December 31, 2020, the outstanding balance of rent deferrals granted to our tenants was $4,901 ($4,988 on a Proportionate Share basis), compared to $5,520 ($5,644 on a Proportionate Share basis) at September 30, 2020. The quarter-over-quarter change is due to repayments of $753 and foreign exchange loss of $22, partially offset by deferral agreements executed of $156.

Allowance for Doubtful Accounts

We anticipate that the majority of rent deferrals and rents receivable will be collected, however, there are certain tenants that may not be able to pay their outstanding rent. As at December 31, 2020, we have recorded an allowance for doubtful accounts in the amount of $1,989 ($1,991 on a Proportionate Share basis), compared to $2,173 ($2,176 on a Proportionate Share basis) at September 30, 2020.

Summary by Asset Class at December 31, 2020 [(1)]

	% of Rent Collected Excluding Deferred Rent [(2)]	% Rent Collected Including Deferred Rent [(2)]	Deferred Rents Receivable	Allowance for Doubtful Accounts - Deferred Rents Receivable	Rents Receivable	Allowance for Doubtful Accounts - Rents Receivable
Canada:						
Industrial	98.6 %	98.6 %	$ 481	$ (69)	$ 863	$ (212)
Office	98.9 %	98.9 %	1,302	(76)	1,140	(187)
Retail	97.9 %	97.6 %	2,887	(400)	1,590	(692)
	98.5 %	98.4 %	4,670	(545)	3,593	(1,091)
U.S.:						
Industrial	98.1 %	98.1 %	84	—	487	(12)
Office	98.9 %	98.9 %	234	—	1,632	(343)
	98.6 %	98.6 %	318	—	2,119	(355)
Total portfolio:						
Industrial	98.4 %	98.4 %	565	(69)	1,350	(224)
Office	98.9 %	98.9 %	1,536	(76)	2,772	(530)
Retail	97.9 %	97.6 %	2,887	(400)	1,590	(692)
Total	98.5 %	98.5 %	$ 4,988	$ (545)	$ 5,712	$ (1,446)

(1) Information presented on a Proportionate Share basis.

(2) Rent collection is based on rental charges in functional currencies for the three months ended December 31, 2020.

During Q4-20, deferred rents receivable on a Proportionate Share basis for the industrial, office, and retail segments decreased $374, $49 and $233, respectively, due to repayments during the quarter, net of deferral agreements executed.

(In thousands of Canadian dollars, unless otherwise noted)

Summary by Geographical Region at December 31, 2020 (1)

	% of Rent Collected Excluding Deferred Rent (2)	% Rent Collected Including Deferred Rent (2)	Deferred Rents Receivable	Allowance for Doubtful Accounts - Deferred Rents Receivable	Rents Receivable	Allowance for Doubtful Accounts - Rents Receivable
Canada:						
Alberta	98.1 %	98.1 %	$ 1,882	$ (259)	$ 1,450	$ (494)
British Columbia	96.3 %	96.3 %	183	(8)	97	(2)
Manitoba	99.3 %	99.3 %	580	(73)	912	(129)
Ontario	98.0 %	98.0 %	1,071	(22)	855	(269)
Saskatchewan	98.8 %	98.0 %	954	(183)	279	(197)
	98.5 %	98.4 %	4,670	(545)	3,593	(1,091)
U.S.:						
Arizona	98.9 %	98.9 %	202	—	292	(79)
Colorado	98.6 %	98.6 %	33	—	626	(131)
Minnesota	99.7 %	99.7 %	29	—	357	(86)
New York	100.0 %	100.0 %	—	—	14	—
Texas	92.0 %	92.0 %	54	—	320	—
Wisconsin	98.2 %	98.2 %	—	—	510	(59)
	98.6 %	98.6 %	318	—	2,119	(355)
Total	98.5 %	98.5 %	$ 4,988	$ (545)	$ 5,712	$ (1,446)

(1) Information presented on a Proportionate Share basis.

(2) Rent collection is based on rental charges in functional currencies for the three months ended December 31, 2020.

Valuation of Investment Properties

During the year ended December 31, 2020, significant fair value adjustments were recorded for our retail and office assets as a result of management's assessment of the risks and impacts of the COVID-19 pandemic. These included adjustments to vacancy allowances, market rents and capitalization rates to reflect the acceleration of the challenging environment plaguing the retail sector and a decrease in demand for office space particularly within regions dependent on the energy industry.

Emergency measures enacted by governments in response to the COVID-19 pandemic, including travel restrictions, physical distancing and the temporary closure of non-essential businesses, have created significant estimation uncertainty in the determination of the fair value of investment properties as at December 31, 2020. The REIT has made assumptions with respect to the duration and severity of these emergency measures as well as the duration of the subsequent economic recovery in estimating the amount and timing of future cash flows generated from investment properties and used in the determination of fair value. As a result of this significant estimation uncertainty, there is a risk that the assumptions used to determine fair values as at December 31, 2020 may change as more information becomes available, resulting in a material adjustment to the fair value of investment properties in future reporting periods.

For further discussion on the fair value of investment properties, refer to the Fair Value (Loss) Gain on Investment Properties section of this MD&A.

Risks

Due to uncertainty with respect to the duration and severity of the COVID-19 pandemic, it is not possible to reliably estimate the future impact of the COVID-19 pandemic on financial results and operations. For more information on risks related to the COVID-19 pandemic, please refer to the Risks and Uncertainties section of this MD&A.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE UPDATES

As one of Canada's most prominent landlords, we consider it our responsibility to set a high standard of sustainable practices and to demonstrate the importance of striving for excellence and promoting best practices in the areas of environmental, social and governance ("ESG"). We are on a path of continuous improvement in all areas of ESG and are committed to ensuring that excellence in ESG practices are an integral part of our business model and as a core component of our corporate culture.

During 2020, notable initiatives and improvements in ESG include (but are not limited to):

- a 25% reduction in Board fees;
- an increase in female representation on the Board from 25% at December 31, 2019, to 57% at December 31, 2020;
- an increase in female representation in senior management positions from 33% at December 31, 2019, to 40% at December 31, 2020;
- a significant decrease in average board tenure;
- a comprehensive review of the Board Mandate, Committee Charters, and various governance policies commenced and is ongoing;
- the utilization of GOBY as a consultant and to track consumption at all properties (to the extent that it is possible to do so) for the fifth consecutive year;
- an increase in the number of Energy Star certified properties from 18 at December 31, 2019, to 20 at December 31, 2020;
- the prioritization of health and wellness initiatives for employees, including healthy lifestyle challenges and webinars related to stress and personal finance management to offer support and connectivity during a year of unprecedented change related to the COVID-19 pandemic; and
- the organization of various employee fundraising initiatives and challenges to raise funds for numerous charitable organizations.

At December 31, 2020, we had 15 properties with a Leadership in Energy and Environmental Design ("LEED") certification, 17 properties with a Building Owners and Managers Association ("BOMA") Building Environmental Standards ("BEST") certification and 20 properties with an Energy Star certification.

For additional information about Artis' comprehensive corporate sustainability program, including Artis' Environmental, Social and Governance Report, please visit www.artisreit.com.

BUSINESS ENVIRONMENT AND OUTLOOK

The last year brought unanticipated and unprecedented challenges for the real estate sector. Government-mandated capacity restrictions and temporary closures of many non-essential businesses forced a number of retailers to limit operations. Further, many office tenants have shifted to a work-from-home model wherever possible to comply with social distancing and other requirements or measures implemented due to the global pandemic. While governments had eased restrictions and businesses had started to reopen mid-year, a resurgence of COVID-19 in the fall of 2020 resulted in the re-implementation of many of the restrictions in an effort to reduce the spread of the virus. The impact on the economy was significant with some estimating that real gross domestic product ("GDP") contracted by over 5% in Canada and 3% in the United States in 2020.

With respect to the overall market for commercial real estate, the disruption caused by the pandemic meant reduced visibility and fewer transactions, creating challenges in assessing overall capitalization rates during 2020, especially during the second and third quarters. Despite all of this, industrial real estate continued to witness downward pressure on capitalization rates; however, interest in office and retail real estate was muted due to the impact of the pandemic and resulting lack of visibility for these sectors. Notwithstanding the decrease in transaction activity throughout the middle of the year, Artis sold 13 assets (nine office, three retail and one industrial property) and two parcels of development land in 2020. These assets represented 2.1 million square feet of gross leasable area and were sold for an aggregate sale price of $424,359. The aggregate IFRS fair value reported at the quarter prior to disposition for these assets was $413,917. As might be expected, the majority of these sales occurred prior to the implementation of the COVID-19 restrictions in March and after the vaccine announcement in November.

Looking forward to 2021, as the rollout of the vaccine progresses and we look forward to a post-pandemic environment, we continue to see opportunities for all three of Artis' asset classes. Clearly, the industrial asset class has proven to be defensive in this environment and we anticipate it will continue as such for the foreseeable future. We expect that needs and service-based open-air retail will continue to be a resilient asset type. With respect to the office market, we believe that employers will rethink and reassess their office needs; however, they will continue to see the benefit of face-to-face collaboration, the ability to make decisions in real time, social interaction, efficiencies that result from immediate access to supplies and company resources such as human resources and information technologies, among other things and will ultimately continue to see a need for office space. Further, we anticipate that, while some tenants may require less space due to work from home arrangements, this will be partially offset by the need for more space per employee and a shift towards private workspaces to accommodate social distancing requirements.

As we embark upon 2021 with a strong balance sheet and a portfolio that has proven to be resilient through challenging times, we are well positioned to take advantage of the opportunities that lie ahead. Artis' Board and management are committed to maximizing unitholder value. The Board looks forward to sharing the results of the 100-Day Review in the coming days.

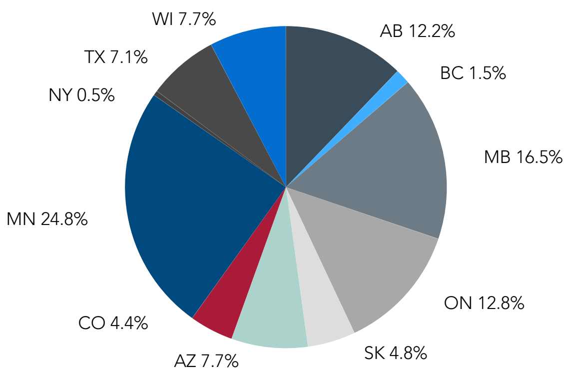
(In thousands of Canadian dollars, unless otherwise noted)

PORTFOLIO SUMMARY

At December 31, 2020, the REIT's portfolio was comprised of 209 commercial properties (inclusive of properties held in joint venture arrangements) totalling approximately 22.9 million square feet ("S.F.") of gross leasable area ("GLA").

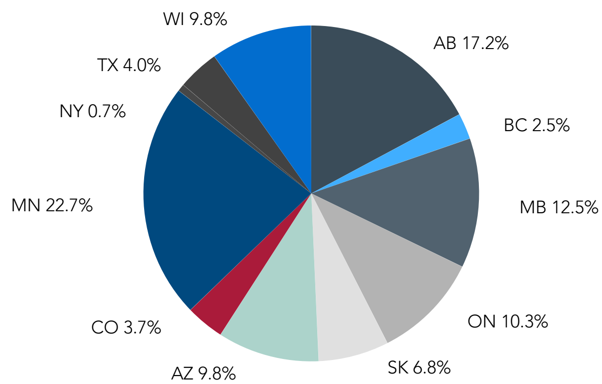
Diversification by Geographical Region (Proportionate Share basis)

GLA



Canada	47.8%
U.S.	52.2%

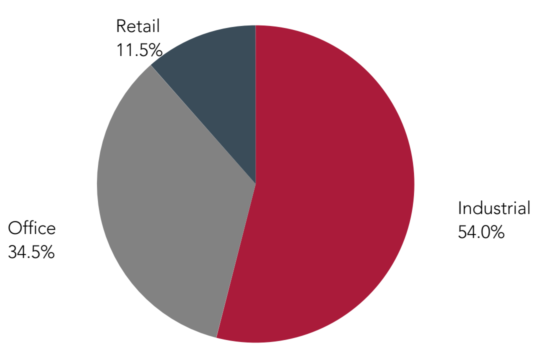
Property NOI (Q4-20)



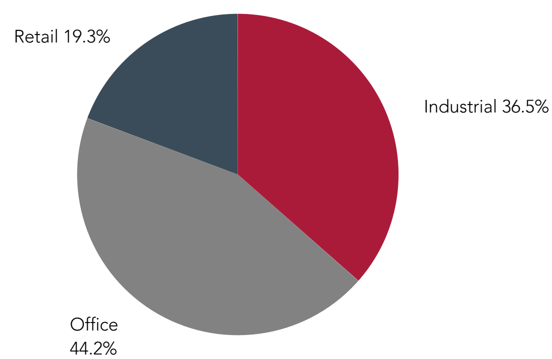
Canada	49.3%
U.S.	50.7%

Diversification by Asset Class (Proportionate Share basis)

GLA



Property NOI (Q4-20)



(In thousands of Canadian dollars, unless otherwise noted)

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:							
Industrial	Calgary	AB	6	362	1.6 %	100.0%	100.0 %
	Greater Edmonton Area	AB	3	156	0.7 %	100.0%	100.0 %
	Greater Toronto Area	ON	28	2,527	11.0 %	97.6%	97.8 %
	Greater Vancouver Area	BC	2	98	0.4 %	100.0%	100.0 %
	Red Deer	AB	1	126	0.6 %	63.1%	63.1 %
	Regina	SK	1	24	0.1 %	100.0%	100.0 %
	Saskatoon	SK	5	327	1.4 %	100.0%	100.0 %
	Winnipeg	MB	28	1,690	7.4 %	92.8%	93.3 %
Industrial total			74	5,310	23.2 %	95.7%	96.0 %
Office	Calgary	AB	7	756	3.2 %	64.1%	64.2 %
	Greater Edmonton Area	AB	1	29	0.1 %	100.0%	100.0 %
	Greater Toronto Area	ON	4	342	1.6 %	89.7%	89.7 %
	Greater Vancouver Area	BC	2	248	1.1 %	88.0%	92.8 %
	Saskatoon	SK	1	64	0.3 %	78.0%	78.0 %
	Winnipeg	MB	9	1,516	6.6 %	79.3%	86.5 %
Office total			24	2,955	12.9 %	77.5%	81.6 %
Retail	Calgary	AB	5	345	1.5 %	85.0%	96.3 %
	Fort McMurray	AB	8	195	0.9 %	81.0%	81.3 %
	Grande Prairie	AB	5	355	1.6 %	66.4%	66.4 %
	Greater Edmonton Area	AB	5	459	2.0 %	97.6%	98.0 %
	Regina	SK	6	470	2.0 %	90.3%	90.8 %
	Saskatoon	SK	3	219	1.0 %	98.1%	98.1 %
	Winnipeg	MB	7	578	2.5 %	91.9%	96.9 %
Retail total			39	2,621	11.5 %	87.9%	90.7 %
Total Canadian portfolio			137	10,886	47.6 %	88.9%	90.8 %
U.S. portfolio:							
Industrial	Greater Denver Area	CO	2	476	2.1 %	69.1%	94.7 %
	Greater Phoenix Area	AZ	7	921	4.1 %	98.8%	98.8 %
	Twin Cities Area	MN	26	3,952	17.3 %	95.5%	96.2 %
	Greater Houston Area	TX	5	1,630	7.1 %	89.9%	90.9 %
Industrial total			40	6,979	30.6 %	92.9%	95.2 %
Office	Greater Denver Area	CO	3	525	2.3 %	89.6%	91.0 %
	Greater Phoenix Area	AZ	4	822	3.6 %	83.7%	91.9 %
	Madison	WI	16	1,772	7.7 %	86.4%	87.2 %
	New Hartford	NY	1	123	0.5 %	100.0%	100.0 %
	Twin Cities Area	MN	7	1,714	7.5 %	90.0%	90.0 %
Office total			31	4,956	21.6 %	87.9%	89.7 %
Total U.S. portfolio			71	11,935	52.2 %	90.8%	92.9 %
Total Canadian and U.S. portfolio			208	22,821	99.8 %	89.9%	91.9 %

(1) Information is as at December 31, 2020, and excludes properties listed in the Property Held for Redevelopment table and the New Developments in Process section on the following page, and includes properties held in joint venture arrangements.

(2) Percentage committed is based on occupancy at December 31, 2020, plus commitments on vacant space.

(In thousands of Canadian dollars, unless otherwise noted)

Property 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)]
Industrial	Greater Toronto Area	ON	1	53	0.2%	2145-2155 Dunwin Drive	74.2 %
Total properties held for redevelopment			1	53	0.2%		74.2 %

(1) Percentage committed is based on occupancy at December 31, 2020, plus commitments on vacant space.

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 in the Greater Toronto Area, Ontario. Artis has undertaken a project to convert this industrial property into commercial condominium units and, at December 31, 2020, units representing 85.8% of the total square footage of the converted complex were under conditional sale agreements.

Subsequent to December 31, 2020, 2145-2155 Dunwin Drive became registered as a condominium property.

New Developments in Process

At December 31, 2020, Artis had two development projects in process: 300 Main and Park 8Ninety V.

300 Main is a 580,000 square foot commercial and residential/multi-family development project in Winnipeg, Manitoba. 300 Main is connected to 330 Main, a state-of-the-art multi-tenant retail property constructed in 2020. The properties are located at the iconic intersection of Portage and Main in downtown Winnipeg, Manitoba and will span nearly one city block when complete. The 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.

Refer to the Risks and Uncertainties section of this MD&A for discussion of the risks related to the 300 Main development project.

Park 8Ninety is a multi-phase industrial development project situated on a 127 acre parcel of land in the Southwest industrial submarket in the Greater Houston Area, Texas. The first four phases of Park 8Ninety are complete and total 1,144,907 square feet of leasable area. At December 31, 2020, Artis had a 95% ownership interest in Park 8Ninety II and Park 8Ninety IV in the form of joint venture arrangements. Subsequent to December 31, 2020, Artis acquired the remaining 5% interest in Park 8Ninety IV and now owns 100% of the property.

Construction of the final phase, Park 8Ninety V, began Q4-20. Park 8Ninety V is expected to comprise three buildings totalling 677,000 square feet of leasable area when complete. Artis has a 95% ownership interest in Park 8Ninety V in the form of a joint venture arrangement.

Future Development Program

Asset class	City	Province / State	Estimated owned share of GLA (000's of S.F.)	Property
Industrial	Greater Houston Area	TX	1,270	Cedar Port - Future Phases
Industrial	Greater Phoenix Area	AZ	56	Park Lucero East
Office	Madison	WI	43	1630 Aspen
Office	Madison	WI	50	Heartland Trail Land

In January 2021, Artis entered into a partnership with Nuveen Real Estate for the development of Park Lucero East, an industrial development project located in the Greater Phoenix Area, Arizona, totaling approximately 561,000 square feet. Artis will develop the project as a 10% partner. In January 2021, the Park Lucero East partnership purchased a parcel of land for US$9,700.

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 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. This project will be planned for sale once rezoning and densification entitlement is achieved. Additional information about this project will be released as progress is made.

(In thousands of Canadian dollars, unless otherwise noted)

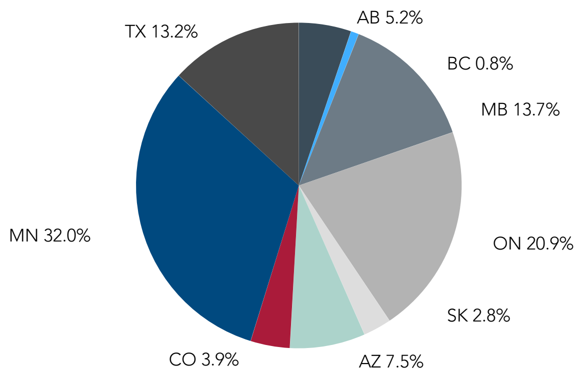
PORTFOLIO SUMMARY BY ASSET CLASS

Industrial Portfolio

Artis' industrial portfolio is comprised of both single tenant and multi-tenant properties strategically located in key Canadian and U.S. markets. At December 31, 2020, the REIT's industrial portfolio was comprised of 115 properties (inclusive of properties held in joint venture arrangements) totalling approximately 12.3 million square feet of gross leasable area.

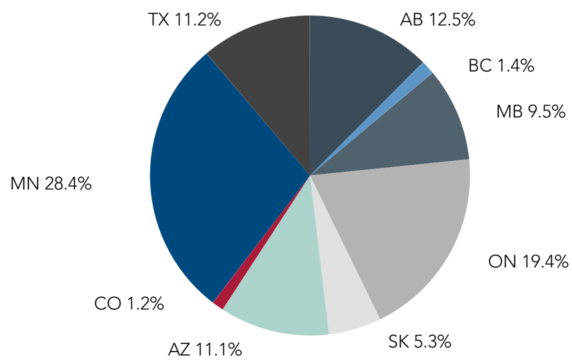
At December 31, 2020, the fair value of the properties in Artis' industrial portfolio (inclusive of properties held in joint venture arrangements) was $1,878,274, and represented 54.0% of the REIT's GLA at December 31, 2020, and 36.5% of Q4-20 Proportionate Share Property NOI. Below is a breakdown of REIT's industrial portfolio by geographical region:

GLA



Canada	43.4%
U.S.	56.6%

Proportionate Share Property NOI (Q4-20)

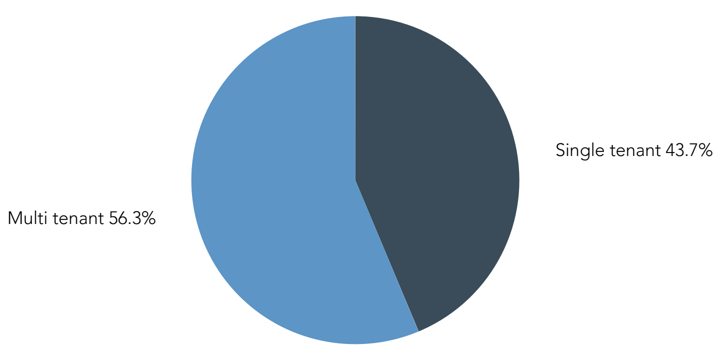


Canada	48.1%
U.S.	51.9%

The following is a historical summary of key performance indicators related to the REIT's industrial portfolio:

	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19
Number of properties	115	116	115	115	115	113	112	110
Occupancy (including commitments)	95.5 %	95.0 %	96.5 %	95.4 %	97.2 %	99.2 %	98.5 %	98.6 %
Same Property NOI growth	0.9 %	1.9 %	4.8 %	5.5 %	7.9 %	9.5 %	8.2 %	8.8 %
Leasable area renewed (in S.F.)	37,004	151,354	480,613	161,946	299,631	87,089	198,257	201,963
Increase (decrease) in weighted-average rental rate	29.4 %	24.8 %	(7.3)%	11.3 %	12.9 %	10.0 %	2.3 %	(0.8)%

Artis' industrial properties are a mix of single tenant and multi-tenant buildings. The following is a breakdown of the REIT's industrial property type based on Q4-20 Proportionate Share Property NOI:



Artis' industrial portfolio includes 465 tenant leases with a weighted-average term to maturity of 5.3 years. Approximately 42.5% of the REIT's industrial gross revenue is derived from national or government tenants. As indicated below, the 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.

(In thousands of Canadian dollars, unless otherwise noted)

The following is a list of Artis' top 10 industrial tenants by gross revenue:

Top 10 Industrial Tenants by Gross Revenue (1)

Tenant	Tenant location	% of total industrial gross revenue (2)	Owned share of GLA (000's of S.F.)	% of total industrial GLA	Weighted-average remaining lease term
Graham Group Ltd.	Canada	6.5 %	243	2.0 %	13.6
Bell Canada	Canada	4.8 %	111	0.9 %	9.0
PBP, Inc.	U.S.	3.2 %	519	4.2 %	10.9
3M Canada Company	Canada	2.5 %	319	2.6 %	4.2
Silent Aire USA Inc.	U.S.	2.2 %	289	2.3 %	6.2
Civeo	Canada	2.1 %	72	0.6 %	7.5
Clarke Transport Inc.	Canada	1.8 %	148	1.2 %	4.3
Maple Leaf Consumer Foods Inc.	Canada	1.8 %	163	1.3 %	8.5
Distribution Alternatives, Inc.	U.S.	1.8 %	403	3.3 %	12.0
ABB Inc.	Canada	1.6 %	151	1.2 %	3.8
Total		28.3 %	2,418	19.6 %	8.7

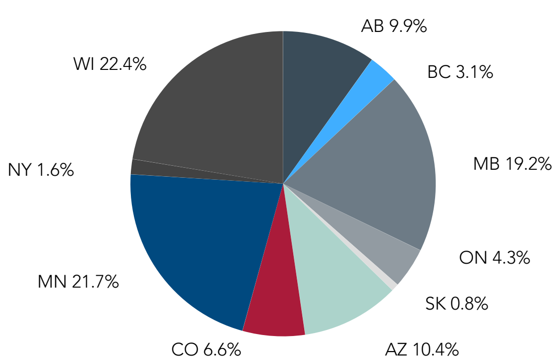
(1) Based on owned share of GLA of properties included in the Portfolio Summary - Portfolio by Asset Class table.
(2) Total gross revenue is in Canadian and US dollars.

Office Portfolio

Artis' office portfolio is strategically located across primary and secondary markets in both Canada and the U.S. At December 31, 2020, the REIT's office portfolio was comprised of 55 properties (inclusive of properties held in joint venture arrangements) totalling approximately 7.9 million square feet of gross leasable area.

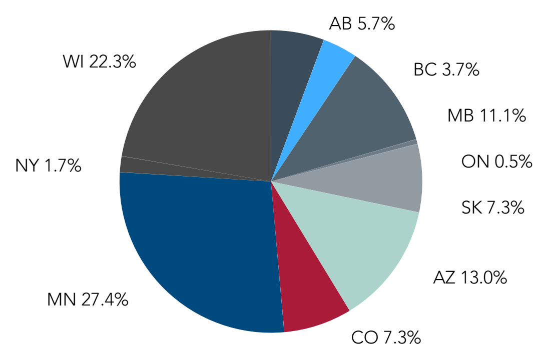
At December 31, 2020, the fair value of the properties in Artis' office portfolio was $2,231,173 (inclusive of properties held in joint venture arrangements), representing 34.5% of the REIT's GLA at December 31, 2020, and 44.2% of Q4-20 Proportionate Share Property NOI. Below is a breakdown of REIT's office portfolio by geographical region:

GLA



Canada	37.3%
U.S.	62.7%

Proportionate Share Property NOI (Q4-20)



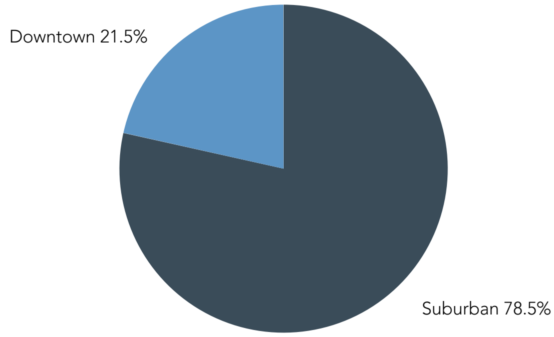
Canada	28.3%
U.S.	71.7%

The following is a historical summary of key performance indicators related to the REIT's office portfolio:

	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19
Number of properties	55	58	59	59	64	65	67	71
Occupancy (including commitments)	86.7 %	87.4 %	88.8 %	89.4 %	89.2 %	90.3 %	90.8 %	89.7 %
Same Property NOI (decline) growth	(9.4)%	(3.5)%	(1.6)%	1.1 %	2.2 %	(1.5)%	3.9 %	4.9 %
Leasable area renewed (in S.F.)	334,727	360,697	56,193	150,908	178,949	228,853	101,710	82,238
Increase (decrease) in weighted-average rental rate	(8.7)%	10.3 %	4.0 %	1.8 %	6.0 %	13.1 %	3.0 %	0.2 %

(In thousands of Canadian dollars, unless otherwise noted)

Artis' office portfolio consists of properties located in both downtown and suburban markets. The following is a breakdown of the REIT's office property type based on Q4-20 Proportionate Share Property NOI:



Artis' office portfolio includes 619 tenant leases with a weighted-average term to maturity of 5.8 years. Approximately 52.4% of the REIT's office 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 following is a list of Artis' top 10 office tenants by gross revenue:

Top 10 Office Tenants by Gross Revenue (1)

Tenant	Tenant location	% of total office gross revenue (2)	Owned share of GLA (000's of S.F.)	% of total office GLA	Weighted-average remaining lease term
Bell MTS Inc.	Canada	5.3 %	314	4.0 %	4.4
Government tenants	Canada	4.0 %	261	3.3 %	9.1
AT&T	U.S.	3.8 %	257	3.2 %	4.5
WorleyParsons Canada Services Ltd.	Canada	3.6 %	164	2.1 %	0.7
Prime Therapeutics LLC	U.S.	3.4 %	386	4.9 %	13.8
TDS Telecommunications Corporation	U.S.	2.6 %	174	2.2 %	4.0
Catalent Pharma Solutions, LLC	U.S.	2.4 %	233	2.9 %	15.6
CB Richard Ellis, Inc.	U.S.	2.3 %	108	1.4 %	6.0
Fairview Health Services	U.S.	2.1 %	179	2.3 %	2.7
Choice Hotels International Services Corp.	U.S.	2.0 %	114	1.4 %	1.0
Total		31.5 %	2,190	27.7 %	7.3

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

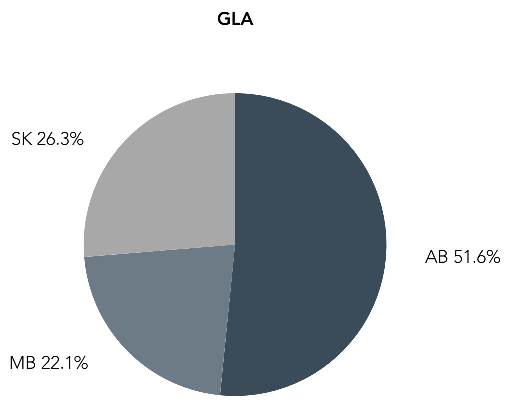
(2) Total gross revenue is in Canadian and US dollars.

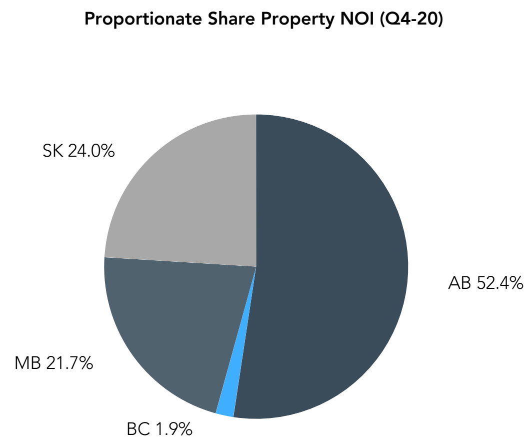
Retail Portfolio

Artis' retail portfolio is primarily open-air, service-based properties located across Western Canada. At December 31, 2020, the REIT's retail portfolio was comprised of 39 properties totalling approximately 2.6 million square feet of gross leasable area.

At December 31, 2020, the fair value of the properties in Artis' retail portfolio was $749,699, and represented 11.5% of the REIT's GLA at December 31, 2020, and 19.3% of Q4-20 Proportionate Share Property NOI. Below is a breakdown of REIT's retail portfolio by geographical region:

(In thousands of Canadian dollars, unless otherwise noted)

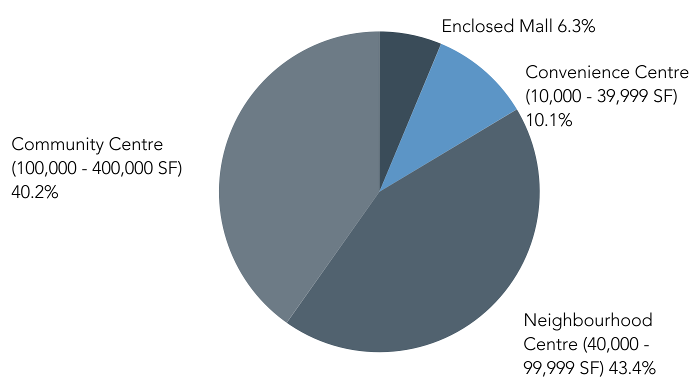




The following is a historical summary of key performance indicators related to the REIT's retail portfolio:

	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19
Number of properties	39	42	42	41	41	50	50	54
Occupancy (including commitments)	90.7 %	89.5 %	90.0 %	90.9 %	91.4 %	93.6 %	93.7 %	93.4 %
Same Property NOI (decline) growth	(5.8)%	(0.9)%	(13.4)%	(3.2)%	(0.8)%	0.5 %	1.8 %	1.1 %
Leasable area renewed (in S.F.)	34,866	105,188	56,066	25,540	74,180	62,994	53,903	48,057
(Decrease) increase in weighted-average rental rate	(0.3)%	(13.3)%	5.3 %	8.3 %	2.8 %	(1.3)%	7.3 %	(4.7)%

Artis' retail properties are primarily open-air neighbourhood and community strip centres that provide a wide array of necessities such as food and service. The following is a breakdown of the REIT's retail property type based on Q4-20 Proportionate Share Property NOI:



Artis' retail portfolio includes 495 tenant leases with a weighted-average term to maturity of 4.6 years. Approximately 60.4% of the REIT's retail gross revenue is derived from national or government tenants. As indicated below, the largest tenant by gross revenue is Shoppers Drug Mart Inc, which is one of Canada's largest national retail pharmacy chains providing health and personal care products.

(In thousands of Canadian dollars, unless otherwise noted)

The following is a list of Artis' top 10 retail tenants by gross revenue:

Top 10 Retail Tenants by Gross Revenue (1)

Tenant	Tenant location	% of total retail gross revenue	Owned share of GLA (000's of S.F.)	% of total retail GLA	Weighted-average remaining lease term
Shoppers Drug Mart	Canada	3.9 %	81	3.1 %	5.5
Sportchek International Ltd.	Canada	3.4 %	105	4.0 %	2.2
Cineplex Entertainment LP	Canada	3.2 %	108	4.1 %	4.9
Sobeys	Canada	2.4 %	83	3.2 %	2.0
The Brick	Canada	2.1 %	62	2.4 %	4.4
Winners	Canada	2.1 %	84	3.2 %	3.4
Jysk Linen'n Furniture	Canada	2.1 %	75	2.9 %	4.5
Lucky Supermarket	Canada	1.6 %	51	1.9 %	16.9
CIBC	Canada	1.5 %	25	0.9 %	1.7
PetSmart, Inc.	Canada	1.5 %	40	1.5 %	2.8
Total		23.8 %	714	27.2 %	4.6

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

2020 ANNUAL HIGHLIGHTS

PORTFOLIO ACTIVITY

During 2020, Artis completed two new development properties, one densification project and disposed of 13 properties.

	Industrial		Office		Retail		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, December 31, 2019	115	12,366	64	9,758	41	2,722	220	24,846
New developments	1	95	—	—	1	45	2	140
Dispositions	(1)	(119)	(9)	(1,847)	(3)	(146)	(13)	(2,112)
Portfolio properties, December 31, 2020	115	12,342	55	7,911	39	2,621	209	22,874

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

Dispositions

During 2020, Artis disposed of the following properties:

Property	Property count	Location	Disposition date	Asset class	Owned share of GLA	Sale price
Centre 15 Building	1	Calgary, AB	January 21, 2020	Office	76,021	$ 14,000
Calgary Office Portfolio (1)	2	Calgary, AB	January 30, 2020	Office	497,635	77,814
800 5th Avenue	1	Calgary, AB	January 31, 2020	Office	258,445	26,000
1165 Kenaston Street	1	Ottawa, ON	March 31, 2020	Office	180,689	22,500
Millwright Building (2)	1	Twin Cities Area, MN	August 25, 2020	Office	138,781	US 40,960
Concorde Corporate Centre	2	Toronto, ON	November 16, 2020	Office	565,190	114,000
Delta Shoppers Mall	1	Greater Vancouver Area, BC	November 18, 2020	Retail	74,669	34,280
Shoppers Landmark Centre	1	Regina, SK	November 25, 2020	Retail	49,023	16,000
Strathcona Shoppers Centre	1	Regina, SK	December 7, 2020	Retail	21,910	7,625
ASM America Headquarters Building	1	Phoenix, AZ	December 10, 2020	Office	130,282	US 27,000
1110 Pettigrew Avenue	1	Regina, SK	December 15, 2020	Industrial	118,957	15,250

(1) Disposition includes a parcel of development land.
(2) The REIT held an 80% interest in the Millwright Building in the form of a joint venture arrangement.

During 2020, Artis repaid mortgage debt related to the disposition of the above properties in the aggregate amount of $142,240.

On November 9, 2020, the REIT disposed of 801 Carlson, a parcel of office development land in the Twin Cities Area, Minnesota for a sale price of US$5,500.

At December 31, 2020, the REIT had entered into an unconditional sale agreement for the Victoria Square Retail Portfolio, comprised of two retail properties located in Regina, Saskatchewan, for a sale price of $45,000, which is expected to close in April 2021.

(In thousands of Canadian dollars, unless otherwise noted)

New Developments

During 2020, Artis completed the following new developments:

Property	Property count	Location	Asset class	Owned share of GLA	% Occupied	% Committed [3]
330 Main	1	Winnipeg, MB	Retail	28,086	84.1 %	94.2 %
Park 8Ninety IV [1]	1	Greater Houston Area, TX	Industrial	95,000	100.0 %	100.0 %
Linden Ridge Shopping Centre II [2]	—	Winnipeg, MB	Retail	17,071	100.0 %	100.0 %

(1) The REIT has a 95% interest in Park 8Ninety IV in the form of a joint venture arrangement. Subsequent to December 31, 2020, the REIT purchased the remaining 5% and now owns 100% of the property.
(2) This is a densification project which added an additional 17,071 square foot building to an existing retail property.
(3) Percentage committed is based on occupancy at December 31, 2020, plus commitments on vacant space.

FINANCING AND EQUITY ACTIVITIES

Senior Unsecured Debentures

On February 7, 2020, the REIT completed the repayment of the outstanding Series B senior unsecured debentures with a face value of $200,000.

On September 18, 2020, Artis issued three-year Series D senior unsecured debentures for gross proceeds of $250,000. These debentures bear interest at a fixed rate of 3.824%. The Series D debentures were sold on a private placement basis in certain provinces in Canada.

Unsecured Revolving Term Credit Facilities

During 2020, Artis repaid a net balance of $464,721 on its revolving credit facilities.

Unsecured Non-Revolving Term Credit Facility

On February 6, 2020, Artis entered into a two-year unsecured non-revolving term credit facility agreement in the amount of $200,000, bearing interest at prime plus 0.60% or the bankers' acceptance rate plus 1.60%. The REIT drew $200,000 on this credit facility. The proceeds were used for the repayment of the Series B senior unsecured debentures.

On May 28, 2020, the REIT entered into interest rate swap agreements for the non-revolving term credit facility noted above, in the aggregate amount of $200,000, effectively fixing the interest rate at 2.22%.

Normal Course Issuer Bid

In 2020, Artis utilized the NCIB to purchase 3,727,716 common units for an aggregate market price of $33,442 and 31,100 Series A, 45,802 Series E and 34,460 Series I preferred units for an aggregate market price of $1,850.

Mortgage Debt Financing and Repayment Activity

During 2020, the REIT repaid one maturing mortgage in the amount of $19,711 and received upward financing upon renewal of three maturing mortgages, net of financing costs, in the amount of $56,879.

DISTRIBUTIONS

On November 5, 2020, the REIT announced a 3% increase to common unitholder distributions, from $0.54 per unit annually to $0.5562 per unit annually, effective for the December 2020 distribution payable on January 15, 2021.

In 2020, Artis declared distributions of $91,074 to unitholders, which included distributions to preferred unitholders in the amount of $17,420.

(In thousands of Canadian dollars, unless otherwise noted)

SELECTED FINANCIAL INFORMATION

000's, except per unit amounts	2020	Year ended December 31, 2019	Change	% Change	Year ended December 31, 2018
Revenue	$ 458,917	$ 521,660	$ (62,743)	(12.0)%	$ 512,870
Net operating income	269,275	309,856	(40,581)	(13.1)%	304,323
Net income	21,543	122,737	(101,194)	(82.4)%	158,636
Total comprehensive (loss) income	(6,274)	51,069	(57,343)	(112.3)%	274,388
Basic income per common unit	0.03	0.72	(0.69)	(95.8)%	0.89
Diluted income per common unit	0.02	0.72	(0.70)	(97.2)%	0.88
Distributions per unit:					
Common units	$ 0.54	$ 0.54	$ —	— %	$ 0.99
Preferred units - Series A	1.42	1.42	—	— %	1.42
Preferred units - Series C	—	—	—	— %	0.42
Preferred units - Series E	1.37	1.37	—	— %	1.23
Preferred units - Series G	—	0.73	(0.73)	(100.0)%	1.25
Preferred units - Series I	1.50	1.50	—	— %	1.38
FFO (1)	$ 192,411	$ 202,398	$ (9,987)	(4.9)%	$ 200,139
FFO per unit (1)	1.41	1.41	—	— %	1.30
FFO per unit - industrial (1) (2)	*0.50*	*0.42*	*0.08*	*19.0 %*	*0.34*
FFO per unit - office (1) (2)	*0.65*	*0.71*	*(0.06)*	*(8.5)%*	*0.69*
FFO per unit - retail (1) (2)	*0.26*	*0.28*	*(0.02)*	*(7.1)%*	*0.27*
FFO payout ratio (1)	38.3 %	38.3 %		— %	76.2 %
AFFO (1)	$ 139,552	$ 150,518	$ (10,966)	(7.3)%	$ 149,428
AFFO per unit (1)	1.02	1.05	(0.03)	(2.9)%	0.97
AFFO payout ratio (1)	52.9 %	51.4 %		1.5 %	102.1 %
Same Property NOI (decline) growth % (1)	(1.7)%	3.8 %		(5.5)%	1.1 %
Adjusted EBITDA interest coverage ratio (1)	3.38	2.98	0.40	13.4 %	3.11

(1) Represents a non-GAAP measure. Refer to the Notice with Respect to non-GAAP Measures section of this MD&A.
(2) FFO per unit by asset class is calculated based on the Proportionate Share Property NOI for each asset class as a percentage of Artis' total Proportionate Share Property NOI multiplied by total FFO per unit for the period.

Revenue and net operating income decreased year-over-year, primarily due to the impact of dispositions as the REIT disposed of one industrial, 17 office and 15 retail properties in 2019 and 2020.

The overall decrease in revenue and net operating income is partially offset by completed new developments and acquisitions. In 2019 and 2020, Artis completed numerous development and densification projects including Park Lucero IV, Cedar Port I, Park 8Ninety III, 330 Main and Linden Ridge Shopping Centre II. In addition, Artis acquired Boulder Lakes Business Park II, a 100% leased office property in the Twin Cities Area, Minnesota.

The COVID-19 pandemic continues to impact Artis' financial results. The REIT recorded bad debt expense and rent abatements in the amount of $4,862 in 2020, compared to $680 in 2019, primarily due to provisions related to the collectability of rents receivable and deferred rents receivable from certain tenants adversely affected by the COVID-19 pandemic. Additionally, overall portfolio occupancy has decreased to 89.9% at December 31, 2020, compared to 91.5% at December 31, 2019.

Artis reported a decline in year-over-year Same Property NOI of 1.7%. Excluding bad debt expense and rent abatements, Same Property NOI decreased 0.4% year-over-year.

Net income and total comprehensive (loss) income were impacted by the fair value change on investment properties (loss of $140,876 in 2020 compared to loss of $94,727 in 2019), and by the change in income from investments in joint ventures ($24,851 in 2020, compared to $36,843 in 2019).
Also impacting net income and total comprehensive (loss) income was expenses related to the proxy matter ($17,423 in 2020 compared to $nil in 2019) and an increase in strategic initiative expenses ($4,029 in 2020 compared to $1,358 in 2019).

Partially offsetting the above is a decrease in interest expense ($86,106 in 2020, compared to $108,809 in 2019) and a decrease in corporate expenses ($12,205 in 2020 compared to $14,452 in 2019).

Foreign exchange also continues to positively impact Artis' financial results, due to a higher US dollar to Canadian dollar average exchange rate of 1.3412 in 2020, compared to 1.3268 in 2019.

FFO per unit for the year ended December 31, 2020 was $1.41, unchanged from the year ended December 31, 2019, while AFFO per unit for the year ended December 31, 2020 was $1.02, compared to $1.05 for the year ended December 31, 2019. The REIT adjusted FFO and AFFO for proxy matter and strategic initiative expenses, as management believes this provides a better representation of recurring FFO and AFFO. FFO per unit and AFFO per unit were also impacted by the units acquired and cancelled under the NCIB.

The REIT reported conservative FFO and AFFO payout ratios of 38.3% and 52.9%, respectively, for 2020.

(In thousands of Canadian dollars, unless otherwise noted)

BALANCE SHEET METRICS

000's, except per unit amounts		December 31, 2020		December 31, 2019	% Change		December 31, 2018
NAV per unit [(1)]	$	15.03	$	15.56	(3.4)%	$	15.55
IFRS							
Secured mortgages and loans to GBV [(1)]		26.2 %		26.3 %	(0.1)%		29.4 %
Total long-term debt and credit facilities to GBV [(1)]		49.3 %		51.3 %	(2.0)%		49.9 %
Fair value of unencumbered assets	$	1,901,073	$	1,926,661	(1.3)%	$	1,805,382
Total assets		4,859,841		5,330,019	(8.8)%		5,717,177
Total non-current financial liabilities		1,648,305		2,142,090	(23.1)%		2,252,874
Proportionate Share							
Total long-term debt and credit facilities to Adjusted EBITDA [(1)]		9.4		8.7	8.0 %		9.0
Secured mortgages and loans to GBV [(1)]		27.7 %		27.9 %	(0.2)%		30.6 %
Total long-term debt and credit facilities to GBV [(1)]		50.2 %		52.3 %	(2.1)%		50.6 %
Fair value of unencumbered assets	$	1,941,959	$	1,968,369	(1.3)%	$	1,847,443
Total assets		4,987,006		5,460,034	(8.7)%		5,841,846
Total non-current financial liabilities		1,698,137		2,236,067	(24.1)%		2,296,891

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

Artis reported NAV per unit of $15.03 at December 31, 2020, compared to $15.56 at December 31, 2019. The change is primarily due to the year-to-date fair value loss on investment properties and derivative instruments and distributions to unitholders, partially offset by net operating income and the impact of units purchased under the NCIB.

Refer to the individual sections of this MD&A for additional information and discussion of the REIT's key financial metrics.

(In thousands of Canadian dollars, unless otherwise noted)

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 December 31,					
	2020			2019		
	Per consolidated financial statements	Adjustment (1)	Total Proportionate Share	Per consolidated financial statements	Adjustment (1)	Total Proportionate Share
Revenue	$ 113,010	$ 4,490	$ 117,500	$ 127,180	$ 4,798	$ 131,978
Expenses:						
Property operating	29,166	684	29,850	32,910	1,377	34,287
Realty taxes	18,877	1,460	20,337	19,149	713	19,862
Total operating expenses	48,043	2,144	50,187	52,059	2,090	54,149
Net operating income	64,967	2,346	67,313	75,121	2,708	77,829
Other income (expenses):						
Corporate expenses	(6,654)	—	(6,654)	(2,462)	—	(2,462)
Proxy matter expenses	(17,423)	—	(17,423)	—	—	—
Strategic initiative expenses	(810)	—	(810)	(937)	—	(937)
Interest expense	(20,247)	(935)	(21,182)	(26,299)	(1,106)	(27,405)
Interest income	628	12	640	1,745	2	1,747
Net income from investments in joint ventures	17,724	(17,724)	—	13,352	(13,352)	—
Fair value (loss) gain on investment properties	(8,985)	16,301	7,316	(31,863)	11,748	(20,115)
Foreign currency translation gain	3,105	—	3,105	4,804	—	4,804
Transaction costs	—	—	—	(84)	—	(84)
Fair value gain on derivative instruments	265	—	265	105	—	105
Income before income taxes	32,570	—	32,570	33,482	—	33,482
Income tax expense	(146)	—	(146)	(605)	—	(605)
Net income	32,424	—	32,424	32,877	—	32,877
Other comprehensive loss:						
Unrealized foreign currency translation loss	(58,784)	(6,119)	(64,903)	(26,084)	(2,696)	(28,780)
Unrealized foreign currency translation loss on joint ventures	(6,119)	6,119	—	(2,696)	2,696	—
	(64,903)	—	(64,903)	(28,780)	—	(28,780)
Total comprehensive (loss) income	$ (32,479)	$ —	$ (32,479)	$ 4,097	$ —	$ 4,097

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

(In thousands of Canadian dollars, unless otherwise noted)

	Year ended December 31,					
	2020			2019		
	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share
Revenue	$ 458,917	$ 20,785	$ 479,702	$ 521,660	$ 17,958	$ 539,618
Expenses:						
Property operating	112,871	4,457	117,328	130,099	4,938	135,037
Realty taxes	76,771	5,190	81,961	81,705	3,513	85,218
Total operating expenses	189,642	9,647	199,289	211,804	8,451	220,255
Net operating income	269,275	11,138	280,413	309,856	9,507	319,363
Other income (expenses):						
Corporate expenses	(12,205)	—	(12,205)	(14,452)	—	(14,452)
Proxy matter expenses	(17,423)	—	(17,423)	—	—	—
Strategic initiative expenses	(4,029)	—	(4,029)	(1,358)	—	(1,358)
Interest expense	(86,106)	(4,561)	(90,667)	(108,809)	(4,372)	(113,181)
Interest income	4,797	17	4,814	3,212	7	3,219
Net income from investments in joint ventures	24,851	(24,851)	—	36,843	(36,843)	—
Fair value (loss) gain on investment properties	(140,876)	18,257	(122,619)	(94,727)	31,701	(63,026)
Foreign currency translation gain	530	—	530	10,668	—	10,668
Transaction costs	—	—	—	(301)	—	(301)
Fair value loss on derivative instruments and other transactions	(16,538)	—	(16,538)	(16,379)	—	(16,379)
Income before income taxes	22,276	—	22,276	124,553	—	124,553
Income tax expense	(733)	—	(733)	(1,816)	—	(1,816)
Net income	21,543	—	21,543	122,737	—	122,737
Other comprehensive loss:						
Unrealized foreign currency translation loss	(25,498)	(2,319)	(27,817)	(66,214)	(6,125)	(72,339)
Unrealized foreign currency translation loss on joint ventures	(2,319)	2,319	—	(6,125)	6,125	—
Unrealized gain from remeasurements of net pension obligation	—	—	—	671	—	671
	(27,817)	—	(27,817)	(71,668)	—	(71,668)
Total comprehensive (loss) income	$ (6,274)	$ —	$ (6,274)	$ 51,069	$ —	$ 51,069

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

(In thousands of Canadian dollars, unless otherwise noted)

REVENUE AND PROPERTY NOI

	Three months ended December 31,					
	2020			2019		
	IFRS	Adjustment (1)	Total Proportionate Share	IFRS	Adjustment (1)	Total Proportionate Share
Revenue:						
Rental income	$ 117,794	$ 4,640	$ 122,434	$ 131,699	$ 4,692	$ 136,391
Tenant inducements amortized to revenue	(6,424)	(168)	(6,592)	(6,254)	(173)	(6,427)
Straight-line rent adjustments	1,535	18	1,553	1,579	279	1,858
Lease termination income	105	—	105	156	—	156
	113,010	4,490	117,500	127,180	4,798	131,978
Property operating and realty tax expenses	48,043	2,144	50,187	52,059	2,090	54,149
Property NOI	$ 64,967	$ 2,346	$ 67,313	$ 75,121	$ 2,708	$ 77,829

	Year ended December 31,					
	2020			2019		
	IFRS	Adjustment (1)	Total Proportionate Share	IFRS	Adjustment (1)	Total Proportionate Share
Revenue:						
Rental income	$ 478,145	$ 20,758	$ 498,903	$ 537,869	$ 17,777	$ 555,646
Tenant inducements amortized to revenue	(24,854)	(986)	(25,840)	(23,385)	(751)	(24,136)
Straight-line rent adjustments	4,923	973	5,896	6,077	932	7,009
Lease termination income	703	40	743	1,099	—	1,099
	458,917	20,785	479,702	521,660	17,958	539,618
Property operating and realty tax expenses	189,642	9,647	199,289	211,804	8,451	220,255
Property NOI	$ 269,275	$ 11,138	$ 280,413	$ 309,856	$ 9,507	$ 319,363

(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. In 2020, rental income was impacted by rent abatements in the amount of $2,169, compared to $91 in 2019. Rent abatements in 2020 were primarily granted to certain tenants affected by the COVID-19 pandemic.

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. Also included in property operating expenses is bad debt expense of $2,693 (Q4-20 - $462) in 2020 compared to $589 (Q4-19 - $159) in 2019. The bad debt provisions are primarily related to the collectability of rents receivable and deferred rents receivable from certain tenants affected by the COVID-19 pandemic.

(In thousands of Canadian dollars, unless otherwise noted)

SAME PROPERTY NOI ANALYSIS [1]

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

	Three months ended December 31, 2020	Three months ended December 31, 2019	Change	% Change	Year ended December 31, 2020	Year ended December 31, 2019	Change	% Change
Property NOI	$ 67,313	$ 77,829			$ 280,413	$ 319,363		
Add (deduct) Property NOI from:								
Acquisitions	(957)	(743)			(4,137)	(790)		
Dispositions and unconditional dispositions	(2,324)	(8,206)			(4,026)	(38,671)		
(Re)development properties	(279)	(353)			(4,869)	(662)		
Other [2]	(874)	(993)			(1,237)	(2,260)		
	(4,434)	(10,295)			(14,269)	(42,383)		
Straight-line rent adjustments	(1,307)	(1,412)			(4,295)	(5,864)		
Tenant inducements amortized to revenue	6,106	5,285			24,311	19,980		
Same Property NOI	$ 67,678	$ 71,407	$ (3,729)	(5.2)%	$ 286,160	$ 291,096	$ (4,936)	(1.7)%

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

	Three months ended December 31, 2020	Three months ended December 31, 2019	Change	% Change	Year ended December 31, 2020	Year ended December 31, 2019	Change	% Change
Canada:								
Industrial	$ 12,069	$ 12,266	$ (197)	(1.6)%	$ 49,012	$ 47,656	$ 1,356	2.8 %
Office	9,463	11,469	(2,006)	(17.5)%	43,980	49,654	(5,674)	(11.4)%
Retail	11,644	12,367	(723)	(5.8)%	52,526	55,803	(3,277)	(5.9)%
Total Canada	33,176	36,102	(2,926)	(8.1)%	145,518	153,113	(7,595)	(5.0)%
U.S.:								
Industrial	9,944	9,492	452	4.8 %	35,589	34,697	892	2.6 %
Office	16,533	17,253	(720)	(4.2)%	69,285	69,310	(25)	— %
Total U.S.	26,477	26,745	(268)	(1.0)%	104,874	104,007	867	0.8 %
Total in functional currency	59,653	62,847	(3,194)	(5.1)%	250,392	257,120	(6,728)	(2.6)%
Foreign exchange	8,025	8,560	(535)	(6.3)%	35,768	33,976	1,792	5.3 %
Same Property NOI	$ 67,678	$ 71,407	$ (3,729)	(5.2)%	$ 286,160	$ 291,096	$ (4,936)	(1.7)%

	Three months ended December 31, 2020	Three months ended December 31, 2019	Change	% Change	Year ended December 31, 2020	Year ended December 31, 2019	Change	% Change
Industrial	$ 25,024	$ 24,796	$ 228	0.9 %	$ 96,669	$ 93,675	$ 2,994	3.2 %
Office	31,010	34,244	(3,234)	(9.4)%	136,965	141,618	(4,653)	(3.3)%
Retail	11,644	12,367	(723)	(5.8)%	52,526	55,803	(3,277)	(5.9)%
Same Property NOI	$ 67,678	$ 71,407	$ (3,729)	(5.2)%	$ 286,160	$ 291,096	$ (4,936)	(1.7)%

In 2020, Same Property NOI decreased in the office and retail segments due to increased vacancy. The office segment was also impacted by lower parking revenues in Manitoba.

(In thousands of Canadian dollars, unless otherwise noted)

Same Property NOI by Geographical Region

	Three months ended December 31, 2020	2019	Change	% Change	Year ended December 31, 2020	2019	Change	% Change
Alberta	$ 12,345	$ 12,800	$ (455)	(3.6)%	$ 49,308	$ 51,925	$ (2,617)	(5.0)%
British Columbia	1,494	1,664	(170)	(10.2)%	7,353	7,816	(463)	(5.9)%
Manitoba	9,656	11,468	(1,812)	(15.8)%	41,021	45,874	(4,853)	(10.6)%
Ontario	6,536	6,901	(365)	(5.3)%	29,655	29,179	476	1.6 %
Saskatchewan	3,145	3,269	(124)	(3.8)%	18,181	18,319	(138)	(0.8)%
Arizona	5,030	5,228	(198)	(3.8)%	21,460	21,469	(9)	— %
Colorado	2,168	2,220	(52)	(2.3)%	8,685	8,673	12	0.1 %
Minnesota	11,513	11,558	(45)	(0.4)%	45,746	46,378	(632)	(1.4)%
New York	383	322	61	18.9 %	1,425	1,084	341	31.5 %
Texas	2,064	1,728	336	19.4 %	5,048	4,341	707	16.3 %
Wisconsin	5,319	5,689	(370)	(6.5)%	22,510	22,062	448	2.0 %
Total in functional currency	59,653	62,847	(3,194)	(5.1)%	250,392	257,120	(6,728)	(2.6)%
Foreign exchange	8,025	8,560	(535)	(6.3)%	35,768	33,976	1,792	5.3 %
Same Property NOI	$ 67,678	$ 71,407	$ (3,729)	(5.2)%	$ 286,160	$ 291,096	$ (4,936)	(1.7)%

Same Property NOI in Manitoba decreased $2,126 (Q4-20 - $817) in 2020 due to a decline in parking revenues primarily as a result of the ongoing COVID-19 pandemic. Also related to the impact of the COVID-19 pandemic, and in addition to bad debt expense and rent abatements, all regions with the exception of New York and Texas, were impacted by increased vacancy.

The COVID-19 pandemic has resulted in bad debt provisions related to the collectability of rents receivable and deferred rents receivable from certain tenants and rent abatements granted for specific tenants. Same Property NOI excluding bad debt expense and rent abatements decreased 0.4% (Q4-20 - decreased 4.4%) in 2020.

Same Property Occupancy Report

Geographical Region	As at December 31, 2020	2019
Canada:		
Alberta	83.8%	85.4%
British Columbia	91.4%	92.0%
Manitoba	88.4%	91.8%
Ontario	96.7%	99.9%
Saskatchewan	95.4%	97.5%
Total Canada	90.0%	92.7%
U.S.:		
Arizona	91.7%	95.6%
Colorado	85.7%	92.9%
Minnesota	93.4%	95.7%
New York	100.0%	100.0%
Texas	89.3%	81.6%
Wisconsin	84.2%	89.5%
Total U.S.	90.9%	92.7%
Total	90.5%	92.7%

Asset Class	As at December 31, 2020	2019
Industrial	94.7%	95.7%
Office	86.3%	90.3%
Retail	83.9%	87.1%
Total	90.5%	92.7%

(In thousands of Canadian dollars, unless otherwise noted)

PROPERTY NOI BY ASSET CLASS

	IFRS			IFRS			Proportionate Share			Proportionate Share		
	Q4-20	Q4-19	Change	YTD-20	YTD-19	Change	Q4-20	Q4-19	Change	YTD-20	YTD-19	Change
Canada:												
Industrial	$ 10,426	$ 11,033	$ (607)	$ 42,222	$ 42,502	$ (280)	$ 11,780	$ 12,400	$ (620)	$ 47,641	$ 47,943	$ (302)
Office	8,419	14,589	(6,170)	38,681	64,198	(25,517)	8,419	14,510	(6,091)	38,681	64,098	(25,417)
Retail	12,973	13,711	(738)	52,024	57,980	(5,956)	12,973	13,711	(738)	52,024	57,980	(5,956)
	31,818	39,333	(7,515)	132,927	164,680	(31,753)	33,172	40,621	(7,449)	138,346	170,021	(31,675)
U.S.:												
Industrial	11,989	12,863	(874)	48,144	45,291	2,853	12,769	13,672	(903)	51,394	47,209	4,185
Office	21,115	22,665	(1,550)	87,898	95,313	(7,415)	21,327	23,276	(1,949)	90,367	97,561	(7,194)
Retail	—	169	(169)	—	4,261	(4,261)	—	169	(169)	—	4,261	(4,261)
	33,104	35,697	(2,593)	136,042	144,865	(8,823)	34,096	37,117	(3,021)	141,761	149,031	(7,270)
Total portfolio:												
Industrial	22,415	23,896	(1,481)	90,366	87,793	2,573	24,549	26,072	(1,523)	99,035	95,152	3,883
Office	29,534	37,254	(7,720)	126,579	159,511	(32,932)	29,746	37,786	(8,040)	129,048	161,659	(32,611)
Retail	12,973	13,880	(907)	52,024	62,241	(10,217)	12,973	13,880	(907)	52,024	62,241	(10,217)
	64,922	75,030	(10,108)	268,969	309,545	(40,576)	67,268	77,738	(10,470)	280,107	319,052	(38,945)
REIT	45	91	(46)	306	311	(5)	45	91	(46)	306	311	(5)
Property NOI	$ 64,967	$ 75,121	$ (10,154)	$ 269,275	$ 309,856	$ (40,581)	$ 67,313	$ 77,829	$ (10,516)	$ 280,413	$ 319,363	$ (38,950)

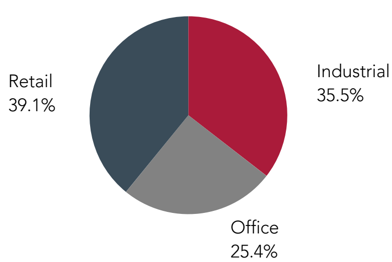
In Q4-20, all segments of the Canadian portfolio and the U.S. office segment decreased primarily due to dispositions in 2019 and 2020 completed in accordance with Artis' Strategic Initiatives. The U.S. office segment was partially offset by an acquisition in 2019.

The Canadian office segment was impacted by a decline in parking revenues as a result of the ongoing COVID-19 pandemic. Additionally, Proportionate Share Property NOI in Q4-20 was impacted by changes in bad debt provisions and rent abatements, and increased vacancy.

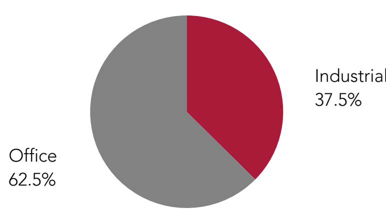
The U.S. portfolio was also impacted by the effect of foreign exchange.

The information below is based on Proportionate Share Property NOI:

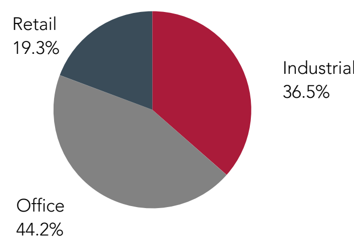
Canadian Portfolio (Q4-20)



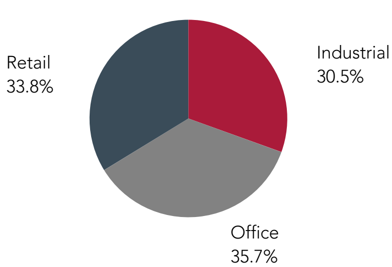
U.S. Portfolio (Q4-20)



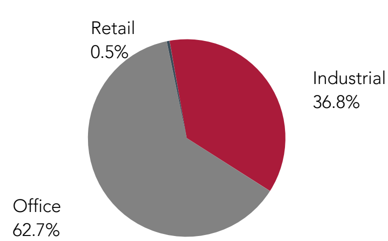
Total Portfolio (Q4-20)



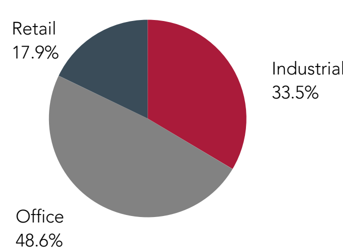
Canadian Portfolio (Q4-19)



U.S. Portfolio (Q4-19)



Total Portfolio (Q4-19)



(In thousands of Canadian dollars, unless otherwise noted)

PROPERTY NOI BY GEOGRAPHICAL REGION

	IFRS			IFRS			Proportionate Share			Proportionate Share		
	Q4-20	Q4-19	Change	YTD-20	YTD-19	Change	Q4-20	Q4-19	Change	YTD-20	YTD-19	Change
Canada:												
Alberta	$ 10,710	$ 14,050	$ (3,340)	$ 42,556	$ 58,220	$ (15,664)	$ 11,556	$ 14,898	$ (3,342)	$ 45,947	$ 61,611	$ (15,664)
British Columbia	1,564	1,938	(374)	6,834	8,638	(1,804)	1,693	2,067	(374)	7,349	9,153	(1,804)
Manitoba	8,441	10,165	(1,724)	35,729	41,765	(6,036)	8,441	10,086	(1,645)	35,729	41,665	(5,936)
Ontario	6,927	8,642	(1,715)	30,331	36,984	(6,653)	6,927	8,642	(1,715)	30,331	36,984	(6,653)
Saskatchewan	4,176	4,538	(362)	17,477	19,073	(1,596)	4,555	4,928	(373)	18,990	20,608	(1,618)
	31,818	39,333	(7,515)	132,927	164,680	(31,753)	33,172	40,621	(7,449)	138,346	170,021	(31,675)
U.S.:												
Arizona	6,581	7,301	(720)	28,350	33,041	(4,691)	6,581	7,301	(720)	28,350	33,041	(4,691)
Colorado	2,094	2,272	(178)	8,863	13,096	(4,233)	2,477	3,081	(604)	11,759	14,918	(3,159)
Minnesota	15,298	16,090	(792)	60,446	63,364	(2,918)	15,273	16,371	(1,098)	61,773	64,559	(2,786)
New York	501	510	(9)	2,020	1,544	476	501	510	(9)	2,020	1,544	476
Texas	2,027	2,104	(77)	8,262	5,074	3,188	2,661	2,434	227	9,758	6,223	3,535
Wisconsin	6,603	7,420	(817)	28,101	28,746	(645)	6,603	7,420	(817)	28,101	28,746	(645)
	33,104	35,697	(2,593)	136,042	144,865	(8,823)	34,096	37,117	(3,021)	141,761	149,031	(7,270)
Total portfolio	64,922	75,030	(10,108)	268,969	309,545	(40,576)	67,268	77,738	(10,470)	280,107	319,052	(38,945)
REIT	45	91	(46)	306	311	(5)	45	91	(46)	306	311	(5)
Property NOI	$ 64,967	$ 75,121	$ (10,154)	$ 269,275	$ 309,856	$ (40,581)	$ 67,313	$ 77,829	$ (10,516)	$ 280,413	$ 319,363	$ (38,950)

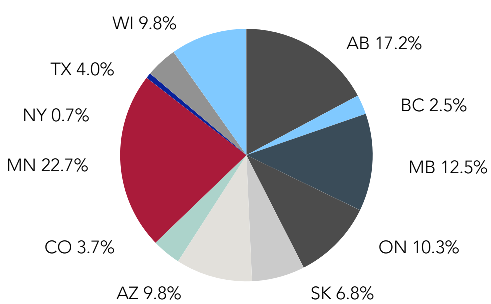
In Q4-20, Proportionate Share Property NOI decreased in Alberta, British Columbia, Ontario, Saskatchewan, Arizona, and Minnesota primarily due to dispositions completed in accordance with Artis' Strategic Initiatives. The decrease in Minnesota is partially offset by an acquisition in 2019.

The COVID-19 pandemic continues to impact Artis' portfolio. Manitoba was impacted by a decline in parking revenues as a result of the ongoing COVID-19 pandemic. Additionally, Proportionate Share Property NOI in Q4-20 was impacted by changes in bad debt provisions and rent abatements. All regions except New York and Texas were impacted by increased vacancy.

The U.S. portfolio was also impacted by the effect of foreign exchange.

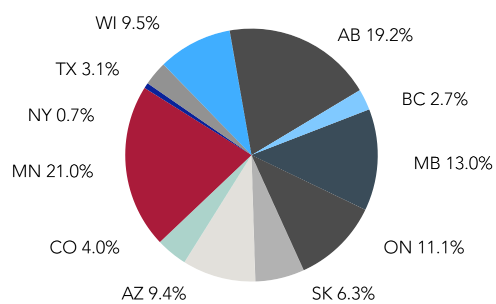
The information below is based on Proportionate Share Property NOI:

Total Portolio (Q4-20)



Canada	49.3%
U.S.	50.7%

Total Portfolio (Q4-19)



Canada	52.3%
U.S.	47.7%

(In thousands of Canadian dollars, unless otherwise noted)

CORPORATE EXPENSES

	Three months ended December 31, 2020	2019	Change	% Change	Year ended December 31, 2020	2019	Change	% Change
Accounting, legal and consulting	1,236	583	653	112.0 %	3,316	3,396	(80)	(2.4)%
Public company costs	509	254	255	100.4 %	1,367	1,545	(178)	(11.5)%
Unit-based compensation	3,623	402	3,221	801.2 %	2,855	4,264	(1,409)	(33.0)%
Salaries and benefits	416	510	(94)	(18.4)%	1,940	2,688	(748)	(27.8)%
Depreciation of property and equipment	397	301	96	31.9 %	1,422	1,130	292	25.8 %
General and administrative	473	412	61	14.8 %	1,305	1,429	(124)	(8.7)%
Total corporate expenses	$ 6,654	$ 2,462	$ 4,192	170.3 %	$ 12,205	$ 14,452	$ (2,247)	(15.5)%

Corporate expenses in 2020 were $12,205 (Q4-20 - $6,654), or 2.7% (Q4-20 - 5.9%) of total revenues compared to $14,452 (Q4-19 - $2,462), or 2.8% (Q4-19 - 1.9%) of total revenues in 2019.

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

PROXY MATTER EXPENSES

On September 30, 2020, the REIT received a unitholder requisition from Sandpiper requesting the REIT call a special meeting of the REIT's unitholders for the purpose of reconstituting the Board with new Trustees. On November 30, 2020, the REIT reached an agreement with Sandpiper to withdraw its unitholder meeting request and pending litigation.

In connection with this proxy matter, the REIT incurred costs of $17,423 (Q4-20 - $17,423) in 2020 compared to $nil (Q4-19 - $nil) in 2019, including legal, advisory and executive settlement costs.

STRATEGIC INITIATIVE EXPENSES

In 2019, the Board of Trustees launched a formal strategic review process to explore value-maximizing opportunities for the REIT. During the course of the strategic review, Artis actively disposed non-core investment properties, repurchased units under its NCIB and engaged independent financial and legal advisors to review various strategic alternatives. The strategic initiative expenses in 2019 and 2020 are primarily fees paid for legal and advisory services.

In 2020, strategic initiative expenses were $4,029 (Q4-20 - $810) compared to $1,358 (Q4-19 - $937) in 2019.

INTEREST EXPENSE

	Three months ended December 31, 2020	2019	Change	% Change	Year ended December 31, 2020	2019	Change	% Change
Mortgages and other loans (1)	$ 8,916	$ 12,207	$ (3,291)		$ 39,214	$ 53,983	$ (14,769)	
Senior unsecured debentures	4,925	4,210	715		13,311	17,202	(3,891)	
Credit facilities (1)	4,839	7,683	(2,844)		26,068	27,604	(1,536)	
Preferred shares (1)	34	34	—		135	135	—	
	18,714	24,134	(5,420)	(22.5)%	78,728	98,924	(20,196)	(20.4)%
Foreign exchange	1,533	2,165	(632)		7,378	9,885	(2,507)	
Total interest expense	$ 20,247	$ 26,299	$ (6,052)	(23.0)%	$ 86,106	$ 108,809	$ (22,703)	(20.9)%
Mortgages and other loans included in investments in joint ventures (1)	784	909	(125)		3,689	3,589	100	
Foreign exchange included in investments in joint ventures	151	197	(46)		872	783	89	
Total Proportionate Share interest expense	$ 21,182	$ 27,405	$ (6,223)	(22.7)%	$ 90,667	$ 113,181	$ (22,514)	(19.9)%

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

Year-to-date interest expense on mortgages and other loans primarily decreased approximately $2,418 and US$3,191 due to the repayment of mortgages upon disposition of investment properties, $2,138 and US$275 due to the repayment of maturing mortgages, $181 and US$4,859 due to decreased monthly payments for mortgages with variable interest rates, $431 and US$823 due to lower rates upon renewal of variable rate mortgages and new swap agreements, partially offset by US$855 due to new mortgages and uplifts upon renewal of maturing mortgages. Interest expense on senior unsecured debentures has decreased primarily due to the repayment of the Series B senior unsecured debentures in Q1-20, partially offset by the issuance of the Series D senior unsecured debentures in Q3-20. Interest expense on credit facilities decreased primarily due to lower balances drawn on the revolving credit facilities during the year and a decrease to variable interest rates. Financing costs on mortgages and other loans, senior unsecured 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.

(In thousands of Canadian dollars, unless otherwise noted)

The REIT's weighted-average effective rate at December 31, 2020, on mortgages and other loans secured by properties, inclusive of properties held in joint venture arrangements, was 3.24%, compared to 3.98% at December 31, 2019. The weighted-average nominal interest rate on mortgages and other loans secured by properties, inclusive of properties held in joint venture arrangements, at December 31, 2020, was 3.01%, compared to 3.79% at December 31, 2019.

FAIR VALUE (LOSS) GAIN ON INVESTMENT PROPERTIES

The changes in fair value on investment properties, period-over-period, are recognized as fair value gains and losses in the consolidated statement of operations. Fair values of the investment properties are determined through either the discounted cash flow method or the overall capitalization method. External valuations are performed for a selection of properties representing various geographical regions and asset classes across the REIT's portfolio. Fair value changes in individual properties result from changes in the projected income and cash flow projections of those properties, as well as from changes in capitalization rates and discount rates applied. In 2020, the Proportionate Share fair value loss on investment properties was $122,619 (Q4-20 - gain of $7,316), compared to a loss of $63,026 (Q4-19 - loss of $20,115) in 2019. The fair value loss in 2020 was primarily due to reflecting an increase in the estimated vacancy allowances and capitalization rates, and decrease in market rents, across the retail and office portfolios due to the economic impacts of the COVID-19 pandemic, partially offset by higher expected market rents in the industrial portfolio.

Fair Value (Loss) Gain on Investment Properties by Asset Class

	IFRS		Proportionate Share	
	Q4-20	YTD-20	Q4-20	YTD-20
Canada:				
Industrial	$ 55,035	$ 67,749	$ 55,237	$ 71,609
Office	(42,950)	(79,709)	(42,950)	(79,709)
Retail	(15,725)	(117,343)	(15,725)	(117,343)
	(3,640)	(129,303)	(3,438)	(125,443)
U.S.:				
Industrial	2,301	19,309	18,125	33,747
Office	(7,646)	(30,882)	(7,371)	(30,923)
	(5,345)	(11,573)	10,754	2,824
Total portfolio:				
Industrial	57,336	87,058	73,362	105,356
Office	(50,596)	(110,591)	(50,321)	(110,632)
Retail	(15,725)	(117,343)	(15,725)	(117,343)
Total portfolio	$ (8,985)	$ (140,876)	$ 7,316	$ (122,619)

FOREIGN CURRENCY TRANSLATION GAIN

Artis held certain US dollars denominated monetary assets and liabilities, including cash, deposits and a portion of its revolving term credit facilities. The foreign currency translation gain is primarily due to remeasurement of these assets and liabilities into Canadian dollars at the exchange rate in effect at the balance sheet date. The REIT recorded a foreign currency translation gain of $530 (Q4-20 - $3,105) in 2020, compared to $10,668 (Q4-19 - $4,804) in 2019.

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

Artis has entered into a number of interest rate swap contracts 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 $18,388 (Q4-20 - gain of $2,563) in 2020, compared to an unrealized loss of $11,892 (Q4-19 - gain of $3,537) in 2019. The REIT anticipates holding the mortgages, non-revolving term credit facilities and related interest rate swap contracts until maturity.

Artis also recorded an unrealized gain of $2,257 (Q4-20 - loss of $2,328) in 2020 on the fair value of outstanding foreign currency contracts, compared to an unrealized loss of $5,978 (Q4-19 - loss of $3,432) in 2019.

INCOME TAX

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

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

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

OTHER COMPREHENSIVE LOSS

Other comprehensive loss includes the unrealized foreign currency translation losses of $27,817 (Q4-20 - losses of $64,903) in 2020, compared to losses of $72,339 (Q4-19 - losses of $28,780) in 2019. Foreign currency translation gains and losses relate to the REIT's net investments in its U.S. subsidiaries.

(In thousands of Canadian dollars, unless otherwise noted)

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 December 31, 2020	Three months ended December 31, 2019	Change	% Change	Year ended December 31, 2020	Year ended December 31, 2019	Change	% Change
Net income	$ 32,424	$ 32,877			$ 21,543	$ 122,737		
Add (deduct):								
Fair value (gain) loss on investment properties [(1)]	(7,316)	20,115			122,619	63,026		
Tenant inducements amortized to revenue [(1)]	6,592	6,427			25,840	24,136		
Transaction costs on acquisitions	—	84			—	301		
Proxy matter expenses	17,423	—			17,423	—		
Strategic initiative expenses	810	937			4,029	1,358		
Foreign currency translation gain	(3,105)	(4,804)			(530)	(10,668)		
Fair value (gain) loss on derivative instruments and other transactions	(265)	(105)			16,538	16,379		
Deferred income tax (recovery) expense	(18)	(19)			(43)	317		
Remeasurement component of unit-based compensation	2,774	(531)			(935)	873		
Distributions on preferred shares treated as interest expense	45	44			181	178		
Incremental leasing costs	779	961			3,166	3,697		
Preferred unit distributions	(4,347)	(4,384)			(17,420)	(19,936)		
FFO	$ 45,796	$ 51,602	$ (5,806)	(11.3)%	$ 192,411	$ 202,398	$ (9,987)	(4.9)%
Add (deduct):								
Amortization of recoverable capital expenditures [(1)]	$ (3,522)	$ (3,172)			$ (11,263)	$ (10,401)		
Non-recoverable property maintenance reserve [(1)]	(1,100)	(1,100)			(4,400)	(3,950)		
Leasing costs reserve [(1)]	(7,900)	(7,700)			(31,300)	(30,520)		
Straight-line rent adjustments [(1)]	(1,553)	(1,858)			(5,896)	(7,009)		
AFFO	$ 31,721	$ 37,772	$ (6,051)	(16.0)%	$ 139,552	$ 150,518	$ (10,966)	(7.3)%
FFO per unit:								
Basic	$ 0.34	$ 0.37	$ (0.03)	(8.1)%	$ 1.41	$ 1.42	$ (0.01)	(0.7)%
Diluted	0.34	0.37	(0.03)	(8.1)%	1.41	1.41	—	0.0 %
AFFO per unit:								
Basic	$ 0.23	$ 0.27	$ (0.04)	(14.8)%	$ 1.02	$ 1.06	$ (0.04)	(3.8)%
Diluted	0.23	0.27	(0.04)	(14.8)%	1.02	1.05	(0.03)	(2.9)%

(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.

The REIT adjusted FFO and AFFO for proxy matter and strategic initiative expenses for an aggregate total of $21,452 (Q4-20 - $18,233) in 2020 compared to $1,358 (Q4-19 - $937) in 2019. Although the add-back of these expenses 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 in 2020 were primarily impacted by dispositions completed in 2019 and 2020 and the ongoing impact of the COVID-19 pandemic, partially offset by acquisitions and new developments completed in 2019 and 2020, a decrease in year-over-year interest expense, and a higher US dollar to Canadian dollar average exchange rate in 2020 compared to 2019. Also contributing to the per unit results is the decrease in the weighted-average number of units outstanding, primarily due to units repurchased under the NCIB.

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 77.1% (Q4-20 - 74.6%) is recoverable from tenants in 2020, compared to 81.2% (Q4-19 - 81.9%) in 2019. The non-recoverable property maintenance reserve reflects management's estimate of a normalized expenditure using the 2017, 2018, 2019 and 2020 actual expenditures and the 2021 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 which are 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.

(In thousands of Canadian dollars, unless otherwise noted)

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

(000's)	Three months ended December 31, 2020	Three months ended December 31, 2019
Basic units	135,401	137,938
Add:		
Restricted units	356	639
Deferred units	93	472
Diluted units	135,850	139,049

(000's)	Year ended December 31, 2020	Year ended December 31, 2019
Basic units	136,207	142,435
Add:		
Restricted units	320	535
Deferred units	80	281
Diluted units	136,607	143,251

FFO per Unit by Asset Class

The following table summarizes FFO per unit by asset class, allocated based on Proportionate Share Property NOI.

	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Canadian portfolio:				
Industrial	$ 0.06	$ 0.06	$ 0.24	$ 0.21
Office	0.04	0.07	0.19	0.28
Retail	0.07	0.06	0.26	0.26
	0.17	0.19	0.69	0.75
U.S. portfolio:				
Industrial	0.06	0.07	0.26	0.21
Office	0.11	0.11	0.46	0.43
Retail	—	—	—	0.02
	0.17	0.18	0.72	0.66
Total portfolio:				
Industrial	0.12	0.13	0.50	0.42
Office	0.15	0.18	0.65	0.71
Retail	0.07	0.06	0.26	0.28
Total portfolio	$ 0.34	$ 0.37	$ 1.41	$ 1.41

AFFO per Unit by Asset Class

The following table summarizes AFFO per unit by asset class, allocated based on Proportionate Share Property NOI.

	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Canadian portfolio:				
Industrial	$ 0.04	$ 0.04	$ 0.17	$ 0.16
Office	0.03	0.05	0.14	0.21
Retail	0.05	0.05	0.19	0.19
	0.12	0.14	0.50	0.56
U.S. portfolio:				
Industrial	0.04	0.05	0.19	0.16
Office	0.07	0.08	0.33	0.32
Retail	—	—	—	0.01
	0.11	0.13	0.52	0.49
Total portfolio:				
Industrial	0.08	0.09	0.36	0.32
Office	0.10	0.13	0.47	0.53
Retail	0.05	0.05	0.19	0.20
Total portfolio	$ 0.23	$ 0.27	$ 1.02	$ 1.05

(In thousands of Canadian dollars, unless otherwise noted)

PORTFOLIO OCCUPANCY

Occupancy levels impact the REIT's revenues and Property NOI. Occupancy and commitments at December 31, 2020, and the previous four periods, were as follows:

Occupancy Report by Asset Class (1)

	Q4-20 % Committed (2)	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19
Industrial	95.5%	94.1%	93.8%	93.5%	93.7%	95.8%
Office	86.7%	84.0%	85.2%	86.8%	86.4%	86.2%
Retail	90.7%	87.9%	87.9%	89.7%	90.8%	91.1%
Total portfolio	91.9%	89.9%	90.0%	90.6%	90.7%	91.5%

Occupancy Report by Geographical Region (1)

	Q4-20% Committed (2)	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19
Canada:						
Alberta	82.2 %	80.7 %	81.2 %	84.5 %	85.4 %	84.7 %
British Columbia	94.9 %	91.4 %	92.2 %	92.2 %	92.5 %	92.6 %
Manitoba	91.1 %	87.2 %	87.5 %	87.1 %	87.5 %	91.1 %
Ontario	96.8 %	96.7 %	96.0 %	95.3 %	96.4 %	93.0 %
Saskatchewan	94.4 %	94.2 %	95.6 %	96.1 %	96.3 %	96.3 %
Total Canada	90.8 %	88.9 %	89.6 %	90.1 %	90.8 %	90.4 %
U.S.:						
Arizona	95.6 %	91.7 %	93.3 %	94.9 %	95.3 %	95.9 %
Colorado	92.8 %	79.9 %	84.3 %	85.3 %	84.0 %	92.9 %
Minnesota	94.3 %	93.9 %	93.2 %	93.7 %	93.0 %	95.0 %
New York	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Texas	90.9 %	89.9 %	83.4 %	81.9 %	81.9 %	81.6 %
Wisconsin	87.2 %	86.4 %	88.2 %	89.4 %	88.7 %	90.7 %
Total U.S.	92.9 %	90.8 %	90.5 %	91.1 %	90.7 %	92.7 %
Total portfolio	91.9 %	89.9 %	90.0 %	90.6 %	90.7 %	91.5 %

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

(2) Percentage committed is based on occupancy at December 31, 2020, plus commitments on vacant space.

PORTFOLIO LEASING ACTIVITY AND LEASE EXPIRIES

Renewal Summary (1)

	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19
Leasable area renewed (in S.F.)	248,641	617,239	592,872	338,394	558,544	362,669	353,870	332,258
(Decrease) increase in weighted-average rental rate	(0.5)%	6.0 %	(3.3)%	4.5 %	8.1 %	8.7 %	4.0 %	(1.9)%

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

In 2020, 1,797,146 square feet were renewed at an increase in the weighted-average rental rate of 2.4%, compared to 1,607,341 square feet renewed at an increase in the weighted-average rental rate of 5.6% in 2019.

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.

(In thousands of Canadian dollars, unless otherwise noted)

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

	Current vacancy	Monthly tenants (2)	2021	2022	2023	2024	2025 & later	Total
Industrial - uncommitted	548,855	30,877	1,057,888	1,642,940	1,017,516	1,289,930	5,592,672	11,180,678
Industrial - committed	178,527	—	815,969	80,344	33,564	—	—	1,108,404
Total industrial	727,382	30,877	1,873,857	1,723,284	1,051,080	1,289,930	5,592,672	12,289,082
Office - uncommitted	1,054,469	23,996	814,894	401,951	691,845	651,886	3,346,693	6,985,734
Office - committed	210,960	—	593,716	68,407	9,959	947	40,792	924,781
Total office	1,265,429	23,996	1,408,610	470,358	701,804	652,833	3,387,485	7,910,515
Retail - uncommitted	243,181	6,651	261,482	310,593	396,545	307,691	799,765	2,325,908
Retail - committed	73,004	—	116,441	76,217	9,113	—	20,689	295,464
Total retail	316,185	6,651	377,923	386,810	405,658	307,691	820,454	2,621,372
Total - uncommitted	1,846,505	61,524	2,134,264	2,355,484	2,105,906	2,249,507	9,739,130	20,492,320
Total - committed	462,491	—	1,526,126	224,968	52,636	947	61,481	2,328,649
Total portfolio	2,308,996	61,524	3,660,390	2,580,452	2,158,542	2,250,454	9,800,611	22,820,969

(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 December 31, 2020, 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 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. Refer to the Risks section of this MD&A for further information.

(In thousands of Canadian dollars, unless otherwise noted)

Market Rents by Asset Class (1)

Canadian Portfolio:

	2021	2022	2023	2024	2025 & later	Total
Industrial:						
In-place rents	$ 7.81	$ 7.46	$ 8.04	$ 8.76	$ 10.39	$ 9.06
Market rents	9.15	9.00	9.13	9.22	10.96	9.97
Change	17.2 %	20.6 %	13.6 %	5.3 %	5.5 %	10.0 %
Revenue impact (2)	$ 973	$ 1,540	$ 495	$ 246	$ 1,333	$ 4,587
Office:						
In-place rents	$ 18.52	$ 17.06	$ 16.89	$ 21.89	$ 17.19	$ 17.89
Market rents	15.38	18.08	17.15	20.92	17.45	16.94
Change	(17.0)%	6.0 %	1.5 %	(4.4)%	1.5 %	(5.3)%
Revenue impact (2)	$ (2,431)	$ 65	$ 75	$ (134)	$ 267	$ (2,158)
Retail:						
In-place rents	$ 25.47	$ 21.49	$ 24.69	$ 23.81	$ 21.71	$ 23.10
Market rents	26.19	21.59	23.84	23.21	21.64	22.98
Change	2.8 %	0.5 %	(3.4)%	(2.5)%	(0.3)%	(0.5)%
Revenue impact (2)	$ 269	$ 38	$ (348)	$ (186)	$ (58)	$ (285)
Total Canadian portfolio:						
In-place rents	$ 15.77	$ 11.62	$ 16.13	$ 15.39	$ 14.25	$ 14.49
Market rents	15.14	12.75	16.33	15.31	14.61	14.71
Change	(4.0)%	9.7 %	1.2 %	(0.5)%	2.5 %	1.5 %
Revenue impact (2)	$ (1,189)	$ 1,643	$ 222	$ (74)	$ 1,542	$ 2,144

U.S. Portfolio:

	2021	2022	2023	2024	2025 & later	Total
Industrial:						
In-place rents	$ 5.67	$ 6.10	$ 5.84	$ 6.09	$ 6.30	$ 6.10
Market rents	5.57	5.73	5.71	6.28	6.26	6.03
Change	(1.8)%	(6.1)%	(2.2)%	3.1 %	(0.6)%	(1.1)%
Revenue impact (2)	$ (112)	$ (265)	$ (77)	$ 145	$ (123)	$ (432)
Office:						
In-place rents	$ 20.33	$ 17.57	$ 20.04	$ 16.07	$ 17.31	$ 17.89
Market rents	19.78	16.78	19.77	17.66	17.66	18.09
Change	(2.7)%	(4.5)%	(1.3)%	9.9 %	2.0 %	1.1 %
Revenue impact (2)	$ (355)	$ (322)	$ (115)	$ 816	$ 824	$ 848
Total U.S. portfolio:						
In-place rents	$ 10.89	$ 10.23	$ 11.70	$ 10.11	$ 10.96	$ 10.84
Market rents	10.63	9.71	11.51	10.86	11.09	10.88
Change	(2.4)%	(5.1)%	(1.6)%	7.4 %	1.2 %	0.4 %
Revenue impact (2)	$ (467)	$ (587)	$ (192)	$ 961	$ 701	$ 416

(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.

(In thousands of Canadian dollars, unless otherwise noted)

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

		2021		2022		2023		2024		2025 & later		Total
Industrial:												
In-place rents	$	6.50	$	6.89	$	6.80	$	7.18	$	8.03	$	7.40
Market rents		6.96		7.63		7.20		7.48		8.25		7.76
Change		7.1 %		10.7 %		5.9 %		4.2 %		2.7 %		4.9 %
Revenue impact [(2)]	$	861	$	1,275	$	418	$	391	$	1,210	$	4,155
Office:												
In-place rents	$	19.34	$	17.50	$	18.77	$	17.31	$	17.28	$	17.89
Market rents		17.36		16.96		18.71		18.35		17.60		17.69
Change		(10.2)%		(3.1)%		(0.3)%		6.0 %		1.9 %		(1.1)%
Revenue impact [(2)]	$	(2,786)	$	(257)	$	(40)	$	682	$	1,091	$	(1,310)
Retail:												
In-place rents	$	25.47	$	21.49	$	24.69	$	23.81	$	21.71	$	23.10
Market rents		26.19		21.59		23.84		23.21		21.64		22.98
Change		2.8 %		0.5 %		(3.4)%		(2.5)%		(0.3)%		(0.5)%
Revenue impact [(2)]	$	269	$	38	$	(348)	$	(186)	$	(58)	$	(285)
Total Canadian and U.S. portfolio:												
In-place rents	$	13.40	$	11.01	$	14.05	$	12.39	$	12.37	$	12.56
Market rents		12.95		11.42		14.07		12.79		12.60		12.69
Change		(3.4)%		3.7 %		0.1 %		3.2 %		1.9 %		1.0 %
Revenue impact [(2)]	$	(1,656)	$	1,056	$	30	$	887	$	2,243	$	2,560

(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 December 31, 2020, were estimated to be 1.0% above in-place rents across the portfolio, compared to 0.9% above in-place rents at September 30, 2020 and 1.5% above in-place at December 31, 2019. Today's market rents for the 2021 and 2022 lease expiries are estimated to be 3.4% below and 3.7% above in-place rents, respectively.

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

	Current vacancy	Monthly tenants [(2)]	2021	2022	2023	2024	2025 & later	Total
AB - uncommitted	495,084	2,077	431,509	190,751	315,114	192,170	931,752	2,558,457
AB - committed	42,108	—	129,211	33,719	800	—	18,168	224,006
Total Alberta	537,192	2,077	560,720	224,470	315,914	192,170	949,920	2,782,463
BC - uncommitted	17,794	—	17,480	20,459	35,210	29,127	183,725	303,795
BC - committed	11,970	—	30,983	—	—	—	—	42,953
Total British Columbia	29,764	—	48,463	20,459	35,210	29,127	183,725	346,748
MB - uncommitted	335,379	10,195	345,549	308,505	374,575	376,908	1,374,839	3,125,950
MB - committed	147,141	—	410,962	44,940	25,455	—	29,121	657,619
Total Manitoba	482,520	10,195	756,511	353,445	400,030	376,908	1,403,960	3,783,569

(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 thousands of Canadian dollars, unless otherwise noted)

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

	Current vacancy	Monthly tenants (2)	2021	2022	2023	2024	2025 & later	Total
ON - uncommitted	90,800	—	79,994	578,122	315,843	327,779	1,155,281	2,547,819
ON - committed	4,706	—	305,954	7,649	3,014	—	—	321,323
Total Ontario	95,506	—	385,948	585,771	318,857	327,779	1,155,281	2,869,142
SK - uncommitted	61,417	5,310	99,959	258,471	70,697	48,011	509,032	1,052,897
SK - committed	2,758	—	29,709	11,058	4,988	—	2,521	51,034
Total Saskatchewan	64,175	5,310	129,668	269,529	75,685	48,011	511,553	1,103,931
AZ - uncommitted	77,503	3,562	109,955	141,999	145,760	117,464	939,952	1,536,195
AZ - committed	66,831	—	139,872	—	—	—	—	206,703
Total Arizona	144,334	3,562	249,827	141,999	145,760	117,464	939,952	1,742,898
CO - uncommitted	72,484	5,901	39,242	63,260	58,996	26,798	532,140	798,821
CO - committed	129,131	—	73,226	—	—	—	—	202,357
Total Colorado	201,615	5,901	112,468	63,260	58,996	26,798	532,140	1,001,178
MN - uncommitted	320,351	—	900,539	577,065	600,782	656,644	2,079,657	5,135,038
MN - committed	28,077	—	350,969	120,697	18,379	947	11,671	530,740
Total Minnesota	348,428	—	1,251,508	697,762	619,161	657,591	2,091,328	5,665,778
NY - uncommitted	—	—	—	—	83,003	40,207	—	123,210
NY - committed	—	—	—	—	—	—	—	—
Total New York	—	—	—	—	83,003	40,207	—	123,210
TX - uncommitted	149,108	30,877	—	128,625	—	36,501	1,269,941	1,615,052
TX - committed	15,192	—	—	—	—	—	—	15,192
Total Texas	164,300	30,877	—	128,625	—	36,501	1,269,941	1,630,244
WI - uncommitted	226,585	3,602	110,037	88,227	105,926	397,898	762,811	1,695,086
WI - committed	14,577	—	55,240	6,905	—	—	—	76,722
Total Wisconsin	241,162	3,602	165,277	95,132	105,926	397,898	762,811	1,771,808
Total - uncommitted	1,846,505	61,524	2,134,264	2,355,484	2,105,906	2,249,507	9,739,130	20,492,320
Total - committed	462,491	—	1,526,126	224,968	52,636	947	61,481	2,328,649
Total portfolio	2,308,996	61,524	3,660,390	2,580,452	2,158,542	2,250,454	9,800,611	22,820,969

(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 thousands of Canadian dollars, unless otherwise noted)

Market Rents by Geographical Region (1)

	2021	2022	2023	2024	2025 & later	Total
Alberta:						
In-place rents	$ 21.88	$ 24.89	$ 22.56	$ 23.16	$ 20.14	$ 21.65
Market rents	17.50	24.18	21.38	22.06	19.50	19.95
Change	(20.0)%	(2.9)%	(5.2)%	(4.7)%	(3.2)%	(7.9)%
Revenue impact (2)	$ (2,457)	$ (161)	$ (374)	$ (209)	$ (607)	$ (3,808)
British Columbia:						
In-place rents	$ 20.21	$ 23.78	$ 22.82	$ 29.60	$ 14.98	$ 18.56
Market rents	23.46	25.46	29.12	30.83	14.65	19.79
Change	16.1 %	7.1 %	27.6 %	4.2 %	(2.2)%	6.6 %
Revenue impact (2)	$ 158	$ 34	$ 222	$ 36	$ (61)	$ 389
Manitoba:						
In-place rents	$ 13.88	$ 8.75	$ 11.62	$ 14.90	$ 12.72	$ 12.68
Market rents	13.77	9.35	12.10	14.00	13.17	12.86
Change	(0.8)%	6.9 %	4.1 %	(6.0)%	3.5 %	1.4 %
Revenue impact (2)	$ (86)	$ 212	$ 193	$ (337)	$ 622	$ 604
Ontario:						
In-place rents	$ 7.49	$ 6.88	$ 13.30	$ 9.24	$ 10.24	$ 9.38
Market rents	10.45	9.71	13.98	10.43	12.03	11.35
Change	39.5 %	41.1 %	5.1 %	12.9 %	17.5 %	21.0 %
Revenue impact (2)	$ 1,144	$ 1,661	$ 218	$ 388	$ 2,061	$ 5,472
Saskatchewan:						
In-place rents	$ 23.33	$ 13.72	$ 22.03	$ 21.44	$ 16.26	$ 17.15
Market rents	23.73	13.34	21.54	22.45	15.34	16.65
Change	1.7 %	(2.8)%	(2.2)%	4.7 %	(5.7)%	(2.9)%
Revenue impact (2)	$ 52	$ (103)	$ (37)	$ 48	$ (473)	$ (513)
Arizona:						
In-place rents	$ 22.53	$ 19.10	$ 22.53	$ 12.67	$ 14.25	$ 16.62
Market rents	23.37	18.49	22.05	14.59	14.92	17.19
Change	3.7 %	(3.2)%	(2.1)%	15.2 %	4.7 %	3.4 %
Revenue impact (2)	$ 211	$ (86)	$ (70)	$ 226	$ 627	$ 908
Colorado:						
In-place rents	$ 13.43	$ 19.11	$ 19.76	$ 24.09	$ 13.60	$ 14.83
Market rents	13.20	18.23	19.48	23.21	13.69	14.73
Change	(1.7)%	(4.6)%	(1.4)%	(3.7)%	0.7 %	(0.7)%
Revenue impact (2)	$ (26)	$ (56)	$ (16)	$ (24)	$ 46	$ (76)
Minnesota:						
In-place rents	$ 7.72	$ 7.50	$ 7.19	$ 6.24	$ 11.05	$ 8.75
Market rents	7.22	7.03	7.11	6.16	10.84	8.48
Change	(6.5)%	(6.3)%	(1.1)%	(1.3)%	(1.9)%	(3.1)%
Revenue impact (2)	$ (620)	$ (329)	$ (48)	$ (50)	$ (433)	$ (1,480)
New York:						
In-place rents	$ —	$ —	$ 15.28	$ 14.79	$ —	$ 15.12
Market rents	—	—	15.00	15.00	—	15.00
Change	— %	— %	(1.8)%	1.4 %	— %	(0.8)%
Revenue impact (2)	$ —	$ —	$ (23)	$ 8	$ —	$ (15)

(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.

(In thousands of Canadian dollars, unless otherwise noted)

Market Rents by Geographical Region (continued) [1]

	2021	2022	2023	2024	2025 & later	Total
Texas:						
In-place rents	$ —	$ 5.33	$ —	$ 9.04	$ 5.77	$ 5.81
Market rents	—	5.28	—	8.40	5.52	5.57
Change	— %	(0.9)%	— %	(7.1)%	(4.3)%	(4.1)%
Revenue impact [2]	$ —	$ (6)	$ —	$ (23)	$ (319)	$ (348)
Wisconsin:						
In-place rents	$ 15.62	$ 17.75	$ 15.88	$ 14.44	$ 13.48	$ 14.39
Market rents	15.43	16.60	15.54	16.51	14.50	15.33
Change	(1.2)%	(6.5)%	(2.1)%	14.3 %	7.6 %	6.5 %
Revenue impact [2]	$ (32)	$ (110)	$ (35)	$ 824	$ 780	$ 1,427
Total portfolio:						
In-place rents	$ 13.40	$ 11.01	$ 14.05	$ 12.39	$ 12.37	$ 12.56
Market rents	12.95	11.42	14.07	12.79	12.60	12.69
Change	(3.4)%	3.7 %	0.1 %	3.2 %	1.9 %	1.0 %
Revenue impact [2]	$ (1,656)	$ 1,056	$ 30	$ 887	$ 2,243	$ 2,560

(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 industrial, office and retail asset classes. For the three months ended December 31, 2020, the five largest segments of the REIT's portfolio (by Proportionate Share Property NOI) were Twin Cities Area office, Twin Cities Area industrial, Madison office, Greater Toronto Area industrial and Greater Phoenix Area office.

Twin Cities Area Office Segment

The Twin Cities Area office segment represents 12.3% of the Q4-20 Proportionate Share Property NOI and 7.5% of the overall portfolio by GLA. Direct vacancy in the Twin Cities Area office market, as reported by CBRE, was 18.6% at December 31, 2020, compared to 18.5% at September 30, 2020. At December 31, 2020, the Twin Cities Area office segment of Artis' portfolio was 90.0% occupied, unchanged from September 30, 2020. In 2021, 238,690 square feet come up for renewal, which represents 1.0% of the total portfolio GLA; 31.2% was renewed or committed to new leases at December 31, 2020. Of Artis' total Twin Cities Area office GLA, 65.0% expires in 2025 or later.

Twin Cities Area Industrial Segment

The Twin Cities Area industrial segment represents 10.4% of the Q4-20 Proportionate Share Property NOI and 17.3% of the overall portfolio by GLA. Direct vacancy in the Twin Cities Area industrial market, as reported by CBRE, was 4.7% at December 31, 2020, compared to 4.6% at September 30, 2020. The average asking market lease rate was $6.52 per square foot at December 31, 2020, compared to $6.55 at September 30, 2020. At December 31, 2020, the Twin Cities Area industrial segment of Artis' portfolio was 95.5% occupied, increased from 94.6% at September 30, 2020. In 2021, 1,102,818 square feet come up for renewal, which represents 4.8% of the total portfolio GLA; 27.3% was renewed or committed to new leases at December 31, 2020. Of Artis' total Twin Cities Area industrial GLA, 27.6% expires in 2025 or later.

Madison Office Segment

The Madison office segment represents 9.8% of the Q4-20 Proportionate Share Property NOI and 7.7% of the overall portfolio by GLA. At December 31, 2020, the Madison office segment of Artis' portfolio was 86.4% occupied, compared to 88.2% at September 30, 2020. In 2021, 165,277 square feet come up for renewal, which represents 0.7% of the total portfolio GLA; 33.4% was renewed or committed to new leases at December 31, 2020. Of Artis' total Madison office GLA, 50.0% expires in 2025 or later.

Greater Toronto Area Industrial Segment

The Greater Toronto Area industrial segment represents 7.1% of the Q4-20 Proportionate Share Property NOI and 11.0% of the overall portfolio by GLA. Overall direct vacancy in the Greater Toronto Area industrial segment, as reported by CBRE, was 1.0% at December 31, 2020, decreased from 1.2% at September 30, 2020. At December 31, 2020, the Greater Toronto Area industrial segment of Artis' portfolio was 97.6% occupied, compared to 99.5% at September 30, 2020. In 2021, 366,946 square feet comes up for renewal, which represents 1.6% of the total portfolio GLA; 80.6% was renewed or committed to new leases at December 31, 2020. Of Artis' Greater Toronto Area industrial GLA, 41.0% expires in 2025 or later.

Greater Phoenix Area Office Segment

The Greater Phoenix Area office segment represents 5.7% of the Q4-20 Proportionate Share Property NOI and 3.6% of the overall portfolio by GLA. Overall direct vacancy in the Greater Phoenix Area office market, as reported by Colliers, was 13.0% at December 31, 2020 compared to 12.7% at September 30, 2020. At December 31, 2020, the Greater Phoenix Area office segment of Artis' portfolio was 83.7% occupied, compared to 86.9% at September 30, 2020. In 2021, 183,891 square feet come up for renewal, which represents 0.8% of the total portfolio GLA; 57.3% was renewed or committed to new leases at December 31, 2020. Of Artis' Greater Phoenix Area Office GLA, 44.4% expires in 2025 or later.

(In thousands of Canadian dollars, unless otherwise noted)

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.

	December 31, 2020			December 31, 2019		
	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share	Per consolidated financial statements	Adjustment [1]	Total Proportionate Share
ASSETS						
Non-current assets:						
Investment properties	$ 4,325,121	$ 236,954	$ 4,562,075	$ 4,618,719	$ 306,051	$ 4,924,770
Investment properties under development	132,243	14,466	146,709	102,590	—	102,590
Investments in joint ventures	200,306	(200,306)	—	186,610	(186,610)	—
Property and equipment	7,481	—	7,481	7,786	—	7,786
Notes receivable	20,313	—	20,313	93,832	—	93,832
Deferred rents receivable	778	—	778	—	—	—
	4,686,242	51,114	4,737,356	5,009,537	119,441	5,128,978
Current assets:						
Investment properties held for sale	74,483	60,819	135,302	221,915	—	221,915
Inventory properties	15,060	—	15,060	14,632	—	14,632
Deposits on investment properties	1,203	—	1,203	—	—	—
Prepaid expenses and other assets	7,307	172	7,479	10,533	86	10,619
Notes receivable	1,371	—	1,371	3,996	—	3,996
Accounts receivable and other receivables	17,465	819	18,284	21,013	1,281	22,294
Cash held in trust	22,007	—	22,007	5,938	—	5,938
Cash	34,703	14,241	48,944	42,455	9,207	51,662
	173,599	76,051	249,650	320,482	10,574	331,056
Total assets	$ 4,859,841	$ 127,165	$ 4,987,006	$ 5,330,019	$ 130,015	$ 5,460,034
LIABILITIES AND UNITHOLDERS' EQUITY						
Non-current liabilities:						
Mortgages and loans payable	$ 868,396	$ 49,832	$ 918,228	$ 1,005,196	$ 93,977	$ 1,099,173
Senior unsecured debentures	248,999	—	248,999	249,372	—	249,372
Credit facilities	529,087	—	529,087	886,522	—	886,522
Other long-term liabilities	1,823	—	1,823	1,000	—	1,000
	1,648,305	49,832	1,698,137	2,142,090	93,977	2,236,067
Current liabilities:						
Mortgages and loans payable	405,126	60,930	466,056	396,152	27,598	423,750
Senior unsecured debentures	249,920	—	249,920	199,959	—	199,959
Security deposits and prepaid rent	30,089	2,861	32,950	32,834	3,483	36,317
Accounts payable and other liabilities	97,130	13,542	110,672	88,231	4,957	93,188
Credit facilities	95,374	—	95,374	—	—	—
	877,639	77,333	954,972	717,176	36,038	753,214
Total liabilities	2,525,944	127,165	2,653,109	2,859,266	130,015	2,989,281
Unitholders' equity	2,333,897	—	2,333,897	2,470,753	—	2,470,753
Total liabilities and unitholders' equity	$ 4,859,841	$ 127,165	$ 4,987,006	$ 5,330,019	$ 130,015	$ 5,460,034

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

(In thousands of Canadian dollars, unless otherwise noted)

BALANCE SHEET METRICS

NAV per Unit

000's, except unit and per unit amounts	December 31, 2020	December 31, 2019	Change
Unitholders' equity	$ 2,333,897	$ 2,470,753	$ (136,856)
Less value of preferred equity [1]	(302,746)	(305,530)	2,784
NAV attributable to common unitholders	$ 2,031,151	$ 2,165,223	$ (134,072)
Total number of dilutive units outstanding:			
Common units	134,643,175	137,956,523	(3,313,348)
Restricted units	404,937	694,034	(289,097)
Deferred units	92,908	472,451	(379,543)
	135,141,020	139,123,008	(3,981,988)
NAV per unit	$ 15.03	$ 15.56	$ (0.53)

(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 primarily due to distributions made to unitholders, units purchased under the NCIB and foreign exchange losses recorded in other comprehensive loss, partially offset by net income and the issuance of common units. The total number of dilutive units outstanding has decreased primarily due to units purchased under the NCIB and the redemption of both restricted and deferred units.

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

	IFRS		Proportionate Share	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
GBV	$ 4,867,756	$ 5,336,529	$ 4,994,921	$ 5,466,544
Secured mortgages and loans	1,273,522	1,401,348	1,384,284	1,522,923
Secured mortgages and loans to GBV	26.2 %	26.3 %	27.7 %	27.9 %
Preferred shares liability	$ 610	$ 622	$ 610	$ 622
Carrying value of debentures	498,919	449,331	498,919	449,331
Credit facilities	624,461	886,522	624,461	886,522
Total long-term debt and credit facilities	$ 2,397,512	$ 2,737,823	$ 2,508,274	$ 2,859,398
Total long-term debt and credit facilities to GBV	49.3 %	51.3 %	50.2 %	52.3 %

Under the terms of the REIT's Declaration of Trust, the total indebtedness of the REIT is limited to 70% of GBV.

Unencumbered Assets to Unsecured Debt Ratios

	IFRS		Proportionate Share	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Unencumbered assets	$ 1,901,073	$ 1,926,661	$ 1,941,959	$ 1,968,369
Senior unsecured debentures	498,919	449,331	498,919	449,331
Unsecured credit facilities	624,461	886,522	624,461	886,522
Total unsecured debt	$ 1,123,380	$ 1,335,853	$ 1,123,380	$ 1,335,853
Unencumbered assets to unsecured debt	1.69	1.44	1.73	1.47

(In thousands of Canadian dollars, unless otherwise noted)

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, 2019	$ 4,943,224	$ 306,051	$ 5,249,275
Additions:			
Capital expenditures			
Investment properties	28,931	49	28,980
Investment properties under development	69,082	22,443	91,525
Capitalized interest [2]	2,680	99	2,779
Leasing commissions	12,466	2,452	14,918
Straight-line rent adjustments	4,923	973	5,896
Tenant inducement additions, net of amortization	20,216	4,730	24,946
Contributions to investments in joint ventures [3] [4]	(14,761)	14,761	—
Dispositions	(352,348)	(53,401)	(405,749)
Foreign currency translation loss	(41,690)	(4,175)	(45,865)
Fair value (loss) gain	(140,876)	18,257	(122,619)
Balance, December 31, 2020	$ 4,531,847	$ 312,239	$ 4,844,086

(1) Adjustment to reflect investments in joint ventures on a Proportionate Share basis.
(2) During 2020, interest was capitalized to investment properties under development at a weighted-average effective interest rate of 2.59%.
(3) On January 24, 2020, the REIT contributed development land to Park 8Ninety IV, a joint venture arrangement.
(4) On October 20, 2020, the REIT contributed development land to Park 8Ninety V, a joint venture arrangement.

Marwest Construction Ltd.

Marwest Construction Ltd. ("Marwest") is a significant vendor contracted for capital projects and tenant inducements. The REIT's former President and Chief Executive Officer (retired effective December 31, 2020) is the sole director (not a beneficial shareholder) of a company that has a non-controlling ownership interest in Marwest.

Costs paid and accrued to Marwest include the following:

	Year ended December 31, 2020	2019
Capital expenditures	$ 63,831	$ 65,832
Tenant inducement additions	4,118	5,775
	$ 67,949	$ 71,607

Capital expenditures paid and accrued to Marwest in 2020 included $54,846 (2019 - $53,140) related to the 300 Main and 330 Main commercial and residential/multi-family development projects located in Winnipeg, Manitoba. Included in costs paid and accrued to Marwest in 2020 were construction management fees of $2,146 and labour costs of $4,997 (2019 - $2,765 and $3,457, respectively).

(In thousands of Canadian dollars, unless otherwise noted)

Capital Expenditures by Type (1)

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

	Three months ended December 31, 2020	Three months ended December 31, 2019	Change	% Change	Year ended December 31, 2020	Year ended December 31, 2019	Change	% Change
New and (re)development expenditures	$ 23,514	$ 15,441	$ 8,073		$ 91,525	$ 126,790	$ (35,265)	
Building improvements expenditures:								
Recoverable from tenants	1,615	3,434	(1,819)		3,741	8,504	(4,763)	
Non-recoverable	4,765	5,396	(631)		13,524	19,329	(5,805)	
Property maintenance expenditures:								
Recoverable from tenants	1,688	6,023	(4,335)		6,760	13,550	(6,790)	
Non-recoverable	531	803	(272)		4,955	4,576	379	
Total capital expenditures	$ 32,113	$ 31,097	$ 1,016	3.3 %	$ 120,505	$ 172,749	$ (52,244)	(30.2)%

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

Capital Expenditures by Asset Class (1)

	Three months ended December 31, 2020	Three months ended December 31, 2019	Change	% Change	Year ended December 31, 2020	Year ended December 31, 2019	Change	% Change
Canada:								
Industrial	$ 1,311	$ 1,826	$ (515)		$ 4,142	$ 5,920	$ (1,778)	
Office	2,627	6,836	(4,209)		8,203	15,429	(7,226)	
Retail	672	5,162	(4,490)		9,973	9,952	21	
Residential	14,210	10,971	3,239		53,159	51,631	1,528	
	18,820	24,795	(5,975)		75,477	82,932	(7,455)	
U.S.:								
Industrial	5,075	2,443	2,632		25,509	66,983	(41,474)	
Office	8,218	3,830	4,388		19,519	22,805	(3,286)	
Retail	—	29	(29)		—	29	(29)	
	13,293	6,302	6,991		45,028	89,817	(44,789)	
Total portfolio:								
Industrial	6,386	4,269	2,117		29,651	72,903	(43,252)	
Office	10,845	10,666	179		27,722	38,234	(10,512)	
Retail	672	5,191	(4,519)		9,973	9,981	(8)	
Residential	14,210	10,971	3,239		53,159	51,631	1,528	
Total portfolio	$ 32,113	$ 31,097	$ 1,016	3.3 %	$ 120,505	$ 172,749	$ (52,244)	(30.2)%

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

In 2020, new and (re)development expenditures included $53,159 for 300 Main, $10,554 for Park 8Ninety IV, $4,929 for Tower Business Center, $4,847 for 330 Main, $3,233 for Linden Ridge Shopping Centre II, and $2,572 for Park 8Ninety V.

In 2019, new and (re)development expenditures included $51,631 for 300 Main, $25,329 for Park 8Ninety II, $13,752 for Tower Business Center, $13,570 for Cedar Port I and $2,189 for 330 Main.

(In thousands of Canadian dollars, unless otherwise noted)

Leasing Costs by Type [(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 December 31, 2020	Three months ended December 31, 2019	Change	% Change	Year ended December 31, 2020	Year ended December 31, 2019	Change	% Change
Investment property leasing costs:								
Tenant inducements	$ 11,821	$ 9,606	$ 2,215		$ 42,835	$ 38,412	$ 4,423	
Leasing commissions	3,536	3,949	(413)		12,069	15,415	(3,346)	
Investment property (re)development related leasing costs:								
Tenant inducements	575	2,676	(2,101)		7,951	10,747	(2,796)	
Leasing commissions	936	2,979	(2,043)		2,849	4,964	(2,115)	
Total leasing costs	$ 16,868	$ 19,210	$ (2,342)	(12.2)%	$ 65,704	$ 69,538	$ (3,834)	(5.5)%

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

Leasing Costs by Asset Class [(1)]

	Three months ended December 31, 2020	Three months ended December 31, 2019	Change	% Change	Year ended December 31, 2020	Year ended December 31, 2019	Change	% Change
Canada:								
Industrial	$ 1,211	$ 1,014	$ 197		$ 4,521	$ 4,362	$ 159	
Office	2,475	4,458	(1,983)		11,374	16,975	(5,601)	
Retail	1,229	632	597		4,197	4,240	(43)	
	4,915	6,104	(1,189)		20,092	25,577	(5,485)	
U.S.:								
Industrial	2,049	5,708	(3,659)		7,287	17,493	(10,206)	
Office	9,904	7,115	2,789		38,325	25,986	12,339	
Retail	—	283	(283)		—	482	(482)	
	11,953	13,106	(1,153)		45,612	43,961	1,651	
Total portfolio:								
Industrial	3,260	6,722	(3,462)		11,808	21,855	(10,047)	
Office	12,379	11,573	806		49,699	42,961	6,738	
Retail	1,229	915	314		4,197	4,722	(525)	
Total leasing costs	$ 16,868	$ 19,210	$ (2,342)	(12.2)%	$ 65,704	$ 69,538	$ (3,834)	(5.5)%

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

In 2020, tenant inducements related to new and (re)developments included $4,354 for two office tenants in the Twin Cities Area, Minnesota and $1,525 for industrial tenants in the Greater Houston Area, Texas.

Dispositions:

During 2020, Artis sold one industrial property, seven office properties, three retail properties and one parcel of development land in Canada, and two office properties (one of which held under a joint venture arrangement) and one parcel of development land in the U.S. Also during 2020, two parcels of development land were contributed to joint venture arrangements with the co-owners' share recorded as dispositions. The aggregate sale proceeds of the dispositions were $433,477. The sale proceeds, net of costs of $19,240, note receivables of $13,192 and related debt of $142,240, were $258,805.

Foreign currency translation loss on investment properties:

In 2020, the Proportionate Share foreign currency translation loss on investment properties was $45,865 due to the change in the period end US dollar to Canadian dollar exchange rate from 1.2988 at December 31, 2019 to 1.2732 at December 31, 2020.

Investment properties held for sale:

At December 31, 2020, the REIT had one office property and two retail properties located in Canada and one office property and one industrial property (held under a joint venture arrangement) located in the U.S., with a fair value of $135,302, classified as held for sale. These properties were listed for sale with external brokers or under unconditional sale agreements at December 31, 2020.

Completed new development properties:

In 2020, Artis completed construction of 330 Main, Linden Ridge Shopping Centre II, and Park 8Ninety IV, as discussed in the Portfolio Summary section of this MD&A.

(In thousands of Canadian dollars, unless otherwise noted)

Fair value (loss) gain on investment properties:

During 2020, the REIT recorded a loss on the Proportionate Share fair value of investment properties of $122,619 (Q4-20 - gain of $7,316), compared to a loss of $63,026 (Q4-19 - loss of $20,115) in 2019 The fair value loss in 2020 was primarily due to reflecting an increase in the estimated vacancy allowances and capitalization rates, and decrease in market rents, across the retail and office portfolios due to the economic impacts of the COVID-19 pandemic, partially offset by higher expected market rents in the industrial portfolio.

Artis determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method. Capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one income is stabilized and capitalized at a rate deemed appropriate for each investment property. Individual properties were valued using capitalization rates in the range of 3.75% to 9.25%. Additional information on the average capitalization rates and ranges used for the portfolio properties, assuming all properties were valued using an overall capitalization method, are set out in the following table.

	December 31, 2020			December 31, 2019		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Industrial:						
Alberta	7.75 %	5.75 %	6.52 %	7.50 %	5.50 %	6.46 %
British Columbia	4.00 %	3.75 %	3.84 %	4.00 %	3.75 %	3.84 %
Manitoba	7.50 %	6.00 %	6.57 %	7.50 %	6.00 %	6.58 %
Ontario	5.25 %	4.25 %	4.76 %	5.25 %	3.75 %	4.61 %
Saskatchewan	7.00 %	6.50 %	6.76 %	7.50 %	6.25 %	6.82 %
Total Canadian industrial portfolio	7.75 %	3.75 %	5.50 %	7.50 %	3.75 %	5.52 %
Arizona	6.25 %	5.25 %	5.59 %	6.25 %	5.75 %	6.01 %
Colorado	5.00 %	4.00 %	4.26 %	5.00 %	4.75 %	4.83 %
Minnesota	7.75 %	5.50 %	6.55 %	7.75 %	5.50 %	6.53 %
Texas	7.00 %	5.50 %	5.66 %	7.00 %	5.50 %	5.67 %
Total U.S. industrial portfolio	7.75 %	4.00 %	5.93 %	7.75 %	4.75 %	6.09 %
Total industrial portfolio	7.75 %	3.75 %	5.68 %	7.75 %	3.75 %	5.76 %
Office:						
Alberta	9.00 %	6.50 %	7.87 %	9.00 %	6.50 %	8.38 %
British Columbia	5.50 %	5.00 %	5.12 %	5.50 %	4.75 %	4.94 %
Manitoba	7.75 %	5.00 %	6.06 %	7.75 %	5.00 %	6.12 %
Ontario	7.00 %	5.50 %	6.09 %	7.00 %	5.50 %	6.47 %
Saskatchewan	7.50 %	7.50 %	7.50 %	7.00 %	7.00 %	7.00 %
Total Canadian office portfolio	9.00 %	5.00 %	6.18 %	9.00 %	4.75 %	6.58 %
Arizona	8.00 %	6.00 %	6.68 %	8.00 %	6.00 %	6.67 %
Colorado	6.50 %	6.00 %	6.09 %	6.50 %	6.00 %	6.08 %
Minnesota	7.50 %	6.25 %	6.78 %	7.75 %	6.00 %	6.92 %
New York	7.75 %	7.75 %	7.75 %	7.75 %	7.75 %	7.75 %
Wisconsin	7.75 %	7.00 %	7.55 %	8.00 %	7.00 %	7.57 %
Total U.S. office portfolio	8.00 %	6.00 %	6.91 %	8.00 %	6.00 %	6.96 %
Total office portfolio	9.00 %	5.00 %	6.61 %	9.00 %	4.75 %	6.77 %
Retail:						
Alberta	8.75 %	5.75 %	6.78 %	8.75 %	5.50 %	6.64 %
British Columbia	N/A	N/A	N/A	5.25 %	5.25 %	5.25 %
Manitoba	6.25 %	5.50 %	6.11 %	6.25 %	5.50 %	6.13 %
Saskatchewan	9.25 %	6.25 %	7.37 %	8.25 %	6.00 %	6.85 %
Total Canadian retail portfolio	9.25 %	5.50 %	6.73 %	8.75 %	5.25 %	6.53 %
Total retail portfolio	9.25 %	5.50 %	6.73 %	8.75 %	5.25 %	6.53 %
Total:						
Canadian portfolio	9.25 %	3.75 %	6.09 %	9.00 %	3.75 %	6.23 %
U.S. portfolio	8.00 %	4.00 %	6.52 %	8.00 %	4.75 %	6.63 %
Total portfolio	9.25 %	3.75 %	6.26 %	9.00 %	3.75 %	6.38 %

(In thousands of Canadian dollars, unless otherwise noted)

Inventory Properties

At December 31, 2020, inventory properties included one industrial property. The REIT is undergoing the conversion of this property into commercial condominium units. At December 31, 2020, commercial condominium units representing 85.8% of the total square footage of the converted complex were under conditional sale agreements. Subsequent to December 31, 2020, a condominium corporation was registered for the property and the REIT closed on the sales of a number of 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. On September 30, 2020, this note receivable was repaid in full.

On January 30, 2020, the REIT disposed of TransAlta Place and sold the outstanding note receivable in the amount of $8,372 as part of the disposition.

On January 31, 2020, the REIT disposed of 800 5th Avenue and received as partial consideration a note receivable in the amount of $10,000. The REIT receives monthly interest-only payments at a rate of 5.00% per annum. The note receivable is secured by the office property and matures in January 2024.

On November 9, 2020, the REIT disposed of 801 Carlson development land and received as partial consideration a note receivable in the amount of US$2,450. The note bears interest at a rate of 4.00% per annum and interest and principal are due on maturity in November 2024. The note receivable is secured by a portion of the development land.

The balance outstanding on all notes receivable at December 31, 2020 was $21,684, compared to $97,828 at December 31, 2019.

Accounts Receivable and Other Receivables

Due to government-mandated capacity limitations and temporary closures of non-essential businesses as a result of the COVID-19 pandemic, a number of tenants, primarily retail tenants, have had to limit operations. The REIT granted deferred rents for certain qualifying tenants for the months of April to December 2020 with an agreement to repay at a specified later date.

Additional information regarding rents receivable, deferred rents receivable and the allowance for doubtful accounts for the portfolio of properties is set out in the following tables.

Rents Receivable by Asset Class

	IFRS		Proportionate Share	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Canadian portfolio:				
Industrial	$ 863	$ 972	$ 863	$ 972
Office	1,140	3,533	1,140	3,533
Retail	1,590	743	1,590	743
	3,593	5,248	3,593	5,248
U.S. portfolio:				
Industrial	451	912	487	1,486
Office	1,616	1,948	1,632	1,959
	2,067	2,860	2,119	3,445
Total portfolio:				
Industrial	1,314	1,884	1,350	2,458
Office	2,756	5,481	2,772	5,492
Retail	1,590	743	1,590	743
Total portfolio	$ 5,660	$ 8,108	$ 5,712	$ 8,693

(In thousands of Canadian dollars, unless otherwise noted)

Deferred Rents Receivable by Asset Class

	IFRS		Proportionate Share	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Canadian portfolio:				
Industrial	$ 481	$ —	$ 481	$ —
Office	1,302	—	1,302	—
Retail	2,887	—	2,887	—
	4,670	—	4,670	—
U.S. portfolio:				
Industrial	30	—	84	—
Office	201	—	234	—
	231	—	318	—
Total portfolio:				
Industrial	511	—	565	—
Office	1,503	—	1,536	—
Retail	2,887	—	2,887	—
Total portfolio	$ 4,901	$ —	$ 4,988	$ —

Allowance for Doubtful Accounts by Asset Class

	IFRS		Proportionate Share	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Canadian portfolio:				
Industrial	$ (281)	$ (15)	$ (281)	$ (15)
Office	(263)	—	(263)	—
Retail	(1,092)	(295)	(1,092)	(295)
	(1,636)	(310)	(1,636)	(310)
U.S. portfolio:				
Industrial	(12)	—	(12)	—
Office	(341)	(96)	(343)	(96)
	(353)	(96)	(355)	(96)
Total portfolio:				
Industrial	(293)	(15)	(293)	(15)
Office	(604)	(96)	(606)	(96)
Retail	(1,092)	(295)	(1,092)	(295)
Total portfolio	$ (1,989)	$ (406)	$ (1,991)	$ (406)

Cash

At December 31, 2020, the REIT had $34,703 of cash on hand, compared to $42,455 at December 31, 2019. 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.

(In thousands of Canadian dollars, unless otherwise noted)

LIABILITIES

Mortgages and Loans Payable

Artis finances acquisitions and development projects in part through the arrangement or assumption of mortgage financing and consequently, certain 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 December 31, 2020 was 2.3 years, compared to 2.4 years at December 31, 2019.

At December 31, 2020, Artis had mortgages and loans payable outstanding, as follows:

Canadian Portfolio:

	IFRS		Proportionate Share	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Fixed rate mortgages	$ 334,626	$ 376,010	$ 366,242	$ 408,718
Variable rate mortgages:				
Hedged	91,765	108,927	91,765	108,927
Unhedged	16,136	72,300	16,136	72,300
Net above- and below-market mortgage adjustments	—	(43)	—	(43)
Financing costs	(1,128)	(1,491)	(1,187)	(1,563)
	$ 441,399	$ 555,703	$ 472,956	$ 588,339

U.S. Portfolio:

	IFRS		Proportionate Share	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Fixed rate mortgages	$ 70,987	$ 73,855	$ 81,889	$ 85,269
Variable rate mortgages:				
Hedged	381,640	271,802	381,640	271,802
Unhedged	380,123	500,507	449,396	578,660
Net above- and below-market mortgage adjustments	2,423	3,213	2,423	3,213
Financing costs	(3,050)	(3,732)	(4,020)	(4,360)
	$ 832,123	$ 845,645	$ 911,328	$ 934,584

Total Canadian and U.S. Portfolio:

	IFRS		Proportionate Share	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Fixed rate mortgages	$ 405,613	$ 449,865	$ 448,131	$ 493,987
Variable rate mortgages:				
Hedged	473,405	380,729	473,405	380,729
Unhedged	396,259	572,807	465,532	650,960
Net above- and below-market mortgage adjustments	2,423	3,170	2,423	3,170
Financing costs	(4,178)	(5,223)	(5,207)	(5,923)
	$ 1,273,522	$ 1,401,348	$ 1,384,284	$ 1,522,923
% of unhedged variable rate mortgage debt of total debt, including credit facilities and debentures	16.5 %	20.9 %	18.5 %	22.7 %

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.

(In thousands of Canadian dollars, unless otherwise noted)

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, 2019	$ 1,403,401	$ 122,275	$ 1,525,676
Add (deduct):			
Draws on variable rate construction loans	—	24,587	24,587
Uplift upon renewal of maturing mortgages	58,031	—	58,031
Repayment of variable rate mortgages related to sale of investment properties	(30,475)	(31,968)	(62,443)
Repayment of fixed rate mortgages related to the sale of investment properties	(68,690)	—	(68,690)
Repayment of swapped mortgage related to the sale of investment property	(11,108)	—	(11,108)
Repayment of maturing fixed rate mortgage	(19,711)	—	(19,711)
Principal repayments	(37,930)	(1,395)	(39,325)
Foreign currency translation gain	(18,241)	(1,708)	(19,949)
Balance, December 31, 2020	$ 1,275,277	$ 111,791	$ 1,387,068

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

During 2020, the REIT renewed three maturing fixed rate mortgages in the aggregate amount of $50,874, renewed four maturing variable rate mortgages in the amount of $81,761 and renewed one previously hedged mortgage at a variable rate in the amount of $48,025.

Additionally, during 2020, Artis entered into interest rate swap agreements for eight mortgages in the aggregate amount of US$139,299, effectively fixing the interest rate at a weighted-average rate of 2.56%.

Mortgages and Loans Payable by Asset Class

	IFRS		Proportionate Share	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Canadian portfolio:				
Industrial	$ 60,546	$ 83,276	$ 92,162	$ 115,984
Office	153,495	242,959	153,495	242,959
Retail	228,486	231,002	228,486	231,002
	442,527	557,237	474,143	589,945
U.S. portfolio:				
Industrial	253,748	233,784	323,022	285,322
Office	579,002	612,380	589,903	650,409
	832,750	846,164	912,925	935,731
Total portfolio:				
Industrial	314,294	317,060	415,184	401,306
Office	732,497	855,339	743,398	893,368
Retail	228,486	231,002	228,486	231,002
Total portfolio	$ 1,275,277	$ 1,403,401	$ 1,387,068	$ 1,525,676

Senior Unsecured Debentures

At December 31, 2020, Artis had two series of senior unsecured debentures outstanding, as follows:

				December 31, 2020		December 31, 2019	
	Issued	Maturity	Interest rate	Carrying value	Face value	Carrying value	Face value
Series B	February 7, 2018	February 7, 2020	3.354 %	—	—	199,959	200,000
Series C	February 22, 2019	February 22, 2021	3.674 %	249,920	250,000	249,372	250,000
Series D	September 18, 2020	September 18, 2023	3.824 %	248,999	250,000	—	—
				$ 498,919	$ 500,000	$ 449,331	$ 450,000

(In thousands of Canadian dollars, unless otherwise noted)

At December 31, 2020, the carrying value of the senior unsecured debentures increased $49,588 compared to December 31, 2019. The change is primarily due to the issuance of the Series D senior unsecured debentures on September 18, 2020, partially offset by the repayment of the Series B senior unsecured debentures on February 7, 2020.

Subsequent to December 31, 2020, the REIT repaid the Series C senior unsecured debentures upon maturity and funded the repayment using funds drawn on the revolving credit facilities.

Credit Facilities

Revolving 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 December 31, 2020, there was $125,617 drawn on these facilities (December 31, 2019, $588,111).

Non-Revolving Credit Facilities

On February 6, 2020, the REIT entered into a new unsecured non-revolving term credit facility agreement in the amount of $200,000, which matures February 4, 2022. Amounts drawn on this non-revolving credit facility bear interest at 2.22%. The REIT drew the full balance on the credit facility and used the proceeds for the repayment of the Series B debentures.

Additionally, 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 December 31, 2020, there was $500,000 drawn on the non-revolving credit facilities (December 31, 2019, $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 were accrued distributions payable to unitholders of $7,485, which were paid subsequent to the end of the year.

UNITHOLDERS' EQUITY

Unitholders' equity decreased overall by $136,856 between December 31, 2019 and December 31, 2020. The decrease was primarily due to distributions made to unitholders of $99,745 and common units of $48,601 and preferred units of $2,682 purchased through the NCIB, partially offset by the related contributed surplus of $15,991 and other comprehensive loss of $27,817. The overall decrease was partially offset by net income of $21,543 and the issuance of common units for $4,455.

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 December 31, 2020	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Cash flow from operations	$ 21,465	$ 176,333	$ 200,120	$ 209,601
Net income	32,424	21,543	122,737	158,636
Distributions declared	22,747	91,074	96,332	173,408
(Shortfall) excess of cash flow from operations over distributions declared	(1,282)	85,259	103,788	36,193
Excess (shortfall) of net income over distributions declared	9,677	(69,531)	26,405	(14,772)

Artis' primary objective is to provide tax-efficient monthly cash distributions. The shortfall of cash flow from operations over distributions declared for the three months ended December 31, 2020, is primarily due to the non-recurring proxy matter expenses in Q4-20. The shortfall of net income over distributions declared during 2020 was primarily due to the non-cash impact of the fair value loss on investment properties.

CAPITAL RESOURCES

At December 31, 2020, Artis had $34,703 of cash on hand. Management anticipates that the cash on hand may be invested in the REIT's portfolio of investment properties in subsequent periods, used for working capital purposes, for debt repayment or for unit purchases under the NCIB.

The REIT has two unsecured revolving term credit facilities in the aggregate amount of $700,000, which can be utilized for general corporate and working capital purposes, short term financing of investment property acquisitions and the issuance of letters of credit. At December 31, 2020, the REIT had $574,383 available on its revolving term credit facilities. Under the terms of the revolving credit facilities, the REIT must maintain a minimum unencumbered property assets to consolidated unsecured indebtedness ratio of 1.4. As at December 31, 2020, this covenant limits the total borrowing capacity of the revolving credit facilities to $388,163.

At December 31, 2020, the REIT had 100 unencumbered properties and three unencumbered parcels of development land, inclusive of properties held in joint venture arrangements, representing a Proportionate Share fair value of $1,941,959.

(In thousands of Canadian dollars, unless otherwise noted)

Artis is not in default or arrears on any of its obligations, including distributions to unitholders, interest or principal payments on debt at December 31, 2020.

The REIT's mortgage providers have various financial covenants. The REIT monitors these covenants, which are primarily debt service coverage ratios. Mortgages and loans payable with maturities within 12 months or are payable on demand as a result of a financial covenant breach are classified as current liabilities.

The REIT's management expects to meet all of its short-term obligations and capital commitments with respect to investment properties and new developments in process through funds generated from operations, from the proceeds of mortgage financing, drawing on unsecured credit facilities, from the issuance of new debentures or units and from cash on hand.

The financial impact and duration of the COVID-19 pandemic is currently unknown. The REIT is committed to prudently manage capital resources during this unprecedented and uncertain time. Refer to Risks section of this MD&A for discussion of risks related to the COVID-19 pandemic and how they may impact capital resources.

DEBT METRICS

Adjusted EBITDA Interest Coverage Ratio (1)

	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Net income	$ 32,424	$ 32,877	$ 21,543	$ 122,737
Add (deduct):				
Tenant inducements amortized to revenue	6,592	6,427	25,840	24,136
Straight-line rent adjustments	(1,553)	(1,858)	(5,896)	(7,009)
Interest expense	21,182	27,405	90,667	113,181
Fair value (gain) loss on investment properties	(7,316)	20,115	122,619	63,026
Foreign currency translation gain	(3,105)	(4,804)	(530)	(10,668)
Transaction costs	—	84	—	301
Proxy matter expenses	17,423	—	17,423	—
Strategic initiative expenses	810	937	4,029	1,358
Fair value (gain) loss on derivative instruments and other transactions	(265)	(105)	16,538	16,379
Depreciation of property and equipment	397	301	1,422	1,130
Income tax expense	146	605	733	1,816
Adjusted EBITDA	66,735	81,984	294,388	326,387
Interest expense	21,182	27,405	90,667	113,181
Add (deduct):				
Amortization of financing costs	(1,080)	(1,049)	(4,225)	(4,071)
Amortization of above- and below-market mortgages, net	183	185	752	434
Accretion on liability component of debentures	—	—	—	51
Adjusted interest expense	$ 20,285	$ 26,541	$ 87,194	$ 109,595
Adjusted EBITDA interest coverage ratio	3.29	3.09	3.38	2.98

Debt to Adjusted EBITDA Ratio (1)

	December 31, 2020	December 31, 2019
Secured mortgages and loans	$ 1,384,284	$ 1,522,923
Preferred shares liability	610	622
Carrying value of debentures	498,919	449,331
Credit facilities	624,461	886,522
Total long-term debt and credit facilities	2,508,274	2,859,398
Adjusted EBITDA (2)	266,940	327,936
Total long-term debt and credit facilities to Adjusted EBITDA	9.4	8.7

(1) Information is presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.
(2) Adjusted EBITDA, as calculated for the quarter under Adjusted EBITDA Interest Coverage Ratio, has been annualized for purposes of the Debt to Adjusted EBITDA ratio calculation.

(In thousands of Canadian dollars, unless otherwise noted)

CONTRACTUAL OBLIGATIONS (1)

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and other liabilities	$ 110,466	110,466	$ —	$ —	$ —
Lease liabilities	1,419	206	369	311	533
Credit facilities	625,617	95,617	530,000	—	—
Senior unsecured debentures	500,000	250,000	250,000	—	—
Mortgages and loans payable	1,387,068	467,276	654,214	200,422	65,156
Total contractual obligations	$ 2,624,570	$ 923,565	$ 1,434,583	$ 200,733	$ 65,689

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
2021	$ 438,689	33.9 %	$ 28,587	$ 467,276	2.63 %
2022	188,924	14.6 %	22,475	211,399	3.38 %
2023	427,857	33.0 %	14,958	442,815	3.22 %
2024	82,864	6.4 %	7,778	90,642	2.30 %
2025	104,840	8.1 %	4,940	109,780	3.47 %
2026 & later	51,831	4.0 %	13,325	65,156	2.57 %
Total	$ 1,295,005	100.0 %	$ 92,063	$ 1,387,068	2.98 %

(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.

SUMMARIZED QUARTERLY INFORMATION

$000's, except per unit amounts	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19
Revenue	$ 113,010	$ 113,328	$ 114,038	$ 118,541	$ 127,180	$ 127,005	$ 133,928	$ 133,547
Net operating income	64,967	68,017	67,139	69,152	75,121	75,724	80,533	78,478
Net income (loss)	32,424	45,699	54,750	(111,330)	32,877	44,632	19,872	25,356
Total comprehensive (loss) income	(32,479)	15,250	(3,242)	14,197	4,097	62,238	(10,758)	(4,508)
Basic income (loss) per common unit	0.21	0.30	0.37	(0.84)	0.21	0.28	0.10	0.13
Diluted income (loss) per common unit	0.21	0.30	0.36	(0.85)	0.20	0.28	0.10	0.13
FFO (1)	$ 45,796	$ 50,816	$ 49,358	$ 46,441	$ 51,602	$ 48,603	$ 51,909	$ 50,284
FFO per unit (1)	0.34	0.37	0.36	0.33	0.37	0.34	0.36	0.34
FFO payout ratio (1)	41.2 %	37.8 %	38.9 %	42.4 %	37.8 %	41.2 %	38.9 %	41.2 %
AFFO (1)	$ 31,721	$ 37,671	$ 36,499	$ 33,661	$ 37,772	$ 35,769	$ 39,370	$ 37,607
AFFO per unit (1)	0.23	0.27	0.27	0.24	0.27	0.25	0.27	0.25
AFFO payout ratio (1)	60.9 %	51.9 %	51.9 %	58.3 %	51.9 %	56.0 %	51.9 %	56.0 %
Same Property NOI (decline) growth (1) (2)	(5.2)%	(1.2)%	(2.0)%	1.5 %	3.3 %	2.0 %	4.6 %	5.1 %
Adjusted EBITDA interest coverage ratio (1) (2)	3.29	3.66	3.50	3.11	3.09	2.86	3.00	2.96
Leasable area renewed (in square feet) (3)	248,641	617,239	592,872	338,394	558,544	362,669	353,870	332,258
(Decrease) increase in weighted-average rental rate (3)	(0.5)%	6.0 %	(3.3)%	4.5 %	8.1 %	8.7 %	4.0 %	(1.9)%
	2020 Dec 31	**2020 Sept 30**	**2020 Jun 30**	**2020 Mar 31**	**2019 Dec 31**	**2019 Sept 30**	**2019 Jun 30**	**2019 Mar 31**
Number of properties (2)	209	216	216	215	220	228	229	235
GLA (000's of square feet) (2)	22,874	23,796	23,842	23,817	24,841	25,034	24,892	25,100
Occupancy (3)	89.9 %	90.0 %	90.6 %	90.7 %	91.5 %	93.3 %	92.7 %	92.0 %
NAV per Unit (1)	$ 15.03	$ 15.35	$ 15.40	$ 15.52	$ 15.56	$ 15.72	$ 15.37	$ 15.55
Total long-term debt and credit facilities to Adjusted EBITDA (1) (2)	9.4	9.3	9.5	9.3	8.7	9.3	8.8	9.2
Secured mortgages and loans to GBV (1)	26.2 %	26.6 %	27.0 %	26.9 %	26.3 %	26.9 %	28.3 %	28.8 %
Total long-term debt and credit facilities to GBV (1)	49.3 %	51.0 %	51.3 %	51.4 %	51.3 %	51.8 %	51.2 %	50.9 %
Fair value unencumbered assets	$1,901,073	$1,929,858	$1,919,171	$1,845,983	$1,926,661	$1,877,339	$1,829,594	$1,867,277
Total assets	$4,859,841	$5,207,812	$5,236,565	$5,337,483	$5,330,019	$5,431,426	$5,540,373	$5,676,308
Total non-current financial liabilities	1,648,305	1,933,886	1,912,566	2,003,195	2,142,090	2,127,476	2,177,391	2,244,999

(1) Represents a non-GAAP measure. Refer to Notice with Respect to non-GAAP Measures section of this MD&A.
(2) Information presented on a Proportionate Share basis. Please refer to the Notice with Respect to non-GAAP Measures section of this MD&A.
(3) Based on properties included in the Portfolio Summary - Portfolio by Asset Class table.

The quarterly financial results have been impacted by acquisition, disposition and (re)development activity, the impact of foreign exchange, lease termination income, transaction costs, proxy matter expenses, strategic initiative expenses, and the fair value gains and losses on investment properties and derivative instruments and other transactions. The quarterly financial results have also been impacted by the ongoing COVID-19 pandemic.

Per unit results are also impacted by units purchased under the NCIB.

RELATED PARTY TRANSACTIONS

During 2020, the REIT paid employment benefits to employees and issued unit-based awards to trustees, officers and employees.

During 2020, the proxy matter expenses included reimbursements of advisory, legal and other out-of-pocket expenses incurred by Sandpiper Asset Management Inc. and RFA Capital Partners Inc. in the amount of $1,383 and $42, respectively, relating to the settlement agreement between the REIT and Sandpiper. Sandpiper Asset Management Inc. is a related party of the REIT by virtue of being a company under joint control of a Trustee and RFA Capital Partners Inc. is a related party by virtue of being a company controlled by another Trustee.

(In thousands of Canadian dollars, unless otherwise noted)

SUBSEQUENT EVENTS

As at December 31, 2020, Artis had $34,703 of cash on hand and $574,383 available on its revolving term credit facilities. Under the terms of the revolving credit facilities, the REIT must maintain certain financial covenants, which limit the total borrowing capacity of the revolving credit facilities to $388,163 at December 31, 2020.

Subsequent to December 31, 2020, the following transactions took place:

- The Park Lucero East partnership purchased a parcel of development land in the Greater Phoenix Area, Arizona. The purchase price at the REIT's 10% interest was US$970.
- The REIT acquired an additional 5% interest in Park 8Ninety IV, an industrial property located in the Greater Houston Area, Texas, for total consideration of US$1,510. Prior to the acquisition date, the REIT owned 95% of this investment property and the property was classified as a joint venture.
- The REIT disposed of Tower Business Center, an industrial property located in the Greater Denver Area, Colorado, held in one of its joint venture arrangements. The sale price of this property at the REIT's interest was US$53,160 and a portion of the proceeds was used to repay the outstanding mortgage financing of US$16,713 at the REIT's interest.
- A condominium corporation was registered for the industrial property classified as inventory and the REIT closed on the sales of a number of condominium units for an aggregate sale price of $9,425.
- The REIT entered into an unconditional sale agreement to sell a portion of a retail property located in Fort McMurray, Alberta for $4,600 with expected closing in April 2021.
- The REIT repaid a maturing mortgage for an office property in the amount of $12,978, repaid a maturing mortgage for a retail property in the amount of $5,405, repaid a maturing mortgage for an industrial portfolio in the amount of US$7,366 and repaid a mortgage for an industrial property held under a joint venture arrangement at the REIT's interest in the amount of US$7,360.
- The REIT received new mortgage financing on three previously unencumbered retail properties in the amount of $81,000.
- The REIT received new mortgage financing in the amount of $20,000 and repaid the existing mortgage in the amount of $10,944 for a retail property.
- The REIT made an interest payment for the Series C senior unsecured debentures in the amount of $4,593 for the six months ended February 22, 2021 and repaid the principal balance upon maturity in the amount of $250,000.
- The REIT repaid a net balance of $30,000 and drew a net balance of US$159,500 on its revolving term credit facilities.
- The REIT purchased through the NCIB 1,064,346 common units at a weighted-average price of $10.68, 3,700 Series A preferred units at a weighted-average price of $19.51 and 6,624 Series E preferred units at a weighted-average price of $18.81.
- The REIT declared a monthly cash distribution of $0.04635 per common unit for the months of January and February 2021.
- The REIT declared a quarterly cash distribution of $0.3750 per Series I preferred unit for the three months ended January 31, 2021.

OUTSTANDING UNIT DATA

As of March 2, 2021, the balance of common units outstanding is as follows:

	Total
Units outstanding at December 31, 2020	134,643,175
Units issued on redemption of restricted units	1,929
Units issued on redemption of deferred units	12,953
Units purchased and cancelled through NCIB	(1,064,346)
Units outstanding at March 2, 2021	133,593,711

As of March 2, 2021, the balance of preferred units outstanding is as follows:

	Series A	Series E	Series I	Total
Preferred units outstanding at December 31, 2020	3,356,200	3,788,098	4,965,540	12,109,838
Preferred units purchased and cancelled through NCIB	(3,700)	(6,624)	—	(10,324)
Preferred units outstanding at March 2, 2021	3,352,500	3,781,474	4,965,540	12,099,514

The balance of restricted units outstanding as of March 2, 2021 is 416,429, none of which have vested.

The balance of deferred units outstanding as of March 2, 2021 is 80,983. All of these deferred units have vested, of which 20,890 are redeemable.

RISKS AND UNCERTAINTIES

COVID-19 PANDEMIC

The COVID-19 pandemic has resulted in governments enacting emergency measures, including travel restrictions, physical distancing and the temporary closure of non-essential businesses. These changes have caused a disruption to markets where the REIT operates in both Canada and the U.S. and an overall global economic slowdown.

Governments are reacting with significant interventions designed to stabilize economic conditions, however, the efficacy of these interventions remains unknown at this time.

As the situation is continually evolving, the duration and impact of the COVID-19 pandemic is unknown. Any estimate of the length and potential severity of the risks associated with the COVID-19 pandemic is subject to significant uncertainty. The extent to which the COVID-19 pandemic may adversely affect the REIT's operations, financial results and capital resources in future periods is also subject to significant uncertainty. The REIT is faced with numerous risks related to the COVID-19 pandemic which include, but are not limited to the following uncertainties:

- estimates of the amount and timing of future cash flows generated from investment properties in the determination of fair value;
- the REIT's ability to satisfy ongoing debt covenants due to changes in the REIT's liquidity and financial condition;
- the collection of rents receivable due to economic challenges faced by tenants subject to temporary closures of non-essential businesses, particularly in the retail segment;
- the impact of additional government regulation in response to the COVID-19 pandemic;
- delays, costs and availability of resources required to complete capital projects and ongoing developments in process and potential restrictions regarding the commencement of new development projects;
- market volatility and the associated challenges related to the ability to access capital;
- the REIT's ability to refinance maturing mortgages; and
- fair values of investment properties for disposed properties exceeding the mortgages payable for which the REIT has provided guarantees.

Any of these risks and uncertainties could have a material adverse effect on our operations, financial results and capital resources. Management seeks to mitigate risks associated with the COVID-19 pandemic in a variety of ways:

- management is working diligently with tenants to ensure the ongoing operation of their businesses and has provided rent deferrals to certain qualifying tenants;
- management has implemented a plan to reduce expenses to conserve capital resources, including the delay of certain capital expenditures and is addressing the potential to defer commencement of new development projects;
- to help mitigate the spread of the virus, management has increased cleaning and sanitization at all properties and has implemented a remote work from home policy for employees, where appropriate to do so;
- management is actively monitoring the availability of government relief programs in both Canada and the U.S. that may be applicable to either the REIT or its tenants; and
- management continues to assess recommendations by the public health authorities and continues to closely monitor operations and will take further action, if necessary, that are in the best interest of employees, tenants and stakeholders.

REAL PROPERTY 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.

DEVELOPMENTS

Artis is subject to numerous risks related to development projects including development costs exceeding original estimates, construction or other unforeseen timing delays and development projects not be leased on a timely basis or at anticipated rates upon completion. These risks could impact the REIT's liquidity, financial position and future earning potential.

At December 31, 2020, investment properties under development account for 2.9% of Artis' total investment properties (December 31, 2019, 2.1%). At December 31, 2020, the REIT had one development project in progress, 300 Main.

DEBT FINANCING AND INTEREST RATE FLUCTUATIONS

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 December 31, 2020, 31.8% of the REIT's mortgages and loans payable bear interest at fixed rates, and a further 37.1% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place. At December 31, 2020, the REIT is a party to $1,495,281 of variable rate debt, including credit facilities (December 31, 2019, $2,041,647). At December 31, 2020, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $973,405 of variable rate debt, including credit facilities and debentures, (December 31, 2019, $880,729). 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 December 31, 2020, the REIT's ratio of secured mortgages and loans to GBV was 26.2%, compared to 26.3% at December 31, 2019. At December 31, 2020, the REIT's ratio of total long-term debt and credit facilities to GBV was 49.3%, compared to 51.3% at December 31, 2019. Approximately 31.8% of Artis' maturing mortgage debt comes up for renewal in 2021, and 14.2% in 2022. Management is in discussion with various lenders with respect to the renewal or refinancing of the 2021 mortgage maturities.

(In thousands of Canadian dollars, unless otherwise noted)

FOREIGN CURRENCY

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.

TENANTS

Credit 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 1,579 tenant leases with a weighted-average term to maturity of 5.3 years. Approximately 50.8% 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 Inc., 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	Tenant location	% 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.	Canada	2.5 %	314	1.4 %	4.4
Graham Group Ltd.	U.S.	2.2 %	243	1.1 %	13.6
AT&T	U.S.	1.8 %	257	1.1 %	4.5
WorleyParsons Canada Services Ltd.	Canada	1.7 %	164	0.7 %	0.7
Bell Canada	Canada	1.6 %	115	0.5 %	8.8
Prime Therapeutics LLC	U.S.	1.6 %	386	1.7 %	13.8
TDS Telecommunications Corporation	U.S.	1.3 %	174	0.8 %	4.0
Catalent Pharma Solutions, LLC	U.S.	1.2 %	233	1.0 %	15.6
CB Richard Ellis, Inc.	U.S.	1.1 %	108	0.5 %	6.0
PBP, Inc.	U.S.	1.1 %	519	2.3 %	10.9
Fairview Health Services	U.S.	1.0 %	179	0.8 %	2.7
Choice Hotels International Services Corp.	U.S.	1.0 %	114	0.5 %	1.0
Recipe Unlimited Corporation	Canada	1.0 %	100	0.4 %	8.0
Shoppers Drug Mart	Canada	0.9 %	96	0.4 %	5.5
3M Canada Company	Canada	0.8 %	319	1.4 %	4.2
UCare Minnesota	U.S.	0.8 %	124	0.5 %	12.6
Silent Aire USA Inc.	U.S.	0.7 %	289	1.3 %	6.2
Telephone and Data Systems Inc.	U.S.	0.7 %	107	0.5 %	4.0
Co-Operators Financial Services Ltd.	Canada	0.7 %	79	0.3 %	2.4
Soo Line Railroad Company	U.S.	0.7 %	92	0.4 %	6.7
Total		24.4 %	4,012	17.6 %	7.7

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	1.3 %	189	0.8 %	5.2
Provincial Government	0.6 %	73	0.3 %	6.6
Civic or Municipal Government	0.5 %	90	0.4 %	12.1
Total	2.4 %	352	1.5 %	7.3
Weighted-average term to maturity (entire portfolio)				5.3

(1) Based on owned share of GLA of properties included in the Portfolio Summary - Portfolio by Asset Class table.
(2) Total gross revenue is in Canadian and US dollars.

Lease Rollover

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 industrial, office and retail properties, consequently increasing the risk that leases expiring in the near term will not be renewed.

(In thousands of Canadian dollars, unless otherwise noted)

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

	Canada					U.S.						
Expiry Year	**AB**	**BC**	**MB**	**SK**	**ON**	**AZ**	**CO**	**MN**	**NY**	**TX**	**WI**	**Total**
2021	2.5 %	0.2 %	3.3 %	0.6 %	1.7 %	1.1 %	0.5 %	5.5 %	— %	— %	0.7 %	16.1 %
2022	1.0 %	0.1 %	1.5 %	1.2 %	2.6 %	0.6 %	0.3 %	3.0 %	— %	0.6 %	0.4 %	11.3 %
2023	1.4 %	0.2 %	1.7 %	0.3 %	1.4 %	0.6 %	0.2 %	2.8 %	0.3 %	— %	0.5 %	9.4 %
2024	0.8 %	0.1 %	1.7 %	0.2 %	1.4 %	0.5 %	0.1 %	2.9 %	0.2 %	0.2 %	1.7 %	9.8 %
2025	1.0 %	— %	1.5 %	0.3 %	2.7 %	1.2 %	1.3 %	1.3 %	— %	0.2 %	0.4 %	9.9 %
2026	0.6 %	0.1 %	1.6 %	0.2 %	0.8 %	0.6 %	— %	0.7 %	— %	— %	0.9 %	5.5 %
2027 & later	2.6 %	0.7 %	3.0 %	1.7 %	1.6 %	2.5 %	1.1 %	7.1 %	— %	5.2 %	2.0 %	27.5 %
Month-to-month	— %	— %	0.1 %	— %	— %	— %	— %	— %	— %	— %	— %	0.1 %
Vacant	2.3 %	0.1 %	2.1 %	0.3 %	0.4 %	0.6 %	0.9 %	1.5 %	— %	0.9 %	1.1 %	10.2 %
New development/redevelopment	— %	— %	— %	— %	0.2 %	— %	— %	— %	— %	— %	— %	0.2 %
Total	12.2 %	1.5 %	16.5 %	4.8 %	12.8 %	7.7 %	4.4 %	24.8 %	0.5 %	7.1 %	7.7 %	100.0 %

Artis' real estate is diversified across five Canadian provinces and six U.S. states, and across the industrial, office and retail asset classes. By city and asset class, the five largest segments of the REIT's portfolio (by Q4-20 Proportionate Share Property NOI) are Twin Cities Area office, Twin Cities Area industrial, Madison office, Greater Toronto Area industrial and Greater Phoenix Area office.

SIFT RULES AND OTHER TAX-RELATED FACTORS

The Income Tax Act (Canada) contains legislation 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 year ended December 31, 2020 and the year ended December 31, 2019. 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

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.

CRITICAL ACCOUNTING ESTIMATES

Artis REIT's management believes that the policies below are those most subject to estimation and judgment by management.

VALUATION OF INVESTMENT PROPERTIES

Investment properties include properties held to earn rental income and properties that are being constructed or developed for future use as investment properties. Investment properties are measured at fair value with any changes therein recognized in net income or loss for the year. Artis determines the fair value of investment properties, including those held under joint venture arrangements, based upon either the discounted cash flow method or the overall capitalization method. Under the discounted cash flow method, expected future cash flows for each investment property were discounted, generally over a term of approximately 10 years, using weighted-average rates of approximately 7.42% at December 31, 2020 and 7.55% at December 31, 2019. Expected future cash flows for each investment property have been based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. Under the overall capitalization method, year one income was stabilized and capped at weighted-average capitalization rates of approximately 6.30% at December 31, 2020 and 6.41% at December 31, 2019.

Investment properties under development include initial acquisition costs, other direct costs and borrowing costs during the period of development. The REIT considers practical completion to have occurred when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The REIT measures loss allowance for rents receivable at the lifetime expected credit losses. In determining the expected credit losses, the REIT takes into account the expectations of future defaults and rent abatements based on payment history, tenant communications and economic conditions, as well as the impact of COVID-19 on tenant's ability to pay. As part of this assessment, the REIT reviews individual tenant risk profiles given the impact on tenant operations of COVID-19 restrictions imposed by various levels of government.

VALUATION OF DEFERRED TAX ASSETS AND LIABILITIES

The REIT has reviewed the SIFT Rules (see discussion under the Tax Risk section of this MD&A) and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes it has met the REIT Exception throughout the years ended December 31, 2019 and 2020.

CHANGES IN ACCOUNTING STANDARDS

Revised Accounting Standard Adopted During the Year

The amendments to the definition of a business in IFRS 3 – *Business Combinations* help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.

The amendments to IAS 1 and IAS 8 align the definition of "material" across the standards and clarify certain aspects of the definition. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The adoption of the amendments to the definition of material did not have a significant impact on the REIT's consolidated financial statements.

Future Changes in Accounting Standards

In January 2020, the IASB issued amendments to IAS 1 - *Presentation of Financial Statements* to specify the requirements for classifying liabilities as current or non-current. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The REIT does not expect a material impact to its consolidated financial statements from the adoption of these amendments.

In May 2020, the IASB issued amendments to IFRS 3 *Business Combinations*. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. The amendments also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. The REIT does not expect a material impact to its consolidated financial statements from the adoption of these amendments.

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The REIT will apply these amendments to contracts for which it has not yet fulfilled all its obligations on January 1, 2022 when it will first apply the amendments. The REIT does not expect a material impact to its consolidated financial statements from the adoption of these amendments.

In August 2020, the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments include a number of reliefs and additional disclosures. For financial instruments at amortized cost, the amendments introduce a practical expedient such that if a change in the contractual cash flows is as a result of IBOR reform and occurs on an economically equivalent basis, the change will be accounted for by updating the effective interest rate with no immediate gain or loss recognized. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The REIT is in the process of assessing the impact of these amendments on its IBOR-based financial instruments.

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. The REIT does not expect a material impact to its consolidated financial statements from the adoption of this amendment.

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 December 31, 2020, 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 year ended December 31, 2020, 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 December 31, 2020, 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 year ended December 31, 2020.

Management's Responsibility for Financial Statements

The management of Artis Real Estate Investment Trust is responsible for the preparation and integrity of the consolidated financial statements contained in the annual report. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and necessarily include some amounts that are based on management's best estimate and judgment. Management has determined such amounts on a reasonable basis and considers that the consolidated financial statements present fairly the financial position of the REIT, the results of its operations and its cash flows. Management has also prepared financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements. To fulfill its responsibility, management maintains internal accounting controls and systems and establishes policies and procedures to ensure the reliability of financial information and to safeguard assets.

The Board of Trustees is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Trustees carries out this responsibility principally through its Audit Committee, composed entirely of outside and unrelated trustees. The Audit Committee meets regularly with management of the REIT and with the independent auditors. The consolidated financial statements have been reviewed and approved by the Board of Trustees on the recommendation of its Audit Committee.

The REIT's independent auditor, Deloitte LLP, has been appointed by the unitholders to audit the consolidated financial statements and express an opinion thereon.

"Samir Manji"	"Jim Green"
Samir Manji Interim Chief Executive Officer March 2, 2021	Jim Green, CPA, CA Chief Financial Officer March 2, 2021

Deloitte.

Deloitte LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: 204-942-0051
Fax: 204-947-9390
www.deloitte.ca

Independent Auditor's Report

To the Unitholders of Artis Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of Artis Real Estate Investment Trust (the "Trust"), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of operations, changes in unitholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

A key audit matter is a matter, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair Value of Investment Properties — Refer to Notes 2 and 4 to the financial statements

Key Audit Matter Description

Investment properties are measured at fair value with any changes therein recognized in profit or loss for the year. The Trust determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method, which requires the Trust to make assumptions related to future rental income and expenses, discount rates, capitalization rates, terminal capitalization rates and investment horizon (years).

While there are several assumptions that are required to determine the fair value of investment properties, the assumptions with the highest degree of subjectivity and impact on fair values are the estimated future rental income, discount rates and terminal capitalization rates. Auditing these assumptions required a high degree of auditor judgment as the estimations made by management are subject to significant estimation uncertainty which resulted in an increased extent of audit effort, including the need to involve fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the estimated future rental income, discount rates and terminal capitalization rates used to determine the fair value of investment properties included the following, among others:

- Evaluated the reasonableness of management's estimated future rental income by comparing management's forecasts to historical results, internal communications to management and the Board of Trustees and contractual information, where applicable.
- With the assistance of fair value specialists, evaluated the reasonableness of management's estimated future rental income, discount rates and terminal capitalization rates by considering recent market transactions and industry surveys.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Haik (Haig) Vanlian.

/s/ Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
March 2, 2021

(In thousands of Canadian dollars, except unit and per unit amounts)

Consolidated Balance Sheets

	Note		December 31, 2020		December 31, 2019
ASSETS					
Non-current assets:					
Investment properties	4	$	4,325,121	$	4,618,719
Investment properties under development	4		132,243		102,590
Investments in joint ventures	5		200,306		186,610
Property and equipment	6		7,481		7,786
Notes receivable	7		20,313		93,832
Deferred rents receivable	10		778		—
			4,686,242		5,009,537
Current assets:					
Investment properties held for sale	4		74,483		221,915
Inventory properties	8		15,060		14,632
Deposits on investment properties			1,203		—
Prepaid expenses and other assets	9		7,307		10,533
Notes receivable	7		1,371		3,996
Accounts receivable and other receivables	10		17,465		21,013
Cash held in trust			22,007		5,938
Cash			34,703		42,455
			173,599		320,482
Total assets		$	4,859,841	$	5,330,019
LIABILITIES AND UNITHOLDERS' EQUITY					
Non-current liabilities:					
Mortgages and loans payable	11	$	868,396	$	1,005,196
Senior unsecured debentures	12		248,999		249,372
Credit facilities	13		529,087		886,522
Other long-term liabilities			1,823		1,000
			1,648,305		2,142,090
Current liabilities:					
Mortgages and loans payable	11		405,126		396,152
Senior unsecured debentures	12		249,920		199,959
Security deposits and prepaid rent			30,089		32,834
Accounts payable and other liabilities	14		97,130		88,231
Credit facilities	13		95,374		—
			877,639		717,176
Total liabilities			2,525,944		2,859,266
Unitholders' equity			2,333,897		2,470,753
Commitments, contingencies and guarantees	30				
Subsequent events	34				
Total liabilities and unitholders' equity		$	4,859,841	$	5,330,019

See accompanying notes to consolidated financial statements.

(In thousands of Canadian dollars, except unit and per unit amounts)

Consolidated Statements of Operations

	Note	2020	Year ended December 31, 2019
Revenue	18	$ 458,917	$ 521,660
Expenses:			
Property operating		112,871	130,099
Realty taxes		76,771	81,705
Total operating expenses		189,642	211,804
Net operating income		269,275	309,856
Other income (expenses):			
Corporate expenses	19	(12,205)	(14,452)
Proxy matter expenses	20	(17,423)	—
Strategic initiative expenses	21, 35	(4,029)	(1,358)
Interest expense	22	(86,106)	(108,809)
Interest income		4,797	3,212
Net income from investments in joint ventures	5	24,851	36,843
Fair value loss on investment properties	4	(140,876)	(94,727)
Foreign currency translation gain		530	10,668
Transaction costs		—	(301)
Fair value loss on derivative instruments and other transactions	23	(16,538)	(16,379)
Income before income taxes		22,276	124,553
Income tax expense	24	(733)	(1,816)
Net income		21,543	122,737
Other comprehensive loss that may be reclassified to net income in subsequent periods:			
Unrealized foreign currency translation loss		(25,498)	(66,214)
Unrealized foreign currency translation loss on investments in joint ventures		(2,319)	(6,125)
Other comprehensive income that will not be reclassified to net income in subsequent periods:			
Unrealized gain from remeasurements of net pension obligation		—	671
Other comprehensive loss		(27,817)	(71,668)
Total comprehensive (loss) income		$ (6,274)	$ 51,069
Basic income per unit attributable to common unitholders	15	$ 0.03	$ 0.72
Diluted income per unit attributable to common unitholders	15	0.02	0.72
Weighted-average number of common units outstanding:			
Basic	15	136,206,856	142,434,694
Diluted	15	136,606,921	142,434,694

See accompanying notes to consolidated financial statements.

(In thousands of Canadian dollars, except unit and per unit amounts)

Consolidated Statements of Changes in Unitholders' Equity

	Common units capital contributions	Retained earnings	Accumulated other comprehensive income (loss)	Contributed surplus	Total common equity	Total preferred equity	Total
Unitholders' equity, December 31, 2018	$ 1,959,647	$ 143,169	$ 246,716	$ 11,632	$ 2,361,164	$ 376,881	$ 2,738,045
Changes for the year:							
Issuance of common units, net of issue costs (note 15)	1,076	—	—	—	1,076	—	1,076
Redemption of preferred units (note 15)	—	—	—	(2,753)	(2,753)	(75,710)	(78,463)
Units acquired and cancelled through normal course issuer bid (note 15)	(161,976)	—	—	24,394	(137,582)	(6,687)	(144,269)
Net income	—	122,737	—	—	122,737	—	122,737
Other comprehensive loss	—	—	(71,668)	—	(71,668)	—	(71,668)
Distributions	—	(96,705)	—	—	(96,705)	—	(96,705)
Unitholders' equity, December 31, 2019	1,798,747	169,201	175,048	33,273	2,176,269	294,484	2,470,753
Changes for the year:							
Issuance of common units, net of issue costs (note 15)	4,455	—	—	—	4,455	—	4,455
Units acquired and cancelled through normal course issuer bid (note 15)	(48,601)	—	—	15,977	(32,624)	(2,617)	(35,241)
Units acquired through normal course issuer bid, not cancelled at year end (note 15)	—	—	—	14	14	(65)	(51)
Net income	—	21,543	—	—	21,543	—	21,543
Other comprehensive loss	—	—	(27,817)	—	(27,817)	—	(27,817)
Distributions	—	(99,745)	—	—	(99,745)	—	(99,745)
Unitholders' equity, December 31, 2020	$ 1,754,601	$ 90,999	$ 147,231	$ 49,264	$ 2,042,095	$ 291,802	$ 2,333,897

See accompanying notes to consolidated financial statements.

(In thousands of Canadian dollars, except unit and per unit amounts)

Consolidated Statements of Cash Flows

	Note	2020	Year ended December 31, 2019
Cash provided by (used in):			
Operating activities:			
Net income		$ 21,543	$ 122,737
Adjustments for:			
Net income from investments in joint ventures	5	(24,851)	(36,843)
Fair value loss on investment properties	4	140,876	94,727
Fair value loss on derivative instruments and other transactions	23	16,538	16,379
Unrealized foreign currency translation gain		(367)	(10,820)
Other items not affecting cash	25	22,486	25,880
Changes in non-cash operating items	25	108	(11,940)
		176,333	200,120
Investing activities:			
Acquisitions of investment properties, net of related debt	3	—	(36,349)
Proceeds from dispositions of investment properties, net of costs and related debt	3	229,000	247,819
Proceeds from disposition of note receivable	7	8,372	—
Additions to investment properties		(28,931)	(45,766)
Additions to investment properties under development		(71,762)	(86,639)
Additions to tenant inducements and leasing commissions		(57,536)	(60,553)
Additions to joint ventures	5	(2,006)	(17,087)
Distributions from joint ventures	35	25,603	3,730
Additions to property and equipment		(19)	(1,801)
Issuances of notes receivable		(57)	(8,074)
Notes receivable principal repayments		80,818	9,650
Change in deposits on investment properties		(1,271)	2,165
Change in cash held in trust		(16,256)	4,123
		165,955	11,218
Financing activities:			
Repayment of mortgages and loans payable		(57,640)	(98,252)
Advance of mortgages and loans payable, net of financing costs		56,879	14,650
Issuance of senior unsecured debentures, net of financing costs	12	248,916	248,946
Repayment of senior unsecured debentures	12	(200,000)	(200,000)
Advance of revolving credit facilities		121,500	538,229
Repayment of revolving credit facilities, including financing costs		(586,221)	(415,653)
Advance of non-revolving credit facilities, net of financing costs		199,644	—
Repayment of lease liabilities		(212)	(91)
Purchase of common units under normal course issuer bid	15	(33,442)	(138,403)
Purchase of preferred units under normal course issuer bid	15	(1,850)	(5,866)
Redemption of preferred units	15	—	(78,463)
Distributions paid on common units		(80,150)	(77,331)
Distributions paid on preferred units		(17,425)	(20,589)
		(350,001)	(232,823)
Foreign exchange loss on cash held in foreign currency		(39)	(2,203)
Decrease in cash		(7,752)	(23,688)
Cash, beginning of year		42,455	66,143
Cash, end of year		$ 34,703	$ 42,455

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2020 and 2019

Note 1. Organization

Artis Real Estate Investment Trust (the "REIT") 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 April 15, 2020 (the "Declaration of Trust"). The purpose of the REIT is to directly, or indirectly, own, manage, lease and (where appropriate) develop primarily industrial, office and retail properties in Canada and the United States (the "U.S."). The registered office of the REIT is 600 - 220 Portage Avenue, Winnipeg, Manitoba, R3C 0A5.

The Declaration of Trust provides that the REIT may make cash distributions to unitholders of the REIT. The amount distributed annually (currently $0.5562 per common unit, $1.4155 per Series A Unit, $1.3680 per Series E Unit and $1.50 per Series I Unit) is set by the Board of Trustees.

On November 30, 2020, the REIT reconstituted its Board with five new Trustees upon reaching a settlement agreement with Sandpiper Group to withdraw a unitholder meeting request received on September 30, 2020. Subsequently, the REIT has suspended the plan to spin-off substantially all of the REIT's Canadian retail properties as announced on September 8, 2020.

Note 2. Significant accounting policies

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of presentation and measurement:

The consolidated financial statements have been prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand dollars unless otherwise indicated. The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements unless otherwise indicated.

The consolidated financial statements have been prepared on the historical cost basis with the exception of investment properties, derivative financial instruments and the cash-settled unit-based payment liabilities, which are measured at fair value.

(c) Principles of consolidation:

The consolidated financial statements include the accounts of the REIT and entities controlled by the REIT and its subsidiaries (including joint arrangements). Control is achieved when the REIT has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. The REIT reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

All intercompany assets and liabilities, equity, revenue, expenses and cash flows relating to transactions between entities within the REIT are eliminated in full on consolidation.

(d) Translation of foreign currencies:

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the REIT.

Assets and liabilities of foreign operations are translated at the rate of exchange in effect at the balance sheet date. Revenue and expense items are translated at the average exchange rate for the period. Gains or losses on translation are included in other comprehensive income as foreign currency translation gains or losses. When there is a reduction in the net investment as a result of dilution or sale, or reduction in the equity of the foreign operation as a result of a capital transaction, amounts previously recognized in accumulated other comprehensive income are reclassified into net income.

For assets, liabilities, revenues and expenses that do not form part of the net investment in foreign operations, foreign currency translation gains or losses are included in net income. Monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expense items are translated at the rate in effect at the date of the transaction.

(e) Financial instruments:

Financial assets are classified, at initial recognition, and subsequently measured, based on three categories: (i) amortized cost, (ii) fair value through other comprehensive income ("FVOCI"), or (iii) fair value through profit and loss ("FVTPL"). Financial assets are classified and measured on the basis of both the business model in which the assets are managed and the contractual cash flow characteristics of the asset. With the exception of trade receivables that do not contain a significant financing component, the REIT initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price. Financial assets are recorded at amortized cost when financial assets are held with the objective of collecting contractual cash flows and those cash flows represent solely payments of principal and interest ("SPPI") and are not designated as FVTPL. Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Financial liabilities are classified and measured in two categories: (i) amortized cost or (ii) FVTPL.

The REIT classifies and measures its notes receivable, accounts receivable and other receivables, cash held in trust, cash, mortgages and loans payable, senior unsecured debentures, preferred shares liability, preferred units liabilities, accounts payable and other liabilities and credit facilities at amortized costs. All derivative instruments, including embedded derivatives, are classified as at FVTPL and are recorded on the consolidated balance sheet at fair value.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, with the exception of those classified as at FVTPL, are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. Transaction costs directly attributable to the acquisition or issuance of financial assets or liabilities classified as at FVTPL are recognized immediately in net income.

Financial assets, other than those classified as at FVTPL, are assessed for impairment at the end of each reporting period using the expected credit loss ("ECL") model. The ECL model is based on an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The REIT measures loss allowance for notes receivable, accounts receivable and other receivables at the lifetime expected credit losses. Notes receivable, accounts receivable and other receivables are written off when there is no realistic prospect of future recovery and all collateral has been realized.

(f) Investment properties:

Investment properties include properties held to earn rental income and properties that are being constructed or developed for future use as investment properties. Investment properties are measured at fair value with any changes therein recognized in profit or loss for the year.

Investment properties are classified as investment properties under development once construction at the property has commenced. Investment properties under development include initial acquisition costs and other direct costs during the period of development. Borrowing costs associated with direct expenditures on properties under development are capitalized from the commencement of the construction until the date of practical completion. The REIT considers practical completion to have occurred when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

The REIT occupies a portion of space in several of its investment properties. In the case of mixed use investment property and property held for use in the production of goods or services, the REIT classifies the property as investment property when only an insignificant portion is owner-occupied. The REIT considers the owner-occupied portion as insignificant when the property is primarily held to earn rental income.

A property acquisition is accounted for as a business combination using the acquisition method if the assets acquired and liabilities assumed constitute a business, and the REIT obtains control of the business. The cost of a business combination is measured as the fair value of the assets given up, equity instruments issued and liabilities assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. The REIT recognizes assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination. Changes in the fair value of contingent consideration arrangements that qualify as measurement period adjustments, adjustments arising from additional information obtained about an acquisition within one year of its date, are adjusted retrospectively. All other changes in fair value are recognized in profit or loss for the period.

Leasing commissions and straight-line rent receivables are included in the carrying amount of investment properties.

Payments to tenants under lease obligations are included in the carrying amount of investment properties. Payments that are determined to primarily benefit the tenant are treated as tenant inducements that reduce revenue.

Right-of-use assets, held under leases, that are investment properties are recognized in the REIT's consolidated balance sheet at fair value.

(g) Joint arrangements:

Joint arrangements are arrangements where the parties sharing ownership have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The REIT accounts for its joint arrangements as either joint ventures or joint operations.

A joint venture is an arrangement where the REIT jointly owns an investment property with another party and has rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The investment in the joint venture is initially measured at cost at the date of acquisition and adjusted thereafter for the REIT's share of changes in its net assets, less distributions received and any identified impairment loss. The REIT's share of the profit or loss from its investments in joint ventures is recognized in profit or loss for the year.

A joint operation is an arrangement where the REIT jointly owns an investment property with another party and has rights to the assets, and obligations for the liabilities, relating to the arrangement. The REIT accounts for joint operations by recording its proportionate share of their assets, liabilities, revenues, expenses and cash flows in its consolidated financial statements.

(h) Inventory properties:

Commercial condominium projects are recorded as inventory properties. Inventory properties are recorded at the lower of cost, including pre-development expenditures and capitalized borrowing costs, and net realizable value, which the REIT determines using the estimated selling price in the ordinary course of business, less estimated selling costs and development costs to complete.

Inventory properties are reviewed for impairment at each reporting date. An impairment loss is recognized in net income when the carrying value of the asset exceeds its net realizable value.

Transfers to inventory properties are based on a change in use evidenced by the commencement of development activities and expenditures, with a view to sell, at which point an investment property is transferred to inventory properties.

(i) Property and equipment:

Office furniture and fixtures and office equipment and software are carried at cost less accumulated depreciation, and are depreciated on a straight-line basis over their useful lives which are estimated to be between five to ten years. The estimated useful life, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimates accounted for on a prospective basis.

As a lessee of office premises, office equipment and vehicles, the REIT recognizes right-of-use assets and the related lease liabilities at the commencement date of the leases, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The recognized right-of-use assets are depreciated on a straight-line basis over the lease term. The related lease liabilities are included other payables and liabilities and other long-term liabilities.

(j) Assets held for sale and discontinued operations:

Non-current assets, or disposal groups comprising assets and liabilities, are categorized as held for sale at the point in time when the asset or disposal group is available for immediate sale, management has committed to a plan to sell and is actively locating a buyer at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is highly probable and expected to be completed within a one-year period. Investment properties measured under the fair value model and held for sale continue to be measured by the guidelines of IAS 40 - *Investment Property*. All other assets held for sale are stated at the lower of their carrying amount and fair value less selling costs. An asset that is subsequently reclassified as held and in use, with the exception of an investment property measured under the fair value model, is measured at the lower of its recoverable amount and the carrying amount that would have been recognized had the asset never been classified as held for sale.

A disposal group is classified as discontinued operation if it meets the following conditions: (i) it is a component that can be distinguished operationally and financially from the rest of the REIT's operations and (ii) it represents either a separate major line of business or geographical area of operations. The results of operations associated with disposal groups classified as discontinued operations held for sale are reported separately in the consolidated statement of operations.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(k) Cash held in trust:

Cash held in trust consists of cash held by financial institutions with restrictions pursuant to mortgage agreements, letters of credit and construction holdbacks. Cash held in trust may also include cash held in escrow pursuant to purchase and sale agreements in relation to acquisitions and dispositions of investment properties.

(l) Provisions:

A provision is recognized if, as a result of a past event, the REIT has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are remeasured at each balance sheet date using the current discount rate. The increase in the provision due to passage of time is recognized as interest expense.

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the REIT has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

(m) Revenue recognition:

The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue from investment properties includes all amounts earned from tenants related to lease agreements, including base rent, property operating cost and realty tax recoveries, lease termination income and other incidental income.

The total amount of base rent in lease agreements is accounted for on a straight-line basis over the term of the respective leases. A straight-line rent receivable, which is included in the carrying amount of investment properties, is recorded for the difference between the rental revenue recorded and the contractual rent received.

Property operating cost and realty tax recoveries are accrued and recognized as revenue in the period that the recoverable costs are incurred and become chargeable to tenants.

Tenant inducements are recognized as a reduction to revenue and are amortized on a straight-line basis over the term of the lease.

Revenue from the sale of commercial condominium units will be recognized at the point in time when control over the property has been transferred, which is generally when possession passes to the purchaser and the purchaser then has the ability to direct the use and obtain substantially all of the benefits of the property. Revenue is measured at the transaction price agreed to under the sale agreements.

(n) Long-term benefits:

The costs of the REIT's defined benefit pension plans were accrued based on estimates, using actuarial techniques, of the amount of benefits employees earned in return for their services in the current and prior periods. The present value of the defined benefit liability and current service cost is determined by discounting the estimated benefits using the projected unit credit method to determine the fair value of the plan assets and total actuarial gains and losses and the proportion thereof which will be recognized. All pension plans were settled in 2019 and there were no pension plan assets nor liabilities as at December 31, 2020 and 2019.

(o) Unit-based compensation:

The REIT may issue unit-based awards to trustees, officers, employees and consultants. For cash-settled unit-based payment transactions in the form of restricted and deferred units, a liability is recognized and remeasured to fair value at each reporting date and at the settlement date. Any change in the fair value of the liability is recognized as compensation expense for the period.

For equity-settled unit-based payment transactions in the form of unit options, the REIT measures compensation expense using the fair value at the grant date, recognized over the vesting period.

(p) Earnings per unit:

Basic earnings per common unit is computed by dividing net income for the period attributable to common unitholders by the weighted-average number of common units outstanding during the reporting period. Diluted earnings per unit is calculated based on the weighted-average number of common units outstanding during the period, plus the effect of dilutive unit equivalents of restricted units and deferred units.

(q) Use of estimates and judgments:

The preparation of the consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Impact of the COVID -19 pandemic

In March 2020, the outbreak of COVID-19 was recognized as a pandemic by the World Health Organization. The ongoing COVID-19 pandemic has resulted in governments enacting emergency measures, including travel restrictions, physical distancing, capacity restrictions and temporary closure of non-essential businesses. While governments have eased COVID-19 restrictions and businesses have started to reopen in mid-2020, there were still restrictive measures in place. In addition, a recent resurgence of COVID-19 has resulted in the re-imposition of certain restrictions and may lead to more restrictions being implemented again to reduce the spread of COVID-19. These changes have caused disruptions to businesses where the REIT operates in both Canada and the U.S.

As the situation is continually evolving, the duration and impact of the COVID-19 pandemic is unknown. Any estimate of the length and potential severity of the economic impact associated with the COVID-19 pandemic is subject to significant uncertainty, as is the extent it will affect the REIT's operations, financial results and capital resources. In the preparation of these consolidated financial statements, the REIT has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets and liabilities, and the reported amount of its results using the best available information as of December 31, 2020. Actual results could differ from those estimates. Estimates and assumptions that are most subject to increased uncertainty caused by the COVID-19 pandemic relate to the valuation of investment properties, the carrying amount of investment in joint ventures and the estimate of any expected credit losses on accounts receivable and notes receivable.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts reported in the consolidated financial statements are as follows:

– Accounting for business combinations - The REIT's accounting policy relating to business combinations is described in note 2 (f). Judgment is applied in determining whether property acquisitions constitute the purchase of a business or the purchase of assets.

– Accounting for tenant inducements - The REIT's accounting policy relating to tenant inducements is described in note 2 (f) and note 2 (m). The REIT makes judgments with respect to whether tenant inducements provided in connection with a lease enhance the value of the leased property which determines whether such amounts are treated as capital expenditures or as tenant inducements that reduce revenue.

– Capitalized cost of investment properties under development - The REIT's accounting policy relating to investment properties under development is described in note 2 (f). Judgment is applied in identifying the point at which practical completion of the investment property under development occurs.

– Classification of leases - The REIT's accounting policy for the classification of its leases as a lessor is described in note 2 (m). The REIT makes judgments in determining whether certain leases are operating or finance leases. The REIT determined that all of its leases are operating leases.

– Classification of property as investment property or owner-occupied property - The REIT's accounting policy for the classification of properties that comprise a portion that is held to earn rental income and another portion that is held for use in the production or supply of goods or services or for administrative purposes is described in note 2 (f). Judgment is applied in determining whether the portion of the property held for use in the production or supply of goods or services or for administrative purposes is insignificant in comparison to the portion held to earn rental income.

– Classification of joint arrangements - The REIT's accounting policy relating to joint arrangements is described in note 2 (g) and note 5. Judgment is applied in determining whether joint arrangements constitute a joint venture or a joint operation.

– Disclosure of related party transactions - Judgment is applied in determining if entities with which the REIT had transactions are considered related parties in accordance with IAS 24 - *Related Party Transactions*. The REIT disclosed transactions with related parties and key management personnel in notes 27 and 28.

Information about assumptions and estimation uncertainties that are critical to the determination of the amounts reported in the consolidated financial statements are as follows:

– Valuation of investment properties - The fair value of investment properties represents an estimate of the price that would be agreed upon between knowledgeable, willing parties in an arm's length transaction. The critical estimates and assumptions underlying the valuation of investment properties are described in note 4.

– Valuation of deferred tax liabilities and assets - The critical estimates and assumptions underlying the valuation of deferred tax liabilities and assets are described in note 24.

– Allowance for doubtful accounts - The critical estimates and assumptions underlying the valuation of allowance for doubtful accounts are described in note 32.

– Fair value of financial instruments - The fair value of financial instruments is estimated as the amount for which an instrument could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The estimates and assumptions underlying the fair value of financial instruments are described in note 33.

(r) New or revised accounting standards adopted during the year:

The amendments to the definition of a business in IFRS 3 – *Business Combinations* help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.

The amendments to IAS 1 and IAS 8 align the definition of "material" across the standards and clarify certain aspects of the definition. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The adoption of the amendments to the definition of material did not have a significant impact on the REIT's consolidated financial statements.

(s) Future changes in accounting standards:

In January 2020, the IASB issued amendments to IAS 1 - *Presentation of Financial Statements* to specify the requirements for classifying liabilities as current or non-current. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The REIT does not expect a material impact to its consolidated financial statements from the adoption of these amendments.

In May 2020, the IASB issued amendments to IFRS 3 *Business Combinations*. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. The amendments also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. The REIT does not expect a material impact to its consolidated financial statements from the adoption of these amendments.

(In thousands of Canadian dollars, except unit and per unit amounts)

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The REIT will apply these amendments to contracts for which it has not yet fulfilled all its obligations on January 1, 2022 when it will first apply the amendments. The REIT does not expect a material impact to its consolidated financial statements from the adoption of these amendments.

In August 2020, the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments include a number of reliefs and additional disclosures. For financial instruments at amortized cost, the amendments introduce a practical expedient such that if a change in the contractual cash flows is as a result of IBOR reform and occurs on an economically equivalent basis, the change will be accounted for by updating the effective interest rate with no immediate gain or loss recognized. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The REIT is in the process of assessing the impact of these amendments on its IBOR-based financial instruments.

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. The REIT does not expect a material impact to its consolidated financial statements from the adoption of this amendment.

Note 3. Acquisitions and dispositions of investment properties

Acquisitions:

The REIT did not acquire any properties during the year ended December 31, 2020.

The REIT acquired the following property during the year ended December 31, 2019:

Property	Property count	Location	Acquisition date	Asset class
Boulder Lakes Business Park II	1	Twin Cities Area, MN	October 25, 2019	Office

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

On May 16, 2019, the REIT acquired an additional 5% interest in Park 8Ninety I, an industrial property located in the Greater Houston Area, Texas for total consideration of $6,261. Prior to the acquisition date, the REIT owned 95% of this investment property and the property was classified as a joint venture and accounted for using the equity method. As a result of this acquisition, the REIT owns 100% of the property and accounts for it on a consolidated basis. The REIT accounted for this acquisition as step acquisition and remeasured its existing 95% interest to fair value at the acquisition date.

On August 8, 2019, the REIT acquired a surface parking lot ancillary to an existing office property in Winnipeg, Manitoba.

On November 1, 2019, the REIT acquired a parcel of industrial development land adjacent to an existing industrial property in the Greater Houston Area, Texas.

These acquisitions have been accounted for using the acquisition method, with the results of operations included in the REIT's accounts from the date of acquisition. The net assets acquired, excluding the acquisitions of joint ventures, were as follows:

		Year ended December 31,
	2020	2019
Investment properties (note 4)	$ —	$ 71,635
Long-term debt, including acquired above- and below-market mortgages, net of financing costs	—	(34,109)
Other net liabilities	—	(71)
	—	37,455
Consideration was comprised of the following:		
Cash consideration	—	36,349
Bargain purchase gain	—	1,106
Total consideration	$ —	$ 37,455
Transaction costs expensed	$ —	$ 301

(In thousands of Canadian dollars, except unit and per unit amounts)

Dispositions:

The REIT disposed of the following properties during the year ended December 31, 2020:

Property	Property count	Location	Disposition date	Asset class
Centre 15 Building	1	Calgary, AB	January 21, 2020	Office
Calgary Office Portfolio (1)	2	Calgary, AB	January 30, 2020	Office
800 5th Avenue	1	Calgary, AB	January 31, 2020	Office
1165 Kenaston Street	1	Ottawa, ON	March 31, 2020	Office
Concorde Corporate Centre	2	Toronto, ON	November 16, 2020	Office
Delta Shoppers Mall	1	Greater Vancouver Area, BC	November 18, 2020	Retail
Shoppers Landmark Centre	1	Regina, SK	November 25, 2020	Retail
Strathcona Shoppers Centre	1	Regina, SK	December 7, 2020	Retail
ASM America Headquarters Building	1	Phoenix, AZ	December 10, 2020	Office
1110 Pettigrew Avenue	1	Regina, SK	December 15, 2020	Industrial

(1) Disposition includes a parcel of development land.

On January 24, 2020, the REIT contributed a parcel of industrial development land located in the Greater Houston Area, Texas to the Park 8Ninety IV joint venture arrangement. On October 20, 2020, the REIT contributed another parcel of industrial development land located in the Greater Houston Area, Texas to the Park 8Ninety V joint venture arrangement. The co-owners' share of the parcels of land are recorded as dispositions.

On November 9, 2020, the REIT disposed of a parcel of office development land located in the Twin Cities Area, Minnesota.

The cash proceeds from the sale of the above properties, net of costs and related debt, were $229,000. In conjunction with the sales of 800 5th Avenue and the parcel of office development land, the REIT also received notes receivable in the amounts of $10,000 and $3,192 (US$2,450), respectively, which are secured by the property or a portion of the development land sold (note 7). The assets and liabilities associated with the properties were derecognized.

The REIT disposed of the following properties during the year ended December 31, 2019:

Property	Property count	Location	Disposition date	Asset class
169 Inverness Drive West I & II (1)	1	Greater Denver Area, CO	April 9, 2019	Office
Reenders Square	1	Winnipeg, MB	May 21, 2019	Retail
Britannia Building	1	Calgary, AB	May 22, 2019	Office
Nanaimo Portfolio	4	Nanaimo, BC	June 17, 2019	Office & Retail
1700 Broadway	1	Greater Denver Area, CO	June 27, 2019	Office
GSA Professional Office Building	1	Greater Phoenix Area, AZ	July 26, 2019	Office
415 Yonge Street	1	Greater Toronto Area, ON	September 27, 2019	Office
Estevan Retail Portfolio	2	Estevan, SK	October 30, 2019	Retail
495 Richmond Road	1	Ottawa, ON	November 27, 2019	Office
Centre 70 Building	1	Calgary, AB	December 16, 2019	Office
Minnesota Retail Portfolio (1)	6	Twin Cities Area, MN	December 19, 2019	Retail

(1) Dispositions include a parcel of development land.

The cash proceeds from the sale of the above properties, net of costs and related debt, were $247,819. In conjunction with the sale of 415 Yonge Street, the REIT also received a note receivable in the amount of $79,000, which was secured by the property and repaid in full on September 30, 2020 (note 7). The assets and liabilities associated with the properties were derecognized.

(In thousands of Canadian dollars, except unit and per unit amounts)

Note 4. Investment properties, investment properties under development and investment properties held for sale

			Year ended December 31, 2020
	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of year	$ 4,618,719	$ 102,590	$ 221,915
Additions:			
Capital expenditures	28,388	69,082	543
Capitalized interest (1)	—	2,646	34
Leasing commissions	11,724	663	79
Straight-line rent adjustments	4,735	—	188
Tenant inducement additions, net of amortization	18,411	1,206	599
Contribution to investments in joint ventures (2) (3)	—	(14,761)	—
Dispositions	(400)	(747)	(351,201)
Foreign currency translation (loss) gain	(39,462)	44	(2,272)
Fair value loss	(110,037)	(3,265)	(27,574)
Reclassification of investment properties under development	23,660	(23,660)	—
Reclassification of investment properties held for sale	(230,617)	(1,555)	232,172
Balance, end of year	$ 4,325,121	$ 132,243	$ 74,483

(1) During the year ended December 31, 2020, interest was capitalized to investment properties under development at a weighted-average effective interest rate of 2.59%.
(2) On January 24, 2020, the REIT contributed land under development to Park 8Ninety IV, a joint venture arrangement.
(3) On October 20, 2020, the REIT contributed land under development to Park 8Ninety V, a joint venture arrangement.

			Year ended December 31, 2019
	Investment properties	Investment properties under development	Investment properties held for sale
Balance, beginning of year	$ 4,941,825	$ 119,604	$ 320,465
Additions:			
Acquisitions (note 3)	71,635	—	—
Reclassification from investments in joint ventures (1)	66,765	—	—
Capital expenditures	42,116	82,994	3,650
Capitalized interest (2)	—	3,740	—
Leasing commissions	14,415	1,168	1,158
Straight-line rent adjustments	5,446	—	631
Tenant inducement additions, net of amortization	16,133	2,762	1,532
Dispositions	(162,475)	—	(385,289)
Foreign currency translation loss	(106,548)	(1,964)	(1,812)
Fair value gain (loss)	19,400	2,601	(116,728)
Reclassification of investment properties under development	95,827	(95,827)	—
Reclassification of investment properties held for sale	(385,820)	(12,488)	398,308
Balance, end of year	$ 4,618,719	$ 102,590	$ 221,915

(1) On May 16, 2019, the REIT increased its ownership interest in Park 8Ninety I to 100%. See note 3 for further information.
(2) During the year ended December 31, 2019, interest was capitalized to investment properties under development at a weighted-average effective interest rate of 3.81%.

Marwest Construction Ltd. ("Marwest") is a significant vendor contracted for capital projects and tenant inducements. The REIT's former President and Chief Executive Officer (retired effective December 31, 2020) is the sole director (not a beneficial shareholder) of a company that has a non-controlling ownership interest in Marwest.

(In thousands of Canadian dollars, except unit and per unit amounts)

Costs paid and accrued to Marwest include the following:

		Year ended December 31, 2020		2019
Capital expenditures	$	63,831	$	65,832
Tenant inducement additions		4,118		5,775
	$	67,949	$	71,607

For the year ended December 31, 2020, capital expenditures paid and accrued to Marwest included $54,846 (2019, $53,140) relating to the 300 Main and 330 Main commercial and residential/multi-family development projects located in Winnipeg, Manitoba. Included in the costs paid and accrued to Marwest were construction management fees of $2,146 and labour costs of $4,997 for the year ended December 31, 2020 (2019, $2,765 and $3,457, respectively).

At December 31, 2020, investment properties under development included capitalized development costs of $130,291 (December 31, 2019, $74,842) relating to the 300 Main development project. Estimation of the recoverable amount of investment properties under development is subject to uncertainty due to development risks including development costs exceeding original estimates, construction or other unforeseen timing delays and leasing on a timely basis or at anticipated rates upon completion.

During the year ended December 31, 2020, the REIT reclassified one retail property and one retail densification project from investment properties under development to investment properties.

The REIT had two office properties and two retail properties classified as investment properties held for sale that were listed with external brokers or under unconditional sale agreements at December 31, 2020 (December 31, 2019, seven office properties, one retail property and one parcel of development land). The properties held for sale had an aggregate mortgage payable balance of $16,133 at December 31, 2020 (December 31, 2019, $66,587). This balance is not accounted for as held for sale but is included in current liabilities as the REIT intends to repay or have the purchaser assume the mortgages upon disposition of the related investment properties.

At December 31, 2020, included in investment properties was $48,854 (December 31, 2019, $47,933) of net straight-line rent receivables arising from the recognition of rental income on a straight-line basis over the lease term.

Investment properties include right-of-use assets held under a lease with an aggregate fair value of $12,955 at December 31, 2020 (December 31, 2019, $13,997). The lease payments required under this lease were fully paid at the time of acquisition of the property.

At December 31, 2020, investment properties with a fair value of $2,645,834 (December 31, 2019, $3,031,195) were pledged as security under mortgage agreements.

The REIT obtains external valuations for a selection of properties representing various geographical regions and asset classes across its portfolio. For the year ended December 31, 2020, properties (including the REIT's ownership interest in properties held in joint venture arrangements) with an appraised value of $916,550 (December 31, 2019, $563,870), were appraised by qualified external valuation professionals. The REIT uses similar assumptions and valuation techniques in its internal valuations as used by the external valuation professionals. Internal valuations are performed by the REIT's valuations team who report directly to the Chief Financial Officer. The valuations processes and results are reviewed by management on a quarterly basis.

The REIT determines the fair value of investment properties based upon either the discounted cash flow method or the overall capitalization method. Under the discounted cash flow method, expected future cash flows are discounted using an appropriate rate based on the risk of the property. Expected future cash flows for each investment property are based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. The REIT uses leasing history, market reports, tenant profiles and building assessments, among other things, in determining the most appropriate assumptions. Discount and capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one net income is stabilized and capitalized at a rate appropriate for each investment property. The stabilized net income incorporates allowances for vacancy, management fees and structural repair reserves. The resulting capitalized value is further adjusted, where appropriate, for costs to stabilize the net income and non-recoverable capital expenditures. There were no changes to the REIT's internal valuation methodology during the years ended December 31, 2020 and 2019.

A change in the discount or capitalization rates used could have a material impact on the fair value of the REIT's investment properties. When discount or capitalization rates compress, the estimated fair values of investment properties increase. When discount or capitalization rates expand, the estimated fair values of investment properties decrease.

A change in estimated future rental income and expenses could have a material impact on the fair value of the REIT's investment properties. Estimated rental income and expenses are affected by, but not limited to, changes in rent and expense growth and occupancy rates.

Emergency measures enacted by governments in response to the COVID-19 pandemic, including travel restrictions, physical distancing and the temporary closure of non-essential businesses, have created significant estimation uncertainty in the determination of the fair value of investment properties as at December 31, 2020. The REIT has made assumptions with respect to the duration and severity of these emergency measures as well as the duration of the subsequent economic recovery in estimating the amount and timing of future cash flows generated from investment properties and used in the determination of fair value. As a result of this significant estimation uncertainty there is a risk that the assumptions used to determine fair values as at December 31, 2020 may change as more information becomes available, resulting in a material adjustment to the fair value of investment properties in future reporting periods.

Under the fair value hierarchy, the fair value of the REIT's investment properties is considered a Level 3, as described in note 33.

(In thousands of Canadian dollars, except unit and per unit amounts)

The REIT has used the following rates and investment horizons in estimating the fair value of investment properties:

	December 31, 2020			December 31, 2019		
	Maximum	Minimum	Weighted-average	Maximum	Minimum	Weighted-average
Canada:						
Discount rate	9.75 %	5.00 %	7.16 %	9.50%	5.00%	7.38%
Terminal capitalization rate	9.00 %	3.75 %	6.19 %	9.00%	3.75%	6.34%
Capitalization rate	9.25 %	3.75 %	6.09 %	9.00%	3.75%	6.23%
Investment horizon (years)	12.0	10.0	10.5	11.0	10.0	10.3
U.S.:						
Discount rate	9.50 %	6.25 %	7.79 %	9.00%	6.25%	7.86%
Terminal capitalization rate	8.50 %	5.25 %	6.78 %	8.00%	5.25%	6.86%
Capitalization rate	8.00 %	5.00 %	6.63 %	8.00%	5.00%	6.73%
Investment horizon (years)	11.0	10.0	10.3	12.0	10.0	10.4
Total portfolio:						
Discount rate	9.75 %	5.00 %	7.42 %	9.50%	5.00%	7.55%
Terminal capitalization rate	9.00 %	3.75 %	6.43 %	9.00%	3.75%	6.53%
Capitalization rate	9.25 %	3.75 %	6.30 %	9.00%	3.75%	6.41%
Investment horizon (years)	12.0	10.0	10.4	12.0	10.0	10.3

The above information represents the REIT's entire portfolio of investment properties, excluding properties held in the REIT's investments in joint ventures.

The following sensitivity table outlines the impact of a 0.25% change in the weighted-average capitalization rate on investment properties at December 31, 2020:

	Change to fair value if capitalization rate increased by 0.25%	Change to fair value if capitalization rate decreased by 0.25%
Canada	$ (96,236)	$ 105,109
U.S.	(74,679)	80,699
	$ (170,915)	$ 185,808

Note 5. Joint arrangements

The REIT has interests in the following joint arrangements:

			Ownership interest	
Property	Principal purpose	Type of arrangement	December 31, 2020	December 31, 2019
Park 8Ninety II	Investment property	Joint venture	95 %	95 %
Park 8Ninety IV	Investment property	Joint venture	95 %	95 %
Park 8Ninety V	Investment property	Joint venture	95 %	— %
Corridor Park	Investment property	Joint venture	90 %	90 %
Millwright Building	Investment property	Joint venture	— %	80 %
Tower Business Center	Investment property	Joint venture	80 %	80 %
Graham Portfolio	Investment property	Joint venture	75 %	75 %
The Point at Inverness	Investment property	Joint venture	50 %	50 %
Cliveden Building	Investment property	Joint operation	50 %	50 %
Kincaid Building	Investment property	Joint operation	50 %	50 %

The REIT has assessed the above investment properties as joint arrangements as decisions about the relevant activities require unanimous consent of the parties sharing control. The REIT has determined the type of arrangement based upon the ownership structure of each individual investment property.

(In thousands of Canadian dollars, except unit and per unit amounts)

During the year ended December 31, 2020, the REIT entered into a new joint venture arrangement, Park 8Ninety V, an industrial development project in the Greater Houston Area, Texas.

During the year ended December 31, 2020, the REIT contributed $2,006 to Park 8Ninety IV, Park 8Ninety V, Corridor Park, Millwright Building and Tower Business Center joint venture arrangements. In addition, the REIT contributed land under development of $2,529 and $12,232 to the Park 8Ninety IV and Park 8Ninety V joint venture arrangements, respectively.

On August 25, 2020, the Millwright Building joint venture disposed of its investment property and the REIT's share of the proceeds, net of costs and related debt, was $21,415.

The REIT is contingently liable for the obligations of certain joint arrangements. As at December 31, 2020, the co-owners' share of mortgage liabilities was $34,299 (December 31, 2019, $40,816). Management believes that the assets available from its joint arrangements are sufficient for the purpose of satisfying such obligations.

Summarized financial information of the REIT's share in its joint venture arrangements is as follows:

	December 31, 2020	December 31, 2019
Non-current assets:		
Investment properties	$ 236,954	$ 306,051
Investment properties under development	14,466	—
Current assets:		
Investment property held for sale	60,819	—
Prepaid expenses and other assets	172	86
Accounts receivable and other receivables	819	1,281
Cash	14,241	9,207
Total assets	327,471	316,625
Non-current liabilities:		
Mortgages and loans payable	49,832	93,977
Current liabilities:		
Mortgages and loans payable	60,930	27,598
Security deposits and prepaid rent	2,861	3,483
Accounts payable and other liabilities	13,542	4,957
Total liabilities	127,165	130,015
Investments in joint ventures	$ 200,306	$ 186,610

	Year ended December 31, 2020	Year ended December 31, 2019
Revenue	$ 20,785	$ 17,958
Expenses:		
Property operating	4,457	4,938
Realty taxes	5,190	3,513
Total operating expenses	9,647	8,451
Net operating income	11,138	9,507
Other income (expenses):		
Interest expense	(4,561)	(4,372)
Interest income	17	7
Fair value gain on investment properties	18,257	31,701
Net income from investments in joint ventures	$ 24,851	$ 36,843

(In thousands of Canadian dollars, except unit and per unit amounts)

Note 6. Property and equipment

	December 31, 2020	December 31, 2019
Office furniture and fixtures	$ 12,242	$ 12,262
Office equipment and software	1,428	1,423
Right-of-use leased assets	1,726	611
Accumulated depreciation	(7,915)	(6,510)
	$ 7,481	$ 7,786

Note 7. Notes receivable

	December 31, 2020	December 31, 2019
Note receivable, maturing in July 2022, bearing interest at 5.05% per annum, interest-only monthly payment until maturity, secured by an office property. (1)	$ —	$ 79,000
Note receivable, maturing in January 2024, bearing interest at 5.00% per annum, interest-only monthly payment until maturity, secured by an office property.	10,000	—
Note receivable from tenant maturing in May 2023, bearing interest at 5.89% per annum, repayable in varying blended monthly installments. (2)	—	8,554
Note receivable from tenant, maturing in November 2031, bearing interest at 8.50% per annum, repayable in blended monthly installments of $64 (US$50)	5,450	5,856
Note receivable, maturing in November 2024, bearing interest at 4.00% per annum, accrued interest and principal due on maturity, secured by a parcel of land.	3,137	—
Other notes receivable	3,097	4,418
	21,684	97,828
Current portion	1,371	3,996
Non-current portion	$ 20,313	$ 93,832

(1) This note receivable was repaid on September 30, 2020.
(2) The outstanding balance of this note receivable in the amount of $8,372 was sold as part of the Calgary Office Portfolio disposition. See note 3 for further information.

Note 8. Inventory properties

The changes to the REIT's inventory properties were as follows:

	December 31, 2020	December 31, 2019
Balance, beginning of year	$ 14,632	$ 11,227
Capital expenditures	285	3,268
Capitalized interest (1)	143	137
Balance, end of year	$ 15,060	$ 14,632

(1) During the year ended December 31, 2020, interest was capitalized at a weighted-average effective interest rate of 2.62% (2019, 3.80%).

Inventory properties include an industrial property in the process of conversion into commercial condominium units. Inventory properties earned net operating income of $296 for the year ended December 31, 2020 (2019, $284).

(In thousands of Canadian dollars, except unit and per unit amounts)

Note 9. Prepaid expenses and other assets

		December 31, 2020		December 31, 2019
Prepaid insurance	$	3,948	$	3,499
Prepaid realty taxes		993		1,029
Prepaid acquisition, disposition and development costs		749		1,176
Derivative instruments (note 33)		—		1,303
Other prepaid expenses		1,617		3,526
	$	7,307	$	10,533

Note 10. Accounts receivable and other receivables

		December 31, 2020		December 31, 2019
Rents receivable	$	5,660	$	8,108
Deferred rents receivable		4,901		—
Allowance for doubtful accounts		(1,989)		(406)
Accrued recovery income		3,344		5,352
Other receivables		6,327		7,959
		18,243		21,013
Non-current portion of deferred rents receivable (net of related allowance for doubtful accounts of $152)		778		—
Current portion	$	17,465	$	21,013

As a result of the COVID-19 pandemic and the related emergency measures enacted by governments, a number of tenants have had to limit operations or close their businesses temporarily, with the retail tenants most significantly impacted. The deferred rents receivable represent rents deferred for certain qualifying tenants with repayment terms ending on or before December 31, 2022.

Refer to note 32 for further discussion on credit risk and allowance for doubtful accounts.

Note 11. Mortgages and loans payable

		December 31, 2020		December 31, 2019
Mortgages and loans payable	$	1,275,277	$	1,403,401
Net above- and below-market mortgage adjustments		2,423		3,170
Financing costs		(4,178)		(5,223)
		1,273,522		1,401,348
Current portion		405,126		396,152
Non-current portion	$	868,396	$	1,005,196

Certain of the REIT's investment properties have been pledged as security under mortgages and other security agreements. As at December 31, 2020, 31.8% of the REIT's mortgages and loans payable bear interest at fixed rates (December 31, 2019, 32.1%), and a further 37.1% of the REIT's mortgages and loans payable bear interest at variable rates with interest rate swaps in place (December 31, 2019, 27.1%). The weighted-average effective rate on all mortgages and loans payable was 3.23% and the weighted-average nominal rate was 3.03% at December 31, 2020 (December 31, 2019, 3.94% and 3.77%, respectively). Maturity dates range from January 1, 2021 to June 1, 2031.

The REIT's mortgage providers have various financial covenants. The REIT monitors these covenants, which are primarily debt service coverage ratios. Mortgages and loans payable with maturities within 12 months or are payable on demand as a result of a financial covenant breach are classified as current liabilities.

(In thousands of Canadian dollars, except unit and per unit amounts)

Note 12. Senior unsecured debentures

On February 22, 2019, the REIT issued 3.674% Series C senior unsecured debentures for gross proceeds of $250,000. Interest is payable semi-annually on February 22 and August 22 in each year. These debentures are not redeemable by the REIT prior to maturity and rank equally with all other indebtedness of the REIT.

The REIT repaid the outstanding face value of the 3.753% Series A senior unsecured debentures in the amount of $200,000 upon maturity on March 27, 2019 and repaid the outstanding face value of the Series B senior unsecured debentures in the amount of $200,000 upon maturity on February 7, 2020.

On September 18, 2020, the REIT issued 3.824% Series D senior unsecured debentures for gross proceeds of $250,000. Interest is payable semi-annually on September 18 and March 18 in each year. These debentures are redeemable, at the option of the REIT, at a price equal to the greater of (i) the Canada Yield Price (as defined in the supplemental indenture) and (ii) par. The debentures rank equally with all other indebtedness of the REIT.

Interest expense on the senior unsecured debentures is determined by applying the effective interest rate to the outstanding liability balance. The difference between actual cash interest payments and interest expense is an accretion to the liability.
Particulars of the REIT's outstanding senior unsecured debentures are as follows:

Senior unsecured debenture issue	Issue date	Maturity date	Applicable interest rate
Series C	February 22, 2019	February 22, 2021	3.674 %
Series D	September 18, 2020	September 18, 2023	3.824 %

	Face value	Unamortized financing costs	Carrying value	Current portion	Non-current portion
Series C	$ 250,000	$ (80)	$ 249,920	$ 249,920	$ —
Series D	250,000	(1,001)	248,999	—	248,999
December 31, 2020	$ 500,000	$ (1,081)	$ 498,919	$ 249,920	$ 248,999
December 31, 2019	450,000	(669)	449,331	199,959	249,372

During the year ended December 31, 2020, financing cost amortization of $672 (2019, accretion to the liability of $51 and financing cost amortization of $901) were recorded.

In accordance with the Series C and Series D senior unsecured debenture supplemental indentures, the REIT must maintain a consolidated EBITDA to consolidated interest expense ratio of not less than 1.65, consolidated indebtedness to aggregate assets of not more than 65% and minimum adjusted unitholders' equity of $300,000. As at December 31, 2020 and 2019, the REIT was in compliance with these requirements.

Note 13. Credit facilities

The REIT has 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. The REIT can draw on the facilities in Canadian or US dollars.

On February 6, 2020, the REIT entered into a two-year unsecured non-revolving term credit facility agreement in the amount of $200,000. In 2017, the REIT entered into two five-year unsecured non-revolving term credit facility agreements in the aggregate amount of $300,000. All non-revolving credit facilities can be utilized for general corporate and working capital purposes, property acquisitions and development financing.

(In thousands of Canadian dollars, except unit and per unit amounts)

The REIT's unsecured credit facilities are summarized as follows:

	December 31, 2020			December 31, 2019		
	Borrowing capacity	Amounts drawn	Available to be drawn [(1)]	Amounts drawn	Available to be drawn [(1)]	Applicable interest rates [(2)]
Revolving facilities maturing December 14, 2021	$ 400,000	$ 95,617	$ 304,383	$ 341,117	$ 58,883	BA rate plus 1.70% or prime plus 0.70% or LIBOR plus 1.70% or U.S. base rate plus 0.70%
Revolving facility maturing April 29, 2023	300,000	30,000	270,000	246,994	53,006	BA rate plus 1.70% or prime plus 0.70% or LIBOR plus 1.70% or U.S. base rate plus 0.70%
Non-revolving facility maturing February 4, 2022	200,000	200,000	—	—	—	2.22%
Non-revolving facility maturing July 6, 2022	150,000	150,000	—	150,000	—	3.57 %
Non-revolving facility maturing July 18, 2022	150,000	150,000	—	150,000	—	3.50 %
Financing costs		(1,156)		(1,589)		
Total credit facilities	$ 1,200,000	$ 624,461	$ 574,383	$ 886,522	$ 111,889	
Current portion		95,374		—		
Non-current portion		$ 529,087		$ 886,522		

(1) Under the terms of the revolving credit facilities, the REIT must maintain a minimum unencumbered property assets to consolidated unsecured indebtedness ratio of 1.4. As at December 31, 2020, this covenant limits the total borrowing capacity of the revolving credit facilities to $388,163 (December 31, 2019, $656,650).

(2) The REIT has entered into interest rate swaps on the non-revolving credit facilities.

For purposes of the credit facilities, the REIT must maintain a consolidated indebtedness to consolidated gross book value ratio of not more than 65%, a consolidated secured indebtedness to consolidated gross book value ratio of not more than 50%, a minimum consolidated EBITDA to debt service ratio of 1.4, a minimum unitholders' equity of not less than the sum of $1,700,000 and 75% of net proceeds received in connection with any equity offerings made after the date of the credit facilities agreement, a minimum unencumbered property assets value to consolidated unsecured indebtedness ratio of 1.4, and a minimum consolidated EBITDA to consolidated interest expense ratio of 1.65. As at December 31, 2020 and 2019, the REIT was in compliance with these requirements.

Note 14. Accounts payable and other liabilities

	December 31, 2020	December 31, 2019
Accounts payable and accrued liabilities	$ 35,407	$ 39,018
Distributions payable	7,485	7,458
Accrued interest	10,132	8,694
Accrued realty taxes	11,563	11,136
Tenant installments payable	5,458	2,939
Derivative instruments (note 33)	22,792	8,187
Cash-settled unit-based payments liability	2,958	9,205
Other payables and liabilities	1,335	1,594
	$ 97,130	$ 88,231

Note 15. Unitholders' equity

(a) Common units:

(i) Authorized:

In accordance with the Declaration of Trust, the REIT may issue an unlimited number of common units, with each unit representing an equal undivided interest in any distributions from the REIT, and in the net assets in the event of termination or wind-up of the REIT. All units are of the same class with equal rights and restrictions.

(In thousands of Canadian dollars, except unit and per unit amounts)

(ii) Issued and outstanding:

	Number of units		Amount
Balance at December 31, 2018	150,282,829	$	1,959,647
Restricted units redeemed	51,981		606
Deferred units redeemed	39,546		470
Units acquired and cancelled through normal course issuer bid	(12,417,833)		(161,976)
Balance at December 31, 2019	137,956,523		1,798,747
Restricted units redeemed	229,675		2,454
Deferred units redeemed	184,693		2,001
Units acquired and cancelled through normal course issuer bid	(3,727,716)		(48,601)
Balance at December 31, 2020	134,643,175	$	1,754,601

(b) Preferred units:

In accordance with the Declaration of Trust, the REIT may issue an unlimited number of preferred units. Particulars of the REIT's outstanding preferred units are as follows:

	Series A	Series E	Series G	Series I	Total
Number of units outstanding at December 31, 2018	3,445,400	3,996,200	3,196,200	5,000,000	15,637,800
Units acquired and cancelled through normal course issuer bid	(58,100)	(162,300)	(57,700)	—	(278,100)
Preferred units redeemed	—	—	(3,138,500)	—	(3,138,500)
Number of units outstanding at December 31, 2019	3,387,300	3,833,900	—	5,000,000	12,221,200
Units acquired and cancelled through normal course issuer bid	(29,600)	(44,578)	—	(34,460)	(108,638)
Units acquired through normal course issuer bid, not cancelled at year end	(1,500)	(1,224)	—	—	(2,724)
Number of units outstanding at December 31, 2020	3,356,200	3,788,098	—	4,965,540	12,109,838

The carrying value of the REIT's outstanding preferred units are as follows:

		Series A		Series E		Series G		Series I		Total
Annual distribution rate		5.662%		5.472%		5.000%		6.000%		
Distribution rate reset date		September 30, 2022		September 30, 2023		—		April 30, 2023		
Carrying value at December 31, 2018	$	82,034	$	96,445	$	77,098	$	121,304	$	376,881
Units acquired and cancelled through normal course issuer bid		(1,383)		(3,916)		(1,388)		—		(6,687)
Preferred units redeemed		—		—		(75,710)		—		(75,710)
Carrying value at December 31, 2019		80,651		92,529		—		121,304		294,484
Units acquired and cancelled through normal course issuer bid		(705)		(1,076)		—		(836)		(2,617)
Units acquired through normal course issuer bid, not cancelled at year end		(35)		(30)		—		—		(65)
Carrying value at December 31, 2020	$	79,911	$	91,423	$	—	$	120,468	$	291,802
Face value at December 31, 2020	$	83,905	$	94,702	$	—	$	124,139	$	302,746
Face value at December 31, 2019		84,683		95,847		—		125,000		305,530

(i) Series A:

On August 2 and 10, 2012, the REIT issued a total of 3,450,000 Cumulative Rate Reset Preferred Trust Units, Series A (the "Series A Units") for aggregate gross proceeds of $86,250. The Series A Units paid a cumulative distribution yield of 5.25% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial period ended September 30, 2017. The distribution rate was reset on September 30, 2017 at 5.662% and will be reset on September 30, 2022 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 4.06%.

(In thousands of Canadian dollars, except unit and per unit amounts)

The REIT may redeem the Series A Units on September 30, 2022 and on September 30 every five years thereafter. The holders of Series A Units have the right to reclassify their Series A Units to Preferred Units, Series B (the "Series B Units"), subject to certain conditions, on September 30, 2022 and on September 30 every five years thereafter. The Series B Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series B Units have the right to reclassify their Series B Units to Series A Units on September 30, 2027 and on September 30 every five years thereafter.

(ii) Series E:

On March 21, 2013, the REIT issued 4,000,000 Cumulative Rate Reset Preferred Trust Units, Series E (the "Series E Units") for aggregate gross proceeds of $100,000. The Series E Units paid a cumulative distribution yield of 4.75% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial period ended September 30, 2018. The distribution rate was reset on September 30, 2018 at 5.472% and will be reset on September 30, 2023 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 3.30%.

The REIT may redeem the Series E Units on September 30, 2023 and on September 30 every five years thereafter. The holders of Series E Units have the right to reclassify their Series E Units to Preferred Units, Series F (the "Series F Units"), subject to certain conditions, on September 30, 2023 and on September 30 every five years thereafter. The Series F Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series F Units have the right to reclassify their Series F Units to Series E Units on September 30, 2028 and on September 30 every five years thereafter.

(iii) Series G:

On July 29, 2013, the REIT issued 3,200,000 Cumulative Rate Reset Preferred Trust Units, Series G (the "Series G Units") for aggregate gross proceeds of $80,000. This included 200,000 Series G Units issued pursuant to the partial exercise of the Underwriters' option. The Series G Units paid a cumulative distribution yield of 5.00% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial period ended July 31, 2019. On July 31, 2019, the REIT redeemed all 3,138,500 outstanding Series G Units with an aggregate face value of $78,463.

(iv) Series I:

On January 31, 2018, under the August 8, 2016 short form base shelf prospectus, the REIT issued 5,000,000 Cumulative Minimum Rate Reset Preferred Trust Units, Series I (the "Series I Units") for aggregate gross proceeds of $125,000. The Series I Units pay a cumulative distribution yield of 6.00% per annum, payable quarterly, as and when declared by the Board of Trustees of the REIT, for the initial five-year period ending April 30, 2023. The distribution rate will be reset on April 30, 2023 and every five years thereafter at a rate equal to the greater of (i) the sum of the then five-year Government of Canada bond yield and 3.93% and (ii) 6.00%.

The REIT may redeem the Series I Units on April 30, 2023 and on April 30 every five years thereafter. The holders of Series I Units have the right to reclassify their Series I Units to Preferred Units, Series J (the "Series J Units"), subject to certain conditions, on April 30, 2023 and on April 30 every five years thereafter. The Series J Units pay floating rate cumulative preferential distributions on a quarterly basis, at the discretion of the Board of Trustees. The holders of Series J Units have the right to reclassify their Series J Units to Series I Units on April 30, 2028 and on April 30 every five years thereafter.

The Series A Units, Series E Units and Series I Units rank equally with each other and with the outstanding Series B Units, Series F Units and Series J Units into which they may be reclassified, and rank in priority to the trust units.

(c) Normal course issuer bid:

On December 15, 2020, the REIT announced that the Toronto Stock Exchange ("TSX") approved the renewal of its normal course issuer bid ("NCIB"). Under the renewed bid, the REIT has the ability to purchase for cancellation up to a maximum of 10% of the REIT's public float of common units and preferred units as at December 7, 2020 as follows:

	Public float	10% of public float
Common units	101,603,961	10,160,396
Preferred unit series:		
Series A	3,361,200	336,120
Series E	3,797,730	379,773
Series I	4,865,540	486,554

Purchases will be made at market prices through the facilities of the TSX and/or alternative Canadian trading systems and all common units and preferred units acquired by the REIT under this bid will be cancelled. This bid will remain in effect until the earlier of December 16, 2021, or the date on which the REIT has purchased the maximum number of units permitted under the bid. During the year ended December 31, 2020, the REIT acquired 3,727,716 common units at market prices aggregating $33,442, resulting in contributed surplus of $15,159, which was the excess of stated capital over redemption proceeds. During the year ended December 31, 2020, the REIT also acquired 31,100, 45,802 and 34,460 Series A, E and I Units, respectively, at market prices aggregating $1,850, resulting in contributed surplus of $832, which was the excess of stated capital over redemption proceeds.

During the year ended December 31, 2019, the REIT acquired 12,417,833 common units at market prices aggregating $138,403, resulting in contributed surplus of $23,573, which was the excess of stated capital over redemption proceeds. During the year ended December 31, 2019, the REIT also acquired 58,100, 162,300 and 57,700 Series A, E and G Units, respectively, at market prices aggregating $5,866, resulting in contributed surplus of $821, which was the excess of stated capital over redemption proceeds.

(In thousands of Canadian dollars, except unit and per unit amounts)

(d) Weighted-average common units:

		2020		Year ended December 31, 2019
Net income	$	21,543	$	122,737
Adjustment for distributions to preferred unitholders (note 17)		(17,420)		(19,936)
Net income attributable to common unitholders		4,123		102,801
Adjustment for restricted units		(374)		—
Adjustment for deferred units		(346)		—
Diluted net income attributable to common unitholders	$	3,403	$	102,801
The weighted-average number of common units outstanding was as follows:				
Basic common units		136,206,856		142,434,694
Effect of dilutive securities:				
Restricted units		320,049		—
Deferred units		80,016		—
Diluted common units		136,606,921		142,434,694
Net income per unit attributable to common unitholders:				
Basic	$	0.03	$	0.72
Diluted		0.02		0.72

The computation of diluted net income per unit attributable to common unitholders includes restricted units and deferred units when these instruments are dilutive. For the year ended December 31, 2020, there were no anti-dilutive units. For the year ended December 31, 2019, restricted units and deferred units were anti-dilutive, for an aggregate total of 535,557 units and 280,942 units, respectively.

Note 16. Equity incentive plan

Under the REIT's equity incentive plan, there may be grants of unit options, restricted units, deferred units and installment units, which are subject to certain restrictions. Under this incentive plan, the total number of units reserved for issuance may not exceed 8,500,000 units, of which a maximum of 4,000,000 units are reserved for the issuance of unit options.

(a) Restricted units:

Unit-based compensation expense related to restricted units outstanding under the equity incentive plan for the year ended December 31, 2020 amounted to $4,579 (2019, $2,981), including $2,123 related to accelerated vesting of restricted units as part of the executive settlement in connection with the proxy matter (note 20). Restricted units vest on and after the third anniversary of the date of grant. The restricted units accrue additional restricted units during the vesting period, and are credited when the restricted units are redeemed. Each restricted unit is valued at the closing price of the REIT's common units on the balance sheet date.

The REIT's restricted units outstanding are as follows:

	2020	Year ended December 31, 2019
	Units	Units
Balance, beginning of year	694,034	546,573
Granted	262,303	287,195
Accrued	43,877	26,356
Redeemed	(582,764)	(145,129)
Expired	(12,513)	(20,961)
Balance, end of year	404,937	694,034
Restricted units vested at end of year	14,291	19,130

(In thousands of Canadian dollars, except unit and per unit amounts)

(b) Deferred units:

Unit-based compensation expense related to deferred units outstanding under the equity incentive plan for the year ended December 31, 2020 amounted to $399 (2019, $1,282). Deferred units can only be granted to trustees of the REIT and vest immediately. Deferred units are redeemable within a specified time frame after a trustee ceases to be a trustee. The deferred units accrue additional deferred units after the grant date. Each deferred unit is valued at the closing price of the REIT's common units on the balance sheet date.

The REIT's deferred units outstanding are as follows:

		Year ended December 31,
	2020	2019
	Units	Units
Balance, beginning of year	472,451	92,673
Granted	60,914	409,128
Accrued	28,050	12,594
Redeemed	(468,507)	(41,944)
Balance, end of year	92,908	472,451
Deferred units vested at end of year	92,908	472,451

(c) Unit options:

At December 31, 2020 and 2019, no unit options had been granted under the REIT's equity incentive plan.

(d) Installment units:

At December 31, 2020 and 2019, no installment units had been granted under the REIT's equity incentive plan.

Note 17. Distributions to unitholders

Total distributions declared to unitholders were as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Total distributions	Distributions per unit	Total distributions	Distributions per unit
Common unitholders	$ 73,654	$ 0.54	$ 76,396	$ 0.54
Preferred unitholders - Series A	4,763	1.42	4,806	1.42
Preferred unitholders - Series E	5,200	1.37	5,329	1.37
Preferred unitholders - Series G	—	—	2,301	0.73
Preferred unitholders - Series I	7,457	1.50	7,500	1.50

(In thousands of Canadian dollars, except unit and per unit amounts)

Note 18. Revenue

The REIT's revenue is made up of the following significant categories:

		Year ended December 31,
	2020	2019
Base rent	$ 294,851	$ 322,554
Operating cost and realty tax recoveries	170,553	194,579
Parking and other revenue	12,741	20,736
Tenant inducements amortized to revenue	(24,854)	(23,385)
Straight-line rent adjustments	4,923	6,077
Lease termination income	703	1,099
	$ 458,917	$ 521,660

Refer to note 29 for a disaggregation of revenue by reportable geographical region.

The REIT leases industrial, office and retail properties to tenants under operating leases.

Minimum rental commitments on non-cancellable tenant operating leases (including leases held in the REIT's investments in joint ventures) over their remaining terms were as follows:

	December 31, 2020	December 31, 2019
Not later than one year	$ 293,096	$ 315,977
One to two years	260,653	286,806
Two to three years	233,099	243,841
Three to four years	196,447	209,760
Four to five years	159,376	170,768
Later than five years	635,042	670,120
	$ 1,777,713	$ 1,897,272

Note 19. Corporate expenses

		Year ended December 31,
	2020	2019
Accounting, legal and consulting	3,316	3,396
Public company costs	1,367	1,545
Unit-based compensation	2,855	4,264
Salaries and benefits	1,940	2,688
Depreciation of property and equipment	1,422	1,130
General and administrative	1,305	1,429
	$ 12,205	$ 14,452

Note 20. Proxy matter expenses

On September 30, 2020, the REIT received a unitholder requisition requesting the REIT call a special meeting of the REIT's unitholders for the purpose of reconstituting the Board with five new Trustees. On November 30, 2020, the REIT reached an agreement with Sandpiper Group to withdraw its unitholder meeting request and pending litigation. In connection with this proxy matter, the REIT incurred $17,423 of expenses including legal, advisory and executive settlement costs (notes 16, 27 and 28).

(In thousands of Canadian dollars, except unit and per unit amounts)

Note 21. Strategic initiative expenses

In 2019, the Board of Trustees launched a formal strategic review process to explore value-maximizing opportunities for the REIT. During the course of the strategic review, the REIT actively disposed of non-core investment properties, repurchased units under its NCIB and engaged independent financial and legal advisors to review various strategic alternatives. The strategic initiative expenses include legal and advisory costs in the amounts of $4,029 and $1,358 in 2020 and 2019, respectively.

Note 22. Interest expense

				Year ended December 31,
		2020		2019
Interest on mortgages and loans payable	$	45,492	$	62,445
Interest on senior unsecured debentures		12,639		16,352
Interest on credit facilities		24,983		26,640
Net amortization of above- and below-market mortgages fair value adjustments		(752)		(434)
Amortization of financing costs		3,744		3,857
Accretion on liability component of debentures		—		(51)
	$	86,106	$	108,809

Note 23. Fair value loss on derivative instruments and other transactions

The REIT recorded (losses) gains on the following:

				Year ended December 31,
		2020		2019
Interest rate swaps	$	(18,388)	$	(11,892)
Foreign currency contracts		2,257		(5,978)
Other derivatives		(407)		385
Bargain purchase gain [(1)]		—		1,106
	$	(16,538)	$	(16,379)

(1) The REIT realized a bargain purchase gain related to the step acquisition of the Centre 70 Building during the year ended December 31, 2019. See note 3 for further information.

Note 24. Income taxes

(a) Canadian taxes:

The REIT currently qualifies as a mutual fund trust and a real estate investment trust ("REIT") 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 Income Tax Act (Canada) contains legislations affecting the tax treatment of a specified investment flow-through ("SIFT") trust or partnership (the "SIFT Rules"). A SIFT includes a publicly-listed or traded partnership or trust, such as an income trust.

Under the SIFT Rules, certain distributions from a SIFT are not deductible in computing a SIFT's taxable income, and a SIFT is subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital should generally not be subject to tax.

The SIFT Rules do not apply to a REIT that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the SIFT Rules and has assessed their interpretation and application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions throughout the years ended December 31, 2020 and 2019. As a result, the REIT does not recognize any deferred income tax assets or liabilities for Canadian income tax purposes.

(b) U.S. 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.

(In thousands of Canadian dollars, except unit and per unit amounts)

Note 25. Supplemental cash flow information

(a) Other items not affecting cash:

		Year ended December 31,
	2020	2019
Tenant inducements amortized to revenue	$ 24,854	$ 23,385
Straight-line rent adjustments	(4,923)	(6,077)
Depreciation of property and equipment	1,422	1,130
Unit-based compensation	(1,859)	3,182
Other long-term employee benefits	—	888
Amortization of above- and below-market mortgages, net	(752)	(434)
Amortization of financing costs included in interest expense	3,744	3,857
Accretion on liability component of debentures	—	(51)
	$ 22,486	$ 25,880

(b) Changes in non-cash operating items:

		Year ended December 31,
	2020	2019
Inventory properties	$ (428)	$ (3,405)
Prepaid expenses and other assets	1,633	(1,497)
Accounts receivable and other receivables	2,597	(1,335)
Security deposits and prepaid rent	(2,367)	(2,225)
Accounts payable and other liabilities	(1,327)	(3,478)
	$ 108	$ (11,940)

(c) Other supplemental cash flow information:

		Year ended December 31,
	2020	2019
Interest paid	$ 87,189	$ 114,500
Interest received	4,811	3,220
Income taxes paid	1,216	995

(In thousands of Canadian dollars, except unit and per unit amounts)

Note 26. Subsidiaries

Subsidiaries of the REIT, including joint arrangements and excluding bare trustees, are outlined as follows:

		Ownership interest	
Name of entity	Country	December 31, 2020	December 31, 2019
Artis General Partner Ltd.	Canada	100 %	100 %
AX L.P.	Canada	100 %	100 %
Artis Property Management General Partner Ltd.	Canada	100 %	100 %
AX Property Management L.P.	Canada	100 %	100 %
Winnipeg Square Leaseco, Inc.	Canada	100 %	100 %
AR GL General Partner Ltd.	Canada	75 %	75 %
AR GL Limited Partnership	Canada	75 %	75 %
Artis US Holdings, Inc.	U.S.	100 %	100 %
Artis US Holdings II GP, Inc.	U.S.	100 %	100 %
Artis US Holdings II, LLC	U.S.	100 %	100 %
Artis US Holdings II L.P.	U.S.	100 %	100 %
Artis US Holdings III GP, Inc.	U.S.	100 %	100 %
Artis US Holdings III, LLC	U.S.	100 %	100 %
Artis US Holdings III L.P.	U.S.	100 %	100 %
AX US Management, Inc.	U.S.	100 %	100 %
Park 8Ninety Phase II, LP	U.S.	95 %	95 %
Park 8Ninety Phase IV, LP	U.S.	95 %	95 %
Park 8Ninety Phase V, LP	U.S.	95 %	— %
Artis/Core Park West Land, Ltd.	U.S.	90 %	90 %
Tower Business Center L.P.	U.S.	80 %	80 %
Artis/Ryan Millwright, LP	U.S.	80 %	80 %
ARTIS HRA Inverness Point GP, LLC	U.S.	50 %	50 %
ARTIS HRA Inverness Point, LP	U.S.	50 %	50 %

Note 27. Related Party Transactions

In addition to the remuneration to Trustees and key management personnel disclosed in note 28, the REIT had the following related party transactions.

For the year ended December 31, 2020, the proxy matter expenses (note 20) included reimbursements of advisory, legal and other out-of-pocket expenses incurred by Sandpiper Asset Management Inc. and RFA Capital Partners Inc. of $1,383 and $42, respectively, relating to the settlement agreement between the REIT and Sandpiper Group. Sandpiper Asset Management Inc. is a related party of the REIT by virtue of being a company under joint control of a Trustee and RFA Capital Partners Inc. is a related party of the REIT by virtue of being a company controlled by another Trustee.

(In thousands of Canadian dollars, except unit and per unit amounts)

Note 28. Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the REIT, directly or indirectly.

The remuneration of Trustees and key management personnel was as follows:

		Year ended December 31,		
		2020		2019
Retirement settlements	$	12,719	$	—
Short-term benefits		9,775		8,128
Post-employment benefits		—		1,199
Other long-term benefits		—		379
Unit-based compensation		1,961		3,060
	$	24,455	$	12,766

(a) Retirement settlements:

In connection with the resolution of the proxy matter (see note 20), the President & Chief Executive Officer retired effective December 31, 2020 and the Chief Financial Officer will be retiring effective at the conclusion of the 2021 annual meeting of the Unitholders. As a result of the retirements, the REIT recorded executive settlement expenses of $12,719 in 2020, which are included in proxy matter expenses. These expenses included reimbursement of legal fees in the aggregate amount of $69.

(b) Short-term benefits:

Short-term employee benefits include salaries, bonuses and other short-term benefits.

(c) Post-employment benefits and other long-term benefits:

The REIT had defined benefit plans providing pension benefits and obligations for future retirement payments to certain key management personnel. During the year ended December 31, 2019, the REIT settled the defined benefit plans and the obligations for retirement payments.

(d) Unit-based compensation:

Refer to note 16 for more information on the REIT's equity incentive plan.

(In thousands of Canadian dollars, except unit and per unit amounts)

Note 29. Segmented information

The REIT owns and operates properties located in Canada and the U.S. These properties are managed and reported internally by country. Segmented information includes the REIT's joint ventures as presented using the proportionate share method. REIT income (expenses), including interest relating to senior unsecured debentures and credit facilities and fair value gain (loss) on derivative instruments and other transactions, have not been allocated to the segments.

					Year ended December 31, 2020
	Canada	U.S.	REIT	Joint ventures adjustment	Total
Revenue	$ 243,370	$ 236,026	$ 306	$ (20,785)	$ 458,917
Expenses:					
Property operating	65,276	52,052	—	(4,457)	112,871
Realty taxes	39,748	42,213	—	(5,190)	76,771
	105,024	94,265	—	(9,647)	189,642
Net operating income	138,346	141,761	306	(11,138)	269,275
Other income (expenses):					
Corporate expenses	—	—	(12,205)	—	(12,205)
Proxy matter expenses	—	—	(17,423)	—	(17,423)
Strategic initiative expenses	—	—	(4,029)	—	(4,029)
Interest expense	(18,638)	(32,438)	(39,591)	4,561	(86,106)
Interest income	164	974	3,676	(17)	4,797
Net income from investments in joint ventures	—	—	—	24,851	24,851
Fair value (loss) gain on investment properties	(125,443)	2,824	—	(18,257)	(140,876)
Foreign currency translation gain	—	—	530	—	530
Fair value loss on derivative instruments and other transactions	—	—	(16,538)	—	(16,538)
(Loss) income before income taxes	(5,571)	113,121	(85,274)	—	22,276
Income tax expense	—	(733)	—	—	(733)
Net (loss) income	$ (5,571)	$ 112,388	$ (85,274)	$ —	$ 21,543
Additions to investment properties, investment properties under development and investment properties held for sale	$ 75,477	$ 45,028	$ —	$ (22,492)	$ 98,013
Additions to tenant inducements	17,479	33,307	—	(5,716)	45,070
Additions to leasing commissions	2,613	12,305	—	(2,452)	12,466

					December 31, 2020
	Canada	U.S.	REIT	Joint ventures adjustment	Total
Total assets	$ 2,638,216	$ 2,317,975	$ 30,815	$ (127,165)	$ 4,859,841
Total liabilities	521,907	962,922	1,168,280	(127,165)	2,525,944

(In thousands of Canadian dollars, except unit and per unit amounts)

Year ended December 31, 2019

	Canada	U.S.	REIT	Joint ventures adjustment	Total
Revenue	$ 289,050	$ 250,257	$ 311	$ (17,958)	$ 521,660
Expenses:					
Property operating	74,587	60,450	—	(4,938)	130,099
Realty taxes	44,442	40,776	—	(3,513)	81,705
	119,029	101,226	—	(8,451)	211,804
Net operating income	170,021	149,031	311	(9,507)	309,856
Other income (expenses):					
Corporate expenses	—	—	(14,452)	—	(14,452)
Strategic initiative expenses	—	—	(1,358)	—	(1,358)
Interest expense	(24,782)	(43,500)	(44,899)	4,372	(108,809)
Interest income	747	526	1,946	(7)	3,212
Net income from investments in joint ventures	—	—	—	36,843	36,843
Fair value gain (loss) on investment properties	4,811	(67,837)	—	(31,701)	(94,727)
Foreign currency translation gain	—	—	10,668	—	10,668
Transaction costs	(120)	(181)	—	—	(301)
Fair value gain (loss) on derivative instruments and other transactions	1,106	—	(17,485)	—	(16,379)
Income (loss) before income taxes	151,783	38,039	(65,269)	—	124,553
Income tax expense	—	(1,816)	—	—	(1,816)
Net income (loss)	$ 151,783	$ 36,223	$ (65,269)	$ —	$ 122,737
Acquisitions of investment properties	$ 7,929	$ 63,706	$ —	$ —	$ 71,635
Additions to investment properties, investment properties under development and investment properties held for sale	82,932	89,817	—	(43,989)	128,760
Additions to tenant inducements	19,267	29,892	—	(5,347)	43,812
Additions to leasing commissions	6,310	14,069	—	(3,638)	16,741

December 31, 2019

	Canada	U.S.	REIT	Joint ventures adjustment	Total
Total assets	$ 2,987,331	$ 2,360,066	$ 112,637	$ (130,015)	$ 5,330,019
Total liabilities	640,100	979,670	1,369,511	(130,015)	2,859,266

(In thousands of Canadian dollars, except unit and per unit amounts)

Note 30. Commitments, contingencies and guarantees

(a) Unconditional sale agreements:

The REIT has an unconditional sale agreement for two retail properties located in Regina, Saskatchewan for a sale price of $45,000 with expected closing in April 2021.

(b) Letters of credit:

As at December 31, 2020, the REIT had issued letters of credit in the amount of $3,574 (December 31, 2019, $3,574).

(c) Contingencies:

The REIT performs an assessment of legal and tax proceedings and claims which have occurred or could occur as a result of ongoing operations of the trust. Based on the information available, the outcomes of these contingent liabilities are uncertain and do not satisfy the requirements to be recognized in the consolidated financial statements as liabilities.

(d) Guarantees:

At December 31, 2020, the REIT has guaranteed certain debt assumed by purchasers in connection with the dispositions of three properties (December 31, 2019, three properties). These guarantees will remain until the debt is modified, refinanced or extinguished. Credit risk arises in the event that the purchasers default on repayment of their debt since it is guaranteed by the REIT. This credit risk is mitigated as the REIT has recourse under these guarantees in the event of default by the purchasers, in which case the REIT would have a claim against the underlying properties. The estimated amount of debt subject to the guarantees at December 31, 2020 was $53,811 (December 31, 2019, $56,025), with an estimated weighted-average remaining term of 2.1 years (December 31, 2019, 3.1 years). No liabilities in excess of the fair values of the guarantees have been recognized in the consolidated financial statements as the estimated fair values of the borrowers' interests in the underlying properties are greater than the mortgages payable for which the REIT provided the guarantees.

Note 31. Capital management

The REIT's objectives when managing capital are to safeguard the ability to continue as a going concern and to generate sufficient returns to provide unitholders with stable cash distributions. The REIT defines capital as mortgages and loans payable, senior unsecured debentures, credit facilities and unitholders' equity.

The REIT's Declaration of Trust permits the REIT to incur indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the REIT is not more than 70% of the gross book value of the REIT's total assets. Gross book value as defined in the Declaration of Trust includes the consolidated book value of the assets of the REIT, plus the amount of accumulated depreciation and amortization recorded in the books and records of the REIT, plus the amount of any deferred tax liability arising out of any indirect acquisitions, calculated in accordance with generally accepted accounting principles. As at December 31, 2020, the ratio of such indebtedness to gross book value was 49.3% (December 31, 2019, 51.3%), which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

The total managed capital for the REIT is summarized below:

	Note		December 31, 2020		December 31, 2019
Mortgages and loans payable	11	$	1,273,522	$	1,401,348
Senior unsecured debentures	12		498,919		449,331
Credit facilities	13		624,461		886,522
Total debt			2,396,902		2,737,201
Unitholders' equity			2,333,897		2,470,753
		$	4,730,799	$	5,207,954

Note 32. Risk management

In the normal course of business, the REIT is exposed to a number of risks arising from its financial instruments. The most significant of these risks, and the actions taken to manage them, are as follows:

(a) Market risk:

(i) Interest rate risk:

The REIT is exposed to interest rate risk on its borrowings. The Declaration of Trust restricts the REIT's indebtedness to 70% of the gross book value of the REIT's total assets. The REIT also monitors the amount of variable rate debt. The majority of REIT's debt financing is in fixed rate terms or variables rates with interest rate swaps in place. In addition, management considers the weighted-average term to maturity of long-term debt relative to the remaining average lease terms. At December 31, 2020, the REIT had variable rate debt, including credit facilities and debentures, of $1,495,281 (December 31, 2019, $2,041,647). At December 31, 2020, the REIT had entered into interest rate swaps to hedge the interest rate risk associated with $973,405 of variable rate debt, including swaps on credit facilities and debentures (December 31, 2019, $880,729).

(In thousands of Canadian dollars, except unit and per unit amounts)

The following table outlines the impact on interest expense of a 100 basis point increase or decrease in interest rates on the REIT's variable rate debt and fixed rate debt maturing within one year:

		Impact on interest expense
Variable rate debt	$	5,219
Fixed rate debt due within one year		4,126
	$	9,345

(ii) 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 this risk, the REIT's debt on U.S. properties is held in US dollars to act as a natural hedge.

A $0.10 weakening in the US dollar against the calculated average Canadian dollar exchange rate of 1.3375 for the year ended December 31, 2020, and the year-end exchange rate of 1.2732 at December 31, 2020, would have increased net income by approximately $5,780 for the year ended December 31, 2020. A $0.10 weakening in the US dollar against the Canadian dollar would have increased other comprehensive loss by approximately $104,485 for the year ended December 31, 2020. Conversely, a $0.10 strengthening in the US dollar against the Canadian dollar would have had an equal but opposite effect. This analysis assumes that all variables, in particular interest rates, remain constant.

(iii) Other price risk:

The REIT periodically enters into derivative transactions in regards to non-financial items, primarily natural gas and electrical contracts, to manage the price risk arising from fluctuations in these commodities.

(b) Credit risk:

The REIT's maximum exposure to credit risk is equivalent to the carrying value of each class of financial asset as separately presented in cash, cash held in trust, accounts receivable and other receivables, deposits on investment properties and notes receivable.

The REIT is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. The REIT's properties are diversified across the industrial, office and retail asset classes, and geographically diversified with properties owned across five Canadian provinces and six U.S. states.

The REIT measures loss allowance for rents receivable at the lifetime expected credit losses. In determining the expected credit losses, the REIT takes into account the expectations of future defaults and rent abatements based on payment history, tenant communications and economic conditions, as well as the impact of COVID-19 on tenant's ability to pay. As part of this assessment, the REIT reviews individual tenant risk profiles given the impact on tenant operations of COVID-19 restrictions imposed by various levels of government. The government-imposed restrictions have the largest impact on the retail tenants. In an effort to support tenants adversely impacted by the pandemic, certain qualifying tenants were given the option to defer a portion of their rent, with an agreement to repay the deferred amount at a specified later date.

Included in property operating expenses are expected credit losses of $2,693 during the year ended December 31, 2020 (2019, $589).

The aging of accounts receivable is summarized as follows:

		December 31, 2020		December 31, 2019
Past due 0 - 30 days	$	2,074	$	5,110
Past due 31 - 90 days		596		935
Past due more than 91 days		2,990		2,063
		5,660		8,108
Allowance for doubtful accounts		(1,444)		(406)
	$	4,216	$	7,702

(In thousands of Canadian dollars, except unit and per unit amounts)

The repayment terms of the deferred receivables are as follows:

	December 31, 2020	December 31, 2019
Not later than one year	$ 3,971	$ —
One to two years	930	—
	4,901	—
Allowance for doubtful accounts	(545)	—
	$ 4,356	$ —

The changes to the REIT's allowance for doubtful accounts were as follows:

	December 31, 2020	December 31, 2019
Balance, beginning of year	$ 406	$ 471
Additional provisions recorded	2,860	744
Reversal of previous provisions	(167)	(155)
Amounts written-off	(1,081)	(640)
Foreign currency translation loss	(29)	(14)
Balance, end of year	$ 1,989	$ 406

The REIT is also exposed to credit risk as a holder of notes receivable. Management mitigates this risk by carrying out credit checks and related due diligence on the borrowers and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In addition, management monitors ongoing repayments and evaluates market conditions that may affect debtors' ability to repay.

(c) Liquidity risk:

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they come due. The REIT manages liquidity risk by maintaining adequate cash and by having appropriate credit facilities available. In addition, the REIT continuously monitors and reviews both actual and forecasted cash flows.

The following are the estimated maturities of the REIT's financial liabilities at December 31, 2020 including accounts payable and other liabilities, lease liabilities, credit facilities, senior unsecured debentures and mortgages and loans payable. All debentures are disclosed at their face value.

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and other liabilities	$ 96,924	$ 96,924	$ —	$ —	$ —
Lease liabilities	1,419	206	369	311	533
Credit facilities	625,617	95,617	530,000	—	—
Senior unsecured debentures	500,000	250,000	250,000	—	—
Mortgages and loans payable	1,275,277	405,949	631,849	172,323	65,156
	$ 2,499,237	$ 848,696	$ 1,412,218	$ 172,634	$ 65,689

(In thousands of Canadian dollars, except unit and per unit amounts)

Note 33. Fair value measurements

The REIT uses a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements of its financial instruments and its investment properties. Level 1 of the fair value hierarchy uses quoted market prices in active markets for identical assets or liabilities to determine the fair value of assets and liabilities. Level 2 includes valuations using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 valuations are based on inputs for the asset or liability that are not based on observable market data.

There were no transfers of assets or liabilities between hierarchy levels during the years ended December 31, 2020 and 2019.

		December 31, 2020		December 31, 2019	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Assets:					
Investment properties	Level 3	$ 4,325,121	$ 4,325,121	$ 4,618,719	$ 4,618,719
Investment properties under development	Level 3	132,243	132,243	102,590	102,590
Notes receivable	Level 2	21,684	22,269	97,828	98,485
Investment properties held for sale	Level 3	74,483	74,483	221,915	221,915
Derivative instruments	Level 2	—	—	1,303	1,303
		4,553,531	4,554,116	5,042,355	5,043,012
Liabilities:					
Mortgages and loans payable	Level 2	1,273,522	1,278,649	1,401,348	1,412,899
Senior unsecured debentures	Level 2	498,919	507,251	449,331	453,086
Credit facilities	Level 2	624,461	625,617	886,522	888,111
Derivative instruments	Level 2	22,792	22,792	8,187	8,187
		2,419,694	2,434,309	2,745,388	2,762,283
		$ 2,133,837	$ 2,119,807	$ 2,296,967	$ 2,280,729

The fair value of the REIT's accounts receivable and other receivables, cash held in trust, cash and accounts payable and other liabilities approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair values of notes receivable, derivative instruments, mortgages and loans payable, senior unsecured debentures and credit facilities have been determined by discounting the cash flows of these financial instruments using period end market rates for instruments of similar terms and credit risks.

Derivative instruments primarily consist of interest rate and foreign currency swaps. The REIT entered into interest rate swaps on a number of mortgages and the non-revolving credit facilities. The swaps are not designated in a hedge relationship.

Note 34. Subsequent events

The following events occurred subsequent to December 31, 2020:

- The Park Lucero East partnership purchased a parcel of development land in the Greater Phoenix Area, Arizona. The purchase price at the REIT's 10% interest was $1,234 (US$970).
- The REIT acquired an additional 5% interest in Park 8Ninety IV, an industrial property located in the Greater Houston Area, Texas, for total consideration of $1,921 (US$1,510). Prior to the acquisition date, the REIT owned 95% of this investment property and the property was classified as a joint venture.
- The REIT disposed of Tower Business Center, an industrial property located in the Greater Denver Area, Colorado, held in one of its joint venture arrangements. The sale price of this property at the REIT's interest was $67,508 (US$53,160) and a portion of the proceeds was used to repay the outstanding mortgage financing of $21,224 (US$16,713) at the REIT's interest.
- A condominium corporation was registered for the industrial property classified as inventory (see note 8) and the REIT closed on the sales of a number of condominium units for an aggregate sale price of $9,425.
- The REIT entered into an unconditional sale agreement to sell a portion of a retail property located in Fort McMurray, Alberta for $4,600 with expected closing in April 2021.
- The REIT repaid a maturing mortgage for an office property in the amount of $12,978, repaid a maturing mortgage for a retail property in the amount of $5,405, repaid a maturing mortgage for an industrial portfolio in the amount of $9,354 (US$7,366) and repaid a mortgage for an industrial property held under a joint venture arrangement at the REIT's interest in the amount of $9,365 (US$7,360).
- The REIT received new mortgage financing on three previously unencumbered retail properties in the amount of $81,000.
- The REIT received new mortgage financing in the amount of $20,000 and repaid the existing mortgage in the amount of $10,944 for a retail property.
- The REIT made an interest payment for the Series C senior unsecured debentures in the amount of $4,593 for the six months ended February 22, 2021 and repaid the principal balance upon maturity in the amount of $250,000.
- The REIT repaid a net balance of $30,000 and drew a net balance $202,551 (US$159,500) on its revolving term credit facilities.
- The REIT purchased through the NCIB 1,064,346 common units at a weighted-average price of $10.68, 3,700 Series A Units at a weighted-average price of $19.51 and 6,624 Series E Units at a weighted-average price of $18.81.
- The REIT declared a monthly cash distribution of $0.04635 per common unit for the months of January and February 2021.
- The REIT declared a quarterly cash distribution of $0.3750 per Series I Unit for the three months ended January 31, 2021.

Note 35. Comparative figures

Certain comparative figures in the consolidated statements of operations, consolidated statements of cash flows and note 29 segmented reporting for the year ended December 31, 2019 have been reclassified to conform with the financial statement presentation adopted for the year ended December 31, 2020. Strategic initiative expenses were previously included in corporate expenses for the year ended December 31, 2019 and are now presented as a separate line item on the consolidated statements of operations and segmented reporting. This reclassification is intended to provide additional details on the REIT's results of operations. Distributions from joint ventures were previously presented as cash flows from operating activities and are now presented as cash flows from investing activities on the consolidated statements of cash flows. This reclassification is intended to better reflect the nature of the cash flows.

Note 36. Approval of financial statements

These consolidated financial statements were approved by the Board of Trustees and authorized for issue on March 2, 2021.

CORPORATE INFORMATION

INVESTOR RELATIONS

E-mail: investorinquiries@artisreit.com
Phone: (+1) 800-941-4751

TRANSFER AGENT

AST TRUST COMPANY (CANADA)

Phone: (+1) 416-682-3860 or (+1) 800-387-0825
Fax: (+1) 888-249-6189
astfinancial.com/ca-en

AUDITORS

Deloitte LLP

INDENTURE TRUSTEE

BNY TRUST COMPANY OF CANADA

Phone: (+1) 905-933-8558 or (+1) 800-254-2826
Fax: (+1) 416-360-1711
www.bnymellon.com

LEGAL COUNSEL

Norton Rose Fulbright

TORONTO STOCK EXCHANGE LISTINGS

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ARTIS
REIT

WINNIPEG HEAD OFFICE

600 - 220 PORTAGE AVENUE
WINNIPEG, MANITOBA R3C 0A5
T 204-947-1250
F 204-947-0453

WWW.ARTISREIT.COM
AX.UN - TSX